GAINING MOMENTUM

Annual Report 2019

MALAYSIA AIRPORTS

Cover Rationale

In 2019, Malaysia Airports made progress on many fronts with our initiatives and programmes coming to fruition. Bearing testament to this are our results with passenger movements and revenues achieving new records. Also gaining traction was the commercial reset with non-aeronautical revenues on the rise. We assumed a leadership role within the airport community to make strides in the environmental, social and governance spheres. The cranes on the cover of this Annual Report are a symbol of how Malaysia Airports has given wings to our ambition, enabling our endeavours to take flight and deliver on our promises to stakeholders. Therefore, 'Gaining Momentum' encapsulates our year in 2019.

You can also access our 2019 Annual Report through our augmented reality app. Enjoy the interactive content in 6 easy steps:

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Click the app and install (Please check your device compatibility before installing)

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You can also click on the interactive button to explore additional content

Feedback

Malaysia Airports is committed to continuously improve our reporting and we value input from our stakeholders in making these enhancements. Should you have any queries or feedback on this report, please contact us through the following channels:

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Malaysia Airports Holdings Berhad

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Malaysia Airports Holdings Berhad

About This Report

Introduction

This is Malaysia Airports' second integrated report which has been prepared with reference to with the International Integrated Reporting <IR> Framework as set out by the International Integrated Reporting Council.

Malaysia Airports is committed to fully adopting the Integrated Reporting <IR> Framework by 2020 to improve the quality of information available to stakeholders and promote accountability, in consonance with the recommendations in the Malaysian Code on Corporate Governance (MCCG) 2017 on integrated reporting. The integrated report aims to provide stakeholders with a concise and transparent overview of our business, strategies and our ability to create and sustain value over time.

In comparison to the first integrated report in FY2018, for FY2019 reporting Malaysia Airports improved the disclosures in the following sections:

Section	Improvement
Our Strategy	Using strategic themes and enablers as a framework to disclose key focus areas, progress and short to medium term focus against our strategy.
Value Creation Model	Disclosing value created for key stakeholders with three-year data for indicators where data is available, linkages to the United Nations Sustainable Development Goals and a section on Sustainability.
Management Discussion and Analysis	Inclusion of information on non-financial material matters.

Reporting Suite and Framework

The reporting suite for FY2019 comprises four volumes - Annual Report, Financial Statements, Sustainability Report and Airport Statistics. Together, they provide a comprehensive report of the Group's performance, activities and outlook as well as disclosure of the management of sustainability risks and opportunities within environmental, social and governance (ESG) parameters.

The reporting suite is prepared in accordance with applicable frameworks, namely
• Main Market Listing Requirements of Bursa Malaysia Securities Berhad
• Malaysian Financial Reporting Standards
• International Financial Reporting Standards
• Companies Act 2016
• Malaysian Code on Corporate Governance 2017
• GRI Sustainability Reporting Standards - Core Option

The reports can also be found online on our corporate website at www.malaysiaairports.com.my

Scope and boundary

This report covers the period from 1 January 2019 to 31 December 2019.

It contains information beyond financial reporting and includes non-financial information covering value creation, stakeholders' interests, material matters, risks and opportunities and corporate strategy and performance. It covers principle activities of the Group and all subsidiaries, unless otherwise indicated. Detailed information on investments in which the Group has no controlling interest is not included.

Concept of Value Creation and Materiality

Value Creation

We create value through our ability to manage the deployment of key resources - our six capitals - in our business activities to deliver the desired outputs and outcomes over the short, medium and long term for stakeholders, while considering trade-offs inherent in strategic choices. Value creation at Malaysia Airports is aligned with the UN SDGs. See page 22 onwards on Value Creation for further details.

Materiality

We apply the principle of materiality in the narration of this integrated report. The material matters include consideration of key business risks and opportunities and areas of interest to key stakeholders. This report focuses on material matters that may substantially affect our ability to create value over the short, medium and long term. See page 31 onwards on Material Matters for further details.

Forward Looking Statements

This report contains forward looking statements, for example, market outlook and targets, which are based on assumptions such as events or external circumstances which may change. Therefore, these statements are not guarantees of future performance and undue reliance should not be placed on them. Malaysia Airports does not publicly update any and all forward-looking statements issued to reflect the latest information. Forward-looking statements issued in this report have not been reviewed or audited by Malaysia Airports' external auditor.

Assurance

Independent third-party assurance was obtained for the following:

Content	Assurance	Framework
Annual Financial Statements	Reasonable assurance	• Companies Act 2016 • Malaysian Financial Reporting Standards • International Financial Reporting Standards
Statement on Risk Management and Internal Control	Limited assurance	• Bursa Malaysia Securities Berhad Listing Requirements
Sustainability Report	Limited assurance	• GRI Sustainability Reporting Standards – Core Option

Information on Exclusions

The limitation of information available in this Report is guided by our disclosure appetite. We aim to have a balance between positive and negative information, and certain information may have been withheld to preserve our competitive advantage. Certain requirements of the International <IR> Framework have been excluded due to the unavailability of reliable information or specific legal prohibitions.

Chairman's Statement

Dear Shareholders,

Malaysia Airports experienced a challenging year in 2019, and emerged with renewed vigour. The Group made tangible progress on many fronts with a focus on the most critical material matters to create value for stakeholders.

Tan Sri Datuk Zainun Ali
Chairman

Passenger numbers hit its highest ever, surpassing the 100 million mark for airports in Malaysia. Increased traffic, an improved passenger mix with higher proportion of international passengers, improved infrastructure, enhanced customer experience, the optimisation of existing spaces and the commercial reset of the non-aeronautical business drove revenues from airport operations.

In April 2019, we secured the Malaysian Government's approval for the renewal of the Operating Agreements between the Government and Malaysia Airports till 2069. The Operating Agreements form the basis for Malaysia Airports' licence to operate, manage and maintain 39 airports in Malaysia.

As a result, the Group's financial performance was strong with robust revenue and earnings growth.

In line with the Company's dividend policy to distribute a dividend payout of at least 50% of the consolidated annual net profit after taxation and minority interest annually, subject to availability of distributable reserves, the Board had approved the payment of a final single-tier dividend of 10.0 sen per ordinary share for FY2019 which was paid on 21 May 2020. This is in addition to the single-tier dividend of 5.0 sen per ordinary share for FY2019 paid in October 2019. As such the total dividend payout for FY2019 is RM248.8 million, equivalent to 52% of the total adjusted profit after tax, surpassing the Group's dividend policy. This underscores the unwavering commitment of Malaysia Airports to create value for its shareholders.

It is therefore befitting that we chose the theme for this year's annual report 'Gaining Momentum' to sum up our year. It is an honour and privilege for me to deliver this statement as Chairman of Malaysia Airports Holdings Berhad.

Gaining Momentum on Material Matters

Operating environment

Throughout 2019, the prevailing operating environment for Malaysia Airports was both challenging and constantly evolving. Although the Asia Pacific region continued to show strong air passenger traffic growth throughout 2019, we also encountered regional headwinds. The US-China trade dispute which escalated in the year had dampened China's economy. As China is a significant country of origin for passengers arriving at our airports in Malaysia, this gave us cause for concern until the Phase 1 trade agreement signed between the US and China in early 2020 had de-escalated tensions. The trade dispute also affected the international cargo trade, and global numbers for 2019 were flat.

Domestically, the financing model for capital expenditure at airports was due to undergo a complete change with the impending introduction of the Regulated Asset Base framework by the Malaysian Aviation Commission (MAVCOM). That had given rise to uncertainties as to the minutiae relating to the financing of capital expenditure for 2020-2022 as Malaysia Airports worked to bolt down the details.

Chairman's Statement

The continued evolution of the regulatory regime for the aviation industry in Malaysia also gave rise to fresh uncertainties. Notably, at the end of 2019, the Government announced the merger of the Civil Aviation Authority of Malaysia (CAAM) and MAVCOM, two of Malaysia Airports' main regulators.

In Turkey, the renovations which were completed in 2018 enabled Istanbul Sabiha Gökçen International Airport (IATA Code: SAW) to operate at higher capacity, and the change of business focus from domestic to international passengers for airlines operating out of SAW will benefit SAW in the future with higher revenues from international passengers.

Economic Performance

Group revenue for the financial year ended 31 December 2019 (FY2019) amounted to RM5,213.1 million, a growth of 7% year-on-year (YoY). The Group's profit before tax (PBT) grew by 33% to RM659.2 million compared to FY2018*. On an EBITDA basis, Group EBITDA increased by 9%. The Group registered profit after tax of RM537.0 million, an increase of 21% YoY.

The revenue and earnings growth were achieved on the back of 6% increase in passenger traffic. The improved profitability is attributed to a higher proportion of international passengers for both Malaysia and Overseas operations.

Total Airport Experience

Most notably, we made strides in enhancing the total airport experience for our guests as our 'Happy Guests, Caring Hosts' service culture transformation programme gained momentum in 2019 with over 180 training sessions for nearly 9,000 employees and members of the airport community at KL International Airport (IATA Code: KUL). The service cultural transformation resulted in better service quality and improved customer experience. This was translated into KUL recording an improvement of its overall score to 4.76 out of 5 for the Airport Service Quality (ASQ) benchmarking programme conducted by Airports Council International (ACI). This was the best score achieved by KUL throughout its participation in the ASQ programme.

> ## Malaysia Airports achieved good progress on several material matters of key importance to stakeholders.

Excluding extraordinary items in FY2018.

Integrity and Anti-Corruption

Malaysia Airports also strengthened its Integrity and Anti-Corruption measures and capabilities, with the ISO 37001:2016 certification for its Anti-Bribery Management System (ABMS) used for procurement processes. The internationally recognised ABMS is designed to help Malaysia Airports establish, implement, maintain and improve an anti-bribery compliance programme, and encourage better governance. The certification applies to the head office and our subsidiary, Malaysia Airports (Sepang) Sdn Bhd (MA Sepang), which runs KUL and will be rolled out to Malaysia Airports Sdn Bhd, which runs the other airports in Malaysia.

Airport Safety and Security, Digitalisation

Upgrading works on Runway 3 at KUL began in October in line with the KUL Runway Sustainability Master Plan. The works which started with pavement rehabilitation are expected to be completed mid-2020. The exercise will ensure continuous safety of the runway and address potential future issues such as airfield pavement roughness. Once works are completed on Runway 3, upgrading works are expected to commence for Runway 1 in 2021 and Runway 2 in 2023.

To enhance airport safety and security, Malaysia Airports leveraged the use of technology and its Airports 4.0 digitalisation initiative. 2019 saw us preparing to introduce at KUL the single token passenger journey, which is powered by facial recognition technology, big data analytics and the Internet of Things (IoT). This initiative which is currently in its pilot phase for certain flights departing from KUL enables the deployment of electronic gates with facial recognition capabilities to simplify the journey of passengers through the airport. Passengers are required to verify their travel documents only once upon check-in.

New security body scanners were installed at KUL with the capability to detect both organic and non-organic foreign objects on the body without requiring a manual pat-down. They are also more effective as they can detect all kinds of materials unlike the old walk through detectors that can only detect metal contraband. The new scanners are also faster and safer as they do not involve x-rays or radiation.

Regulatory Compliance

As the aviation industry is highly regulated, Malaysia Airports puts the highest priority in ensuring compliance with applicable laws and regulations in all aspects of our business, including those relating to environmental, social and governance (ESG) considerations. We therefore regret that in respect of the Quality of Service (QoS) framework imposed by MAVCOM, Malaysia Airports' subsidiary,

Malaysia Airports (Sepang) Sdn Bhd, was fined RM1.2 million in September 2019 and RM0.9 million in January 2020 by MAVCOM for failing to meet QoS targets at KUL. The working committees overseeing compliance with the QoS framework have since presented rectification and mitigation plans that will be implemented to address the shortcomings.

Airport Capacity
In terms of airport capacity, in 2019, Malaysia Airports embarked on and completed several optimisation projects to increase capacity by reconfiguring and repurposing available space and facilities at the airport terminals to improve passenger flow and experience. For example, the arrival areas at KUL were optimised to prepare for Visit Malaysia 2020. At klia2, the expansion and reconfiguration doubled the size of the immigration arrival area to improve the immigration process for arriving passengers. The arrival customs inspection area for both KLIA Main terminal and klia2 were converted from a single lane to six new lanes for better efficiency.

In 2019, we received the green light from the Ministry of Finance to proceed with the expansion project for Penang International Airport (IATA Code: PEN), which was operating beyond its capacity.

Gaining Momentum on Sustainability
This year, Malaysia Airports has included a more comprehensive review of non-financial performance of ESG matters in this annual report, in line with our move towards integrated reporting. It also reflects Malaysia Airports' increased emphasis on sustainability,

incorporating ESG considerations in building a sustainable business for the long term.

In 2019, we strengthened the ESG model with the Board of Directors reviewing and approving updates to Malaysia Airports' Sustainability Policy and Framework. There is now improved alignment between the material matters of the business with ESG considerations as well as with Malaysia's commitments under the 2030 Agenda for Sustainable Development, or more commonly referred to as the UN Sustainable Development Goals (SDGs).

Malaysia Airports also took a proactive leadership role among stakeholders by launching the KUL Sustainability Charter. The Charter outlines how Malaysia Airports will work together with the KUL airport community to create a sustainable airport ecosystem. The Charter marks the first step in developing an airport-wide sustainability scheme, with detailed goals and initiatives, and where applicable, measurable performance targets.

A significant year for aviation industry
Globally, for the aviation industry, 2019 marked the 75th anniversary of the Convention on International Civil Aviation or the Chicago convention, which led to the formation of the International Civil Aviation Organisation (ICAO) under the auspices of the United Nations. ICAO has made it possible for the international aviation industry to operate across borders and continents with uniformity of standards and safety across the world.

Chairman's Statement

KL International Airport comes of age

In Malaysia, 2019 was the year KL International Airport came of age, so to speak, as we celebrated its 21st anniversary. It was made more meaningful as the celebration included the then Prime Minister of Malaysia, Tun Dr Mahathir Mohammad, whose vision and foresight led to the opening of the brand new airport in 1998. Malaysia Airports was proud to demonstrate that we had not only fulfilled his vision, but had also enabled his dream to take flight and soar.

And in Turkey, we welcomed Tun Dr Mahathir to SAW in July 2019. He was given a tour of the airport, and was given a briefing on its operations and growth potential. He also viewed the recently completed domestic boarding hall expansion at the airport.

Airports contribute to social and economic progress

The coming of age of KLIA put into sharper focus the role of airports in nation building, particularly in Malaysia. In line with that, we also recognise the wider contribution of airports towards achieving the SDGs, a universal call to action to end poverty, protect the planet and improve the lives and prospects of everyone, everywhere.

In contributing to the SDGs, one main area is the economic sphere where we generate wealth and employment through our business activities and throughout the ecosystem of value chains connected to our business activities. Malaysia Airports is also a catalyst for other industries and to grow and flourish particularly those involving high-value electrical components and perishable goods. By providing the connectivity for globalised supply chains, we have seen the continued growth of Penang's Free Trade Zone located near PEN.

KUL is also the catalyst for airport-driven development in the form of the KLIA Aeropolis. Covering a 100 sq km of land, the KLIA Aeropolis is designed as an integrated, complete and synergistic ecosystem, aligned with Malaysia's national objectives to attract foreign direct investment in three core clusters: Air Cargo & Logistics, Aerospace & Aviation, and MICE & Leisure. While still in its development stages, the KLIA Aeropolis is already preparing to house one of just six e-commerce fulfilment hubs of the global e-commerce giant, Alibaba, with the operationalisation of the KLIA DFTZ Aeropolis Park by the end of 2020.

Subang International Airport is also the raison d'être for the formation of an Aerospace and Aviation hub in the areas surrounding the airport. Under the Subang Airport Regeneration initiative, the city airport also supports an aerospace hub focusing on the manufacture of aircraft components as well as maintenance, repair and overhaul (MRO) together with business aviation and helicopter centres, all catering to leading international airport aviation firms.

Airports are also an enabler for Malaysia's tourism industry, welcoming foreign visitors to Malaysia, and for facilitating travel within Malaysia. In 2019, Malaysia Airports began gearing up in earnest for Visit Malaysia 2020 (VM2020) for which we are a strategic partner to Tourism Malaysia. Despite the cancellation of VM2020 due to the COVID-19 pandemic, Malaysia Airports will continue to work closely with the Government of Malaysia to boost our tourism industry.

The connectivity provided by our airport network has improved the image and desirability of cities and countries, opening up opportunities for Malaysians. For example, Malaysia ranks 11th in the most popular education destinations for international students globally in UNESCO's latest survey. In addition, the country continues to be cited as a top destination for retirement and medical tourism.

Spurring social inclusion

While the economic benefits of airports are well documented and communicated, I would like to highlight the role of airports in promoting social inclusion across Malaysia. In particular, the states of Sabah and Sarawak are home to remotely located communities who live in relative isolation, far from the city and centres of commercial development. Some of these communities live in areas which can only be reached by an arduous and lengthy journey by river boat or four-wheel drive or even a trek by foot (and sometimes a combination of all of the above!). For these communities, the 18 short take-off and landing ports (STOLports) managed by Malaysia Airports are a lifeline.

These STOLports provide remotely located communities with the means to access services and education, and link them to the rest of Malaysia, and the world. In cases of medical emergency, STOLports provide the crucial link to enable patients to be air-lifted to hospitals, which perhaps may be the only way to save their lives. The important role of STOLports was highly evident during the COVID-19 pandemic where they served as crucial conduits in transporting much needed supplies to the remote areas.

Malaysia Airports maintains these STOLports as part of our corporate responsibility initiatives. As users of STOLports do not pay passenger service charges for use of the facilities, the on-going maintenance of the STOLports are funded from Malaysia Airports' own revenues. In 2019, 160,000 passengers used our STOLports throughout Malaysia.

Corporate Responsibility is part of our DNA

Airports also provide us with a base for which Malaysia Airports engages with the community to further its corporate responsibility agenda. Giving back to the community is very much a part of Malaysia Airports' DNA. We support schools, community initiatives, local products and other causes which are part of the community around our airports. This is our way of giving back to the community which has supported our operations. After all, the basis of social capital employed by Malaysia Airports is premised on the belief that business can flourish only if the community also prospers.

I was touched by the response of the community towards our corporate responsibility initiatives. In October 2019, I attended an event held to officiate the launch of a revamped computer lab by Malaysia Airports at the National Skills Development Centre at Serendah, Selangor. Malaysia Airports had renovated and upgraded the computer lab and equipped the 'Digital Space' with new computers, enabling 50 students at the centre to learn and apply ICT skills. This formed part of Malaysia Airports' corporate responsibility programme, 'Beyond Borders' which aims to empower students through education initiatives.

I was struck by how enthusiastic and excited the students were to have an opportunity to improve their skills and equip themselves for today's digital world, and how appreciative they were of our efforts.

> I am glad that Malaysia Airports is able to make a lasting difference in the lives of young people.

Therefore, airports are not just for the affluent or people with the means to travel, but they benefit all Malaysians in more ways than readily meet the eye. Airports are an essential tool in nation building in today's connected world. Malaysia Airports is proud of its role in this regard, and its impact in improving the lives of Malaysians.

An active year for the Board

Apart from my appointment to the Board in January 2019, there were other changes to the Board of Directors, among which were the appointments of Mr Ramanathan Sathiamutty, Ms Wong Shu Hsien and Dato' Janasanthiran Muniayan. The current composition of the Board makes for a fairly well-balanced team in terms of skills, expertise and experience. The discussions at meetings have been rigorous, robust and in-depth as the Board discharges its duties.

While we note our solid track record in value creation, we are well aware that today's business environment and rapid pace of change, and economic outlook are vastly different. In other words, what has brought growth and value before may not work for the future.

Therefore, among the major Board initiatives was a review of Malaysia Airports' strategy to determine where our limited resources would best be deployed and employed to maximise long-term sustainable impact. The review enabled the Board to drill down into the key focus areas for the Company to ensure that material matters are bedded down and a close tab kept on them. In so doing, we took into careful consideration the resources we have from among the six capitals that the Company deploys in its business as well as the need to create value for shareholders as well as for the other stakeholders of the Company. A thorough review of the risks and opportunities presented by our business as well as the trade-offs that we would have to make in preferring some options over others were also carefully considered.

The Board also welcomed the engagement with the Institutional Investors Council Malaysia (IICM). It was an opportunity to brief institutional investors of Malaysia Airport's business and financial performance and outlook, as well as to update them on our initiatives to uphold and strengthen corporate governance.

In all of our business dealings, my fellow directors and I are always conscious of our responsibility to uphold the highest standards of corporate governance and integrity in our dealings and also to ensure that this is foremost in the corporate culture of Malaysia Airports and in the minds of our employees as they go about discharging their duties. In 2019, we made considerable progress on this front. In addition to the ABMS certification previously mentioned, the

Chairman's Statement

extensive training programme for our staff and business partners on prevention of corruption and on-going commitment to uphold our Corporate Integrity Pledge show our seriousness in addressing upholding trust in Malaysia Airports.

I am also pleased to note that women directors on the Board currently account for 45% of the Board. This together with the increasing number of women at all levels of the Company, including senior management, is a clear indication of the opportunities that Malaysia Airports is creating for women in the aviation industry, which has been viewed traditionally as a male-dominated space. I believe that having more women at Malaysia Airports can help build an organisation that seeks to build consensus and collaboration, which is particularly important for us as we deal with a wide range of stakeholders throughout our operations.

Accolades

I am pleased that our efforts have received recognition from stakeholders. Among the many awards that Malaysia Airports had received in 2019, my fellow directors and I are particularly proud of those which recognise our efforts in corporate governance and transparency. We were awarded an Industry Excellence Award in the Transportation and Logistics sector by the Malaysian Shareholders Watch Group in its MSWG – ASEAN Corporate Governance Awards.

Focus Malaysia, a business publication, ranked Malaysia Airports fourth in the 'Focus Malaysia's 10 Most Transparent Stocks'. PwC named us one of 20 finalists for The Building Trust Awards based on our maiden efforts in integrated reporting. We were also pleased when Malaysia Airports emerged third in the Transparency in Corporate Reporting rankings by the Malaysian Institute of Corporate Governance which evaluates Malaysia's top 100 public listed companies based on their anti-corruption practices, organisational transparency, and sustainability.

The Edge Billion Ringgit Club Awards 2019 named Malaysia Airports for 'Highest Return to Shareholders Over Three Years' in the transportation and logistics sector citing our consistent and steady performance which has created value for shareholders in terms of share price appreciation and dividends.

While we do not rest on our laurels, the recognition by stakeholders is an encouragement to the Board, Management and employees of Malaysia Airports to continue with our efforts.

Outlook for 2020

When 2020 began, the outlook for the year was benign with optimism that the tensions over the US-China trade war were dissipating with the signing of the Phase 1 of a trade deal. The Ministry of Finance had forecasted a GDP growth of 4.8% for Malaysia in 2020 while International Monetary Fund (IMF) was expecting the world economy to expand 3.3% this year.

However, with the emergence of the novel coronavirus initially in China, and the rapid spread of COVID-19 across Malaysia and the rest of the world, the outlook for 2020 has changed dramatically.

In an effort to break the transmission of COVID-19, effective 18 March 2020, the Malaysian Government imposed an

unprecedented Movement Control Order, promulgated under the Prevention and Control of Infectious Diseases Act 1988. Under the Movement Control Order, among other measures, foreigners were not allowed to enter Malaysia, and Malaysians were not allowed to leave the country. Malaysians were also not allowed to travel interstate without prior written approval from the police.

In the circumstances, at the end of March 2020, MAVCOM had revised its forecast for passenger traffic for 2020 to contract by between 36.2% and 38.1% YoY. This forecast accounts for flight cancellations and assumes a seat reduction of 15.0% for domestic flights and a 20.0% seat reduction for international flights. These numbers are daunting; more so because the extent of the spread of COVID-19 in Malaysia as well as across the globe is still unfolding, and aviation industry forecasts remain in a state of flux.

I would like to assure all stakeholders that Malaysia Airports has taken immediate and pre-emptive measures to deal with the impact of COVID-19. Throughout the period of the Movement Control Order, our airports continue to operate to provide critical services, particularly transportation of cargo, medical supplies and humanitarian aid as well as to facilitate Malaysians returning from abroad.

Our top priority is to keep our passengers, employees and airport community safe and healthy. Our employees have collaborated closely with the authorities and the airport community. Together, we have been quick to help airport users maintain social distancing by placing markers throughout the airport facilities to facilitate queues, seating, and orderly movement through the airport. We have also undertaken stringent hygiene measures throughout our airports, with surfaces especially at critical touch-points being constantly sanitised.

On the use of financial and other capitals and resources, Malaysia Airports has taken swift action to monitor and assess our business position. While Malaysia Airports entered 2020 from a position of financial strength, we are already taking a conservative and prudent stance to optimise the use of capitals and resources. Among the on-going measures is to develop a Group-wide plan to increase operational efficiencies, reduce costs and prioritise capital expenditure, as well as to control costs aggressively. In this regard, we are also engaging with key stakeholders, in particular the Government, regulators and business partners, to coordinate our responses to the COVID-19 pandemic.

Virtual Annual General Meeting

In view of the Government's advice on social distancing and the avoidance of public gatherings in the wake of the COVID-19 pandemic, Malaysia Airports' 21st Annual General Meeting (AGM) will take the form of a virtual meeting. We will broadcast the meeting from a venue at Sama-Sama Hotel, and shareholders will be able to follow the proceedings via live streaming as well as participate and vote online. Further details on the AGM are contained in the Notice of the 21st AGM available in this Annual Report.

Heartfelt thanks

I would like to extend a warm welcome to two of the newest Board members Dato' Zamzuri Abdul Aziz who was appointed on 10 February 2020 and his alternate Dato' Dr Amiruddin Muhamed.

The Board would like to welcome Dato' Mohd Shukrie Mohd Salleh, who joined Malaysia Airports in 2019 as Chief Operating Officer and stepped up as Acting Group Chief Executive Officer at the beginning of 2020. The Board subsequently confirmed his appointment as Group Chief Executive Officer at the end of February 2020.

The Board also thanks Raja Azmi Raja Nazuddin who left Malaysia Airports at the beginning of 2020 to pursue other opportunities. We appreciate the contributions of Raja Azmi during his tenure as Group Chief Executive Officer and Chief Financial Officer of Malaysia Airports.

In addition, the Board wishes to thank our employees for their dedication during this challenging year. We acknowledge the efforts and contributions as well as the many sacrifices they would have had to make in the course of their work and for that, we would like to express our heartfelt thanks. We also express our sincere appreciation to shareholders and all other stakeholders - the various ministries, government agencies, airline partners, retail partners, vendors and all other business partners - for their support and contribution in overcoming the challenges and hurdles of 2019, and making this a successful year for Malaysia Airports.

Given the teamwork and the close cooperation and collaboration that we have witnessed throughout 2019 with stakeholders, we have strong foundations in place to face the challenges that 2020 may bring. I ask all our employees and stakeholders to remain steadfast and resolute, and that together, we will emerge from these challenges with renewed strength and resilience.

Tan Sri Datuk Zainun Ali
Chairman

2019 Key Highlights

Malaysia Airports gained momentum with improvements in many material matters in 2019. Where applicable the year-on-year increase or decrease from FY2018 is included for comparison.

Group Financial Performance

Revenue	EBITDA
RM5,213.1 mil	**RM2,292.0 mil**
+8.9%	+9.0%

Profit Before Tax	Profit After Tax	Total Equity
RM659.2 mil	**RM537.0 mil**	**RM9,324.5 mil**
+33.4%*	+21.9%*	+2.0%

* excluding extraordinary items in FY2018

Group Airport Statistics

Airports managed	Passenger movements
39	**141.2 million**
	+5.6%

Aircraft movements	Cargo movements
1.281 million	**1.003 million tonnes**
+3.4%	-3.3%

Airport Service Quality

KUL ASQ Score	KUL ASQ Rank (> 40 mppa category)
4.76/5	**#17**
+0.06	-3 ranks

* KUL is the IATA Code for KL International Airport

Total Direct Destinations

KUL		SAW		BKI, KCH, LGK, PEN	
166	**175**	>160	**174**	130	**139**
2018	**2019**	2018	**2019**	2018	**2019**

2019 Key Highlights

Human Capital

Total employees	% Female	Engagement rate
10,724	**45% directors** **35% employees**	**78%** **+4% points**

Investment in Training and Development	Average training hours per employee
RM12.6 million +38.5%	**16.1 hours** +49.1%

Environment

Airport Carbon Accreditation
Level 3

Fuel Intensity
0.0046 litre/passenger
-8.0%

Electricity Intensity
5.14 kWh/passenger
-3.1%

Water Consumption Intensity
104.7 litre/passenger
-17.8%

Safety and Security

Airport Emergency Exercises
77

Targeted Safety Exercises
100% completed

KUL Runway Rehabilitation
Runway 3 works commenced

New body scanners at KUL
No x-ray or radiation

Community Investment

Total amount
RM1.1 mil
-20%

New Sustainability Initiatives

KUL Sustainability Charter

Green Airport Strategy Roadmap

At a Glance

Malaysia Airports Holdings Berhad is a public limited company incorporated under the Companies Act of Malaysia and listed on the Main Market of Bursa Malaysia. We are a component of Bursa Malaysia's benchmark index FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBMKLCI), as well as the FTSE4Good Bursa Malaysia Index.

We are the main airport operator in Malaysia where we manage 39 airports nationwide. Our flagship airport is KL International Airport (IATA Code: KUL) which includes both KLIA Main terminal and klia2. In addition to KUL, we also manage four other international airports, 16 domestic airports and 18 STOLports. Malaysia Airports also owns and manages Istanbul Sabiha Gökçen International Airport (IATA Code: SAW) in Istanbul, Turkey.

Malaysia Airports is involved in five key business activities as shown on the next page. The business model focuses on the airport business as well as on commercial and growth opportunity presented by the travel and aviation industry. The diversification of our business activities has allowed us to increase our revenue streams and maintain robust returns to shareholders through synergistic value creation. This model has also enabled us to cross-subsidise the vital but less lucrative operations of smaller domestic airports and STOLports.

Malaysia Airports is a member of Airports Council International (ACI), the worldwide association of airport operators. Within the ACI we are members of the World Standing Committee and the Asia Pacific and Regional Environmental Committee. Malaysia Airports is also a signatory to the Aviation Industry Commitment to Action on Climate Change.

OUR VISION
A Global Airport Group that Champions Connectivity and Sustainability.

BRAND PROMISE
Hosting Joyful Connections

Our Competitive Advantage					
1	**2**	**3**	**4**	**5**	**6**
Malaysia is located in a central and strategic location among the ASEAN countries, surrounded by high growth markets such as China and India.	We offer competitive aeronautical charges which are among the lowest in the world.	Our airports are equipped with good infrastructure and facilities.	KUL is the only airport within the Asian region to have a three-independent runway system, allowing for efficient flight operations.	KUL has two terminals with a combined capacity of 75 mppa	KUL is located within a 100km land bank which allows for further development, both aviation-related and commercial.

At a Glance

Highlights by Key Business Activities

Airport Services

Manage, operate and maintain airports, and provide airport-related services.

Equity invested:
RM4,419.3 million

Total Revenue:
RM4,458.3 million

EBITDA:
RM2,195.4 million

Group passenger traffic movements:
141.2 million

Number of airports:
40

Number of employees:
8,664

Duty Free and Non-Dutiable Goods

Operate duty-free outlets and provide management services for food and beverage outlets at designated airports.

Equity invested:
RM16.5 million

Total Revenue:
RM854.5 million

EBITDA:
RM53.2 million

Number of retail outlets:
525 million

Retail area (sqm):
65,364.0

Number of employees:
982

Hotel

Manage and operate hotels.

Equity invested:
RM92.7 million

Total Revenue:
RM93.3 million

EBITDA:
RM32.3 million

Number of Hotels:
4

Number of Rooms:
720

Number of employees:
398

Project and Repair Maintenance

Provide consultancy, facility management services and maintenance of information and communication technology business ventures and provision of mechanical and electrical engineering.

Equity invested:
RM7.5 million

Total Revenue:
RM287.1 million

EBITDA:
RM29.7 million

Number of employees:
646

Agriculture and Horticulture

Cultivate and sell oil palm and other agricultural products and carry out horticulture activities.

Equity invested:
RM9.0 million

Total Revenue:
RM33.9 million

EBITDA:
RM5.7 million

Oil-palm planted area (ha):
6,646.3

Fresh fruit bunches (MT):
62,967.6

Number of employees:
34

Where We Operate

Langkawi
4.0 mppa

Kota Bharu
1.5 mppa

Alor Setar
0.8 mppa

Pulau Redang

Penang
6.5 mppa

Kuala Terengganu
1.5 mppa

Ipoh
0.5 mppa

Pulau Pangkor

Kuantan
1.3 mppa

Subang
1.5 mppa

KL International Airport
KLIA Main terminal | klia2
30.0 mppa | *45.0 mppa*

Melaka
1.5 mppa

Pulau Tioman

Istanbul Sabiha Gökçen
International Airport
TURKEY
4.0 mppa
100% shareholding

Rajiv Gandhi
International Adirport
INDIA
4.0 mppa
11% shareholding

Airport design capacity - million passengers per annum (mppa)

Airports

INTERNATIONAL

MALAYSIA
- KL International Airport (KUL)
- Kota Kinabalu International Airport (BKI)
- Kuching International Airport (KCH)
- Langkawi International Airport (LGK)
- Penang International Airport (PEN)

TURKEY
- Istanbul Sabiha Gökçen International Airport (SAW)

INDIA
- Rajiv Gandhi International Airport (HYD)

DOMESTIC

- Melaka Airport (MKZ)
- Sultan Abdul Aziz Shah Airport, Subang (SZB)
- Sultan Abdul Halim Airport, Alor Setar (AOR)
- Sultan Ahmad Shah Airport, Kuantan (KUA)
- Sultan Azlan Shah Airport, Ipoh (IPH)

- Sultan Ismail Petra Airport, Kota Bharu (KBR)
- Sultan Mahmud Airport, Kuala Terengganu (TGG)
- Bintulu Airport (BTU)
- Limbang Airport (LMN)
- Miri Airport (MYY)

- Mulu Airport (MZV)
- Sibu Airport (SBW)
- Labuan Airport (LBU)
- Lahad Datu Airport (LDU)
- Sandakan Airport (SDK)
- Tawau Airport (TWU)

SHORT TAKE-OFF AND LANDING PORTS (STOLPORTS)

- Pulau Pangkor (PKG)
- Pulau Redang (RDN)
- Pulau Tioman (TOD)
- Bakelalan (BKM)
- Bario (BBN)
- Belaga (BLG)

- Kapit (KPI)
- Lawas (LWY)
- Long Akah (LKH)
- Long Banga (LBP)
- Long Lellang (LGL)
- Long Semado (LSM)

- Long Seridan (ODN)
- Marudi (MUR)
- Mukah (MKM)
- Kudat (KUD)
- Long Pasia (GSA)
- Semporna (SMM)

Where We Operate

Map locations:
- Kudat
- Kota Kinabalu — 9.0 mppa
- Sandakan — 1.5 mppa
- Labuan — 2.2 mppa
- Lahad Datu — 0.1 mppa
- Limbang — 0.25 mppa
- Lawas
- Miri — 2.0 mppa
- Mulu — 0.05 mppa
- Long Pasia
- Long Semado
- Tawau — 1.5 mppa
- Semporna
- Marudi
- Bakelalan
- Long Seridan
- Bario
- Long Lellang
- Long Akah
- Long Banga
- Bintulu — 1.0 mppa
- Mukah
- Belaga
- Sibu — 1.8 mppa
- Kapit
- Kuching — 5.3 mppa

Duty Free and Non-Dutiable Goods

- KL International Airport (KUL)
- Kota Kinabalu International Airport (BKI)
- Kuching International Airport (KCH)
- Langkawi International Airport (LGK)
- Penang International Airport (PEN)
- Istanbul Sabiha Gökçen International Airport (SAW)
- Sultan Abdul Aziz Shah Airport, Subang (SZB)

Agriculture and Horticulture

- KL International Airport (KUL)
- Bintulu Airport (BTU)
- Miri Airport (MYY)
- Sibu Airport (SBW)

Hotel

Four locations in and around KUL and SAW
- KLIA Main terminal landside
- KLIA Main terminal airside
- klia2 terminal airside
- SAW landside

Project and Repair Maintenance

AIRPORTS

- KL International Airport (KUL)
- Hamad International Airport (DOH)
- Kota Kinabalu International Airport (BKI)
- Kuching International Airport (KCH)
- Langkawi International Airport (LGK)
- Penang International Airport (PEN)
- Sultan Abdul Aziz Shah Airport, Subang (SZB)

PORT

- Port of Tg Pelepas

COMMERCIAL BUILDINGS

- Airbus Helicopters Malaysia
- Exxon Mobil
- Masjid As-Syakirin KLCC
- Maxis Tower
- Persada Plus
- Petronas Twin Tower - Tower 3
- Sepang International Circuit

Corporate Structure

MALAYSIA AIRPORTS HOLDINGS BERHAD

100%

➤ Malaysia Airports Sdn Bhd

➤ Malaysia Airports (Sepang) Sdn Bhd

　➡ 30%　MFMA Development Sdn Bhd

➤ Malaysia Airports Consultancy Services Sdn Bhd

　➡ 100%　Urusan Teknologi Wawasan Sdn Bhd

　➡ 49%　Malaysia Airports Consultancy Services Middle East LLC

➤ Malaysia International Aerospace Centre Sdn Bhd

➤ Malaysia Airports (Niaga) Sdn Bhd

　➡ 100%　Eraman (Malaysia) Sdn Bhd

➤ Malaysia Airports (Properties) Sdn Bhd

　➡ 100%　K.L. Airport Hotel Sdn Bhd

　➡ 100%　MAB Agriculture-Horticulture Sdn Bhd

　➡ 20%　Kuala Lumpur Aviation Fuelling System Sdn Bhd

➤ Airport Ventures Sdn Bhd

　➡ 100%　Malaysia Airports Technologies Sdn Bhd

　　➡ 100%　Malaysia Airports MSC Sdn Bhd

　　　➡ 40%　Istanbul Sabiha Gökçen International Airport Investment Development and Operation Inc.

　　　➡ 40%　LGM Airport Operations Trade and Tourism Inc.

Corporate Structure

100%
- Malaysia Airports Capital Berhad
- Malaysia Airports Cities Sdn Bhd
  - ➡ 40% Istanbul Sabiha Gökçen International Airport Investment Development and Operation Inc.
  - ➡ 40% LGM Airport Operations Trade and Tourism Inc.
- KLIA Aeropolis Sdn Bhd
- Malaysia Airports International Sdn Bhd
- MA Elogistics Sdn Bhd
  - ➡ 30% Cainiao KLIA Aeropolis Sdn Bhd
- Malaysia Airports (Subang) Sdn Bhd
  - ➡ 30% BP Malaysia Airports Subang Aerotech Sdn Bhd
- MAHB (Mauritius) Private Limited
- Malaysia Airports (Labuan) Private Limited

30%
- Segi Astana Sdn Bhd

23%
- Airport Cooling Energy Supply Sdn Bhd

20%
- Istanbul Sabiha Gökçen International Airport Investment Development and Operation Inc.
- LGM Airport Operations Trade and Tourism Inc.

Key Milestones

Background

In 1991, the Malaysian Parliament passed an act that reshaped the Malaysian aviation industry. The result of that was asset ownership of airports in Malaysia was separated from the regulation of the industry. Following that, Malaysia Airports Berhad was incorporated in 1992 to maintain, manage and operate airports while the Department of Civil Aviation (now known as the Civil Aviation Authority of Malaysia) remained as the regulator.

In 1999, Malaysia Airports was listed on the Main Board of the Kuala Lumpur Stock Exchange (now Bursa Malaysia), the first airport operator in Asia, and the sixth in the world, to be publicly listed.

Today, Malaysia Airports operates 39 airports in Malaysia including KL International Airport (IATA Code: KUL). It also owns and operates Sabiha Gökçen International Airport in Istanbul, Turkey.

In 2019, the Government of Malaysia agreed to extend Malaysia Airports' licence to manage the 39 airports for a further period till 2069.

2014

Full Acquisition of Istanbul Sabiha Gökçen International Airport in Turkey

Opening of KUL's second terminal, klia2

2013

Launching of Sama-Sama Hotel

2015

• Graduation from GLC Transformation Programme

• Opening of Mitsui Outlet Park KLIA Sepang

2016

• Launch of KLIA Aeropolis

• Ground breaking of Mitsui Outlet Park KLIA Sepang Phase 2

2017

Ground Breaking of KLIA Aeropolis DFTZ Park

Key Milestones

1992

Establishment of Malaysia Airports

1998

Opening of KLIA

1999

Listing of Malaysia Airports
on KLSE Main Board
(now Main Market of Bursa Malaysia)

2010

klia2 Ground Breaking Ceremony

2006

Malaysia Airports becomes one of
Khazanah Nasional's top 20 GLCs

2004

Transfer of 50% Minister of Finance
(Inc) stake to Khazanah Nasional

2018

• Ground Breaking of Subang Aerotech Park

• Expansion of Langkawi International Airport

2019

Extension of Malaysia Airports'
Operating Agreement

Brand refresh for Eraman

Value Creation Model

VALUE CREATION MODEL AND PROCESS

In this section, Malaysia Airports describes its value creation model which is aligned with our business direction. In this regard, value creation goes beyond creating value for investors; the value creation model is designed to bring positive impact to all key stakeholders.

We have a defined matrix where we explain who our key stakeholders are and how we engage with them. From the engagement, we are able to understand their concerns and needs. This forms part of the input that will guide us in making better business decisions.

By analysing the feedback from stakeholders, Malaysia Airports is able to map out the key concerns of stakeholders as well as how those concerns impact our business. From this analysis, we then build a Materiality Matrix, which plots on a chart, the key concerns of stakeholders as well the potential impact of those matters on our ability to create value. These key concerns are referred to as the Material Matters.

Next, we consider how our six key resources or capitals - financial, manufactured, intellectual, human, social and natural – can be most efficiently allocated and utilised to create value for stakeholders over the short, medium and long term. In this regard, apart from stakeholder feedback, we consider also the external environment, risks and opportunities and trade-offs will impact our strategic and operational decisions.

In line with Malaysia Airports' Sustainability Policy, environmental, social and governance (ESG) considerations must form part of the business decision making process. Therefore, the considerations under our Sustainability Framework have been given due regard.

In addition, we seek also to contribute towards Malaysia's commitments under the United Nations Sustainable Development Goals (SDGs), Therefore the SDGs form part of the Sustainability Framework and are aligned to the Sustainability Pillars.

In the following pages, we will describe these matters in greater detail and show the inter-connectivity among these linked concepts

OUR POSITION IN THE AIRPORT VALUE CHAIN

Malaysia Airports is responsible for the safe and secure operation, management and maintenance of the airports. Each airport comprises two large sections – the landside and the airside.

The landside of the airport typically consists of the terminal building, parking facilities and any other public areas on airport land. The airside of the airport covers the airport apron, taxiways and runways.

Malaysia Airports works with key agencies such as the Civil Aviation Authority of Malaysia (CAAM) to ensure the safety and security of airport operations, particularly at the airside through regulations, oversight and monitoring of the technical and safety standards. The Air Traffic Control under CAAM coordinates aircraft navigation and is responsible for the safe movement of aircraft, including during take-offs, landings, and taxiing.

Elsewhere in the airport, Malaysia Airports works with a range of partners to maximise the quality and efficiency of airport services, for example, government agencies such as the Immigration Department of Malaysia and Royal Malaysian Customs Department as well as private entities such as airlines and ground handlers. Key areas in which Malaysia Airports works closest with these parties are at passenger checkpoints, such as check-in, immigration and customs checks, as well as in respect of baggage and ground handling.

Value Creation Model

OUR POSITION IN THE AIRPORT VALUE CHAIN

Legend:
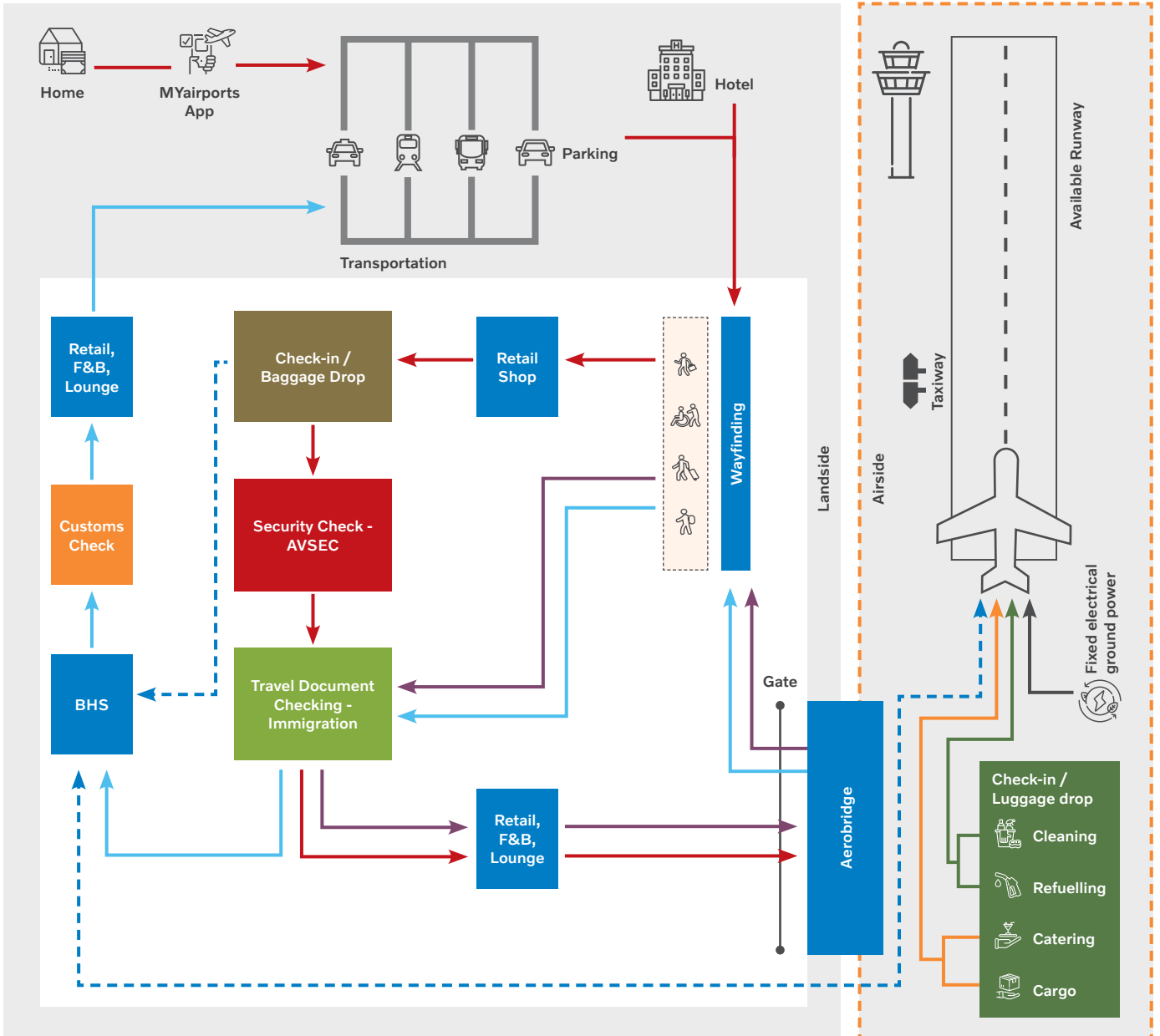
- MAHB Terminal Operations
- MAHB works with Airlines
- MAHB Aviation Security
- MAHB works with Immigration Department
- MAHB works with ground handlers and airline staffs
- MAHB works with Royal Malaysian Customs Department
- MAHB works with CAAM

- → Departures
- → Transfers
- → Arrivals
- ⇢ Baggage Handling System (BHS) handled by MAHB and ground handlers
- → Aircraft handling at aircraft stand
- ↔ Aircraft departs or lands at airport

Value Creation Model

Our Value Cr

OUR VISION
A Global Airport Group that Champions Connectivity and Sustainability

OUR STRATEGY

- Best-in-Class Hub
- World-Class Service Levels
- Strengthening Non-Aero Business
- Unlocking Potential through Aeropolis
- Expanding and Diversifying through International

Enablers

- Integrity, Culture Transformation & Human Capital
- Airports 4.0 & Big Data Analytics
- Enhancing Brand Equity
- Lean Six Sigma

BRAND PROMISE
Hosting Joyful Connections

MATERIAL MATTERS

Economic

Achieving economic growth through effective innovation, improved productivity and reliability

Environment

Improving efficiency and mitigating possible negative environmental impact brought on by our operations

Social

Creating a memorable experience for airport guests, fostering an inspiring workplace and strengthening our relationships with local communities

SUSTAINABILITY PILLARS

- Practising Sensible Economics
- Community-Friendly Organisation
- Creating An Inspiring Workplace
- Environmental Consciousness
- Memorable Airport Experience

SIGNIFICANCE

FINANCIAL

Financial capital is a vital input in funding our operations and growth. We obtain financial capital from three main sources, namely debt, equity and operating cash flows generated from business activities.

MANUFACTURED

We incur capital expenditure in infrastructure investment for the maintenance and upgrade of our airports to deliver exceptional service to our customers and passengers.

INTELLECTUAL

Our experience, advisory capabilities and reputation have led to us being approached by local and international airport companies to aid their development and management.

HUMAN

Our employees are the main drivers for our success. We develop a high-performing team by focusing on their training and development, conducting meaningful employee engagement and enhancing employee benefits.

SOCIAL

Quality relationships and a positive reputation with our key stakeholders underpin our value mandate. The government is one of our main stakeholders and we support their mandate through social and transformation imperatives.

NATURAL

We manage our environmental impact through an environmental management system which ensures compliance with environmental legislations.

Underpinned By	External Environment (Pages 5-6)	Governance (Pages 134-161)	Risk and O (Pages 1

Value Creation Model

⎼eation Model

INPUT	OUTPUT	OUTCOME FOR OUR STAKEHOLDERS	SDGs

- Share capital of **RM5,114.3** million
- Borrowings of **RM4,932.7** million
- Cash and cash equivalents at beginning of year of **RM1,450.1** million

- Revenue up 7.4% to **RM5,213.1** million
- EBITDA down 3.8% to **RM2,292.0** million
- **RM157.0** million in cash flows generated for the year

REGULATORS & GOVERNMENT
- Compliance to regulatory requirements
- KUL - (Both KLIA Main & klia2 are certified) obtained **Level 3** Certification by Airport Carbon Accreditation (ACA)
- MAAH obtained Malaysia Sustainable Palm Oil (MSPO)

- Terminals, technical facilities, car parks, hotels
- Aprons, taxiways, runways
- **525 sqm** of retail spaces
- **RM1,110.2** million invested in property, plant and equipment

- **114** airlines operating (Malaysia)
- **1,281,693** aircraft movements
- **141.2** million passengers
- **1,003,104 metric tonnes** of cargo handled
- Retail occupancy rate of **90%**

INVESTORS
- **RM232.2** million dividend declared
- **36%** increase in market capitalisation over five years to **RM12,610.0** million
- Recognised by The Edge Billion Ringgit Club Awards (2018, 2019) for "Highest Return to Shareholders Over Three Years" the transportation and logistics sector

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- **RM8,512.1** million invested in Big Data Analytics technology
- IT infrastructures
- Stakeholder relationships
- Employee skills and technical expertise
- Concession rights to operate 40 airports (39 in Malaysia, 1 in Turkey)

- Efficient business operations
- Improved passengers experience
- Enhanced airport security

AIRLINES & PASSENGERS
- High Airport Connectivity
- **4.76/5** ASQ Score
- **103** airlines operating in Malaysia
- Enhance brand equity
- **17 ASQ Rank** in 2019 airports >40 mppa category

- **10,724** employees
- Customer-centric culture
- **RM12.8** million invested in employee training and development programmes for airport operations in Malaysia

- **RM14.9** million spent on employee benefits
- Overall retention rate of **93.4%** for airport operations in Malaysia
- Diversified workforce
- Employee engagement score of **78%**

LOCAL COMMUNITY
- Develop local SME business in airports
- Provided affordable accessibility for the people located in the remote parts of Malaysia through subsidisation of PSC at STOLports
- **429** jobs created
- Contributed to the GDP of the country

- Proactive engagements and dialogues with stakeholders through wide range of channels
- Public-private partnerships with government

- CSR activities
- **4** scholarships awarded
- Offered **170** internships for students
- **470** trainees under the Skim Latihan 1Malaysia
- **RM417.6** million contributed to government in user fees and taxes

EMPLOYEES
- Satisfied Employees
- Accountable leaders
- **45%** female representation at board level

- Energy Policy and Environmental Management Policy
- Waste management processes
- **6,646** ha of planted oil palm
- Renewable energy
- Biodiversity protection
- Noise management

- Electricity consumption
- Carbon emission
- Water consumption
- Waste generated and recycled
- Solar power generated

Engaging with Stakeholders

STAKEHOLDERS

The key to prioritising our material matters lies in the interests and expectations of our stakeholders. Through internal consultation within Malaysia Airports, we identified nine key stakeholder categories that are most affected by our business operations.

Employees **Airlines** **Passengers** **Local Community** **Regulators and Government**

Investors **Tenants** **Vendors and Service Providers** **The Media**

STAKEHOLDER ENGAGEMENT

There are several factors which make stakeholder engagement an integral part of our business which is embedded in the way we operate. First, the aviation industry in which we operate is highly regulated both in Malaysia as well as internationally. Secondly, we are listed on Bursa Malaysia and our shareholders cover a wide range of institutional investors such as government linked investment companies, investment funds, pension funds as well as retail investors, both local and overseas. Thirdly, as demonstrated in the earlier illustration on Malaysia Airports' role in the airport value chain, our business requires discussion, coordination and collaboration with many parties to ensure that complex processes are executed successfully. Also, as we are a large employer of choice, we constantly engage our employees to understand their concerns. We also engage with the community around our airports to understand the impact of our business on them and to assist those in need.

Although not exhaustive, the table below illustrates some of the ways that we engaged with our key stakeholders and our response to the areas of interest.

Key Stakeholder	Method of Engagement	Areas of interest	Our Response
EMPLOYEES	• Town halls, engagement sessions and employee activities • Focused group discussions on targeted issues • Employee portal • Employee engagement survey • Employee performance review	Employee wellbeing	• Introduced wellness programmes – regular medical check-ups and health campaigns • Constantly review employee benefits and medical coverage • Setup a nursery and kindergarten for working parents
		Workplace safety	• Implemented an Occupational Health and Safety Policy • Conduct frequent occupational safety and health assessments
		Work-life balance	• Implemented flexible working hours • Provide fitness and childcare facilities at HQ • Hold inter-division and inter-airport sports tournaments
		Corporate integrity	• Participated in an integrity pledge • Implemented a Whistleblowing Policy • Have in place a Code of Ethics and Conduct • Established the Malaysia Airports Integrity Plan • Setup the Corporate Integrity System Assessment • Conduct Integrity Perception Surveys • Instated Corruption Risk Management
		Employee engagement	• Constantly engage with employees through one-one or group activities

Engaging with Stakeholders

Key Stakeholder	Method of Engagement	Areas of interest	Our Response
EMPLOYEES		Training and career development	• Frequently conduct training needs analysis • Established an Education Assistance Programme • Conduct trainings • Carry out performance appraisals • Put in place succession plans
AIRLINES	• Regular meetings and face-to-face discussions • Airline operating committees • Local carrier airlines meeting • Foreign carrier airlines meeting • Security facilitation meeting • Airline operator committee general meeting • Feedback surveys	Innovation and technology advancement	• Conceptualised 'Airports 4.0' to digitalise processes and include the use of single-token travel, self-baggage-drop facilities, self-check-in kiosks, Passenger Reconciliation System, and facial recognition for improved efficiency and passenger throughout
		Airport safety	• Carry out frequent Runway Safety inspections and Runway Safety Team meetings • Put in place the Safety Management System and Aerodrome certification • Carry out regular safety and emergency simulation exercises by Airport Fire and Rescue Service • Conduct Foreign Object Debris walkabouts • Established the KUL Runway Sustainability Master Plan
		Terminal and building infrastructure	• Embarked on renovating, refurbishing and modernising terminals
REGULATORS AND GOVERNMENT	• Regular engagement, communication and dialogue • Consultation on regulatory matters	Regulatory compliance	• Conduct regular audits and inspections • Carry out engagements and discussions with regulators the finalisation and direction of the Operating Agreements, Regulated Asset Base framework, Quality of Service framework • Work to reach industry standards and obtain certifications • Adhere to international and national laws, regulations and best practices
		Airport competitiveness	• Assess opportunities and potential for public-private partnerships • Actively seek foreign investment • Implement incentive programmes to attract new carriers – Airline Incentive Programme and the Joint International Tourism Development Programme
		Land development	• Conceptualised and developed KLIA Aeropolis • Launched the Subang Regeneration Initiative
		Carbon emissions	• Joined the Airport Carbon Accreditation programme • Identify opportunities to use solar energy • Established committees and strategies focusing on environmental performance • Submit Carbon Scorecards to the Ministry of Transport when requested
		Licensing	• Obtained Aerodrome Operator Licence from MAVCOM and Aerodrome Certificate from CAAM

Engaging with Stakeholders

Key Stakeholder	Method of Engagement	Areas of interest	Our Response
INVESTORS	• Analyst briefing sessions • Roadshows • One-on-one engagements • Conference calls • Site visits	Financial returns	• Regular review of business and investment plans to match the current and predicted social-eco climate
		Governance and transparency	• Adhere to the Malaysian Code on Corporate Governance
		Company reputation	• Regularly publish literature and press releases that highlight our activities, awards and accolades
		Regulatory compliance	• Adhere to Bursa Malaysia's listing requirements • Became a constituent of the FTSE4Good Bursa Malaysia Index • Integrated Sustainability Reporting into our annual disclosures
		Financial results	• Announcement of quarterly financial results
TENANTS	• Standard consulting procedure • Annual concessionaire conference and half yearly mini concessionaire conference	Landlord-tenant relationship	• Practise standard contracting procedure • Host the Annual Concessionaires Conference and Half Yearly Concessionaire Mini Conference to engage and recognise tenants
		Customer satisfaction	• Implemented the Commercial Reset Strategy • Embarked on a cashless payment ecosystem for increased customer convenience • 'Licence to Win' & #ShopLAH campaigns • Conduct Mystery Shopper programme to gauge passengers' satisfaction at retail and service outlets at our airports • Collaborated with Malaysia International Gastronomy Festival to showcase food and beverage outlets
VENDORS AND SERVICE PROVIDERS	• Networking sessions • Tenders and requests for proposals	Procurement process	• Regularly review and adhere to procurement policies, procedures and guidelines • Implemented e-Procure to improve efficiency and digitisation
		Prompt payments	• Implemented the Vendor Management System to keep track of procurements and payments
		Compliance	• Implemented eProcurement and the Vendor Code of Ethics • Entered into an integrity pact with vendors

Engaging with Stakeholders

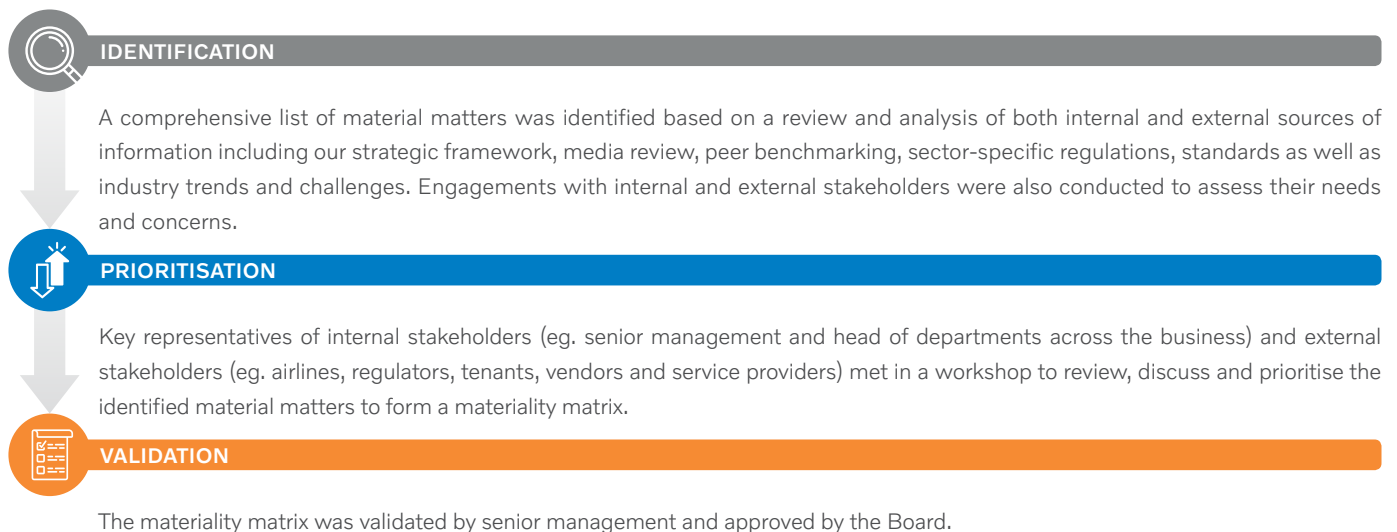| Key Stakeholder	Method of Engagement	Areas of interest	Our Response
PASSENGERS	• Airport service quality • Social media • Complaint management	Service quality Airport experience	• Use the ASQ Benchmarking Programme to measure airport service quality at our airports • Comply with the MAVCOM's Quality of Service framework • Carried out refurbishments and improvements to infrastructure, wayfinding, facilities and amenities
		Customer service	• Continued the 'Happy Guests, Caring Hosts' programme • Launched the MYairports mobile application that provides live updates on flight information, queue time checkpoints, and retail and dining promotions available at the airport • Became active in social media • Introduced Airport CARE Ambassadors • Initiated cashless payment services for increased customer convenience • Established the Customer Affairs and Resolution Excellence (CARE) Feedback Management System to manage and respond to feedbacks & queries
		Cleanliness	• Continued the 'Pay It Forward' campaign • Carried out washroom refurbishments • Implemented the Washroom Inspection Management System and the Washroom Response Management System
		Communication and announcements	• Became active on social media • Setup the Airport CARE InfoCentre at KLIA Main terminal • Started circulation of 'Convergence' magazine • Installed digital communication media (e.g. digital standee) in the airports
		Passenger traffic Curbside traffic	• Introduced crowd management in terminals by Airport CARE Ambassadors • Initiated a collaboration with PDRM to control curbside traffic and congestion at Arrivals and Departures
		Airport security and safety	• Started refurbishment of passenger screening areas • Embarked on the use of full body scanners to replace manual body search

Engaging with Stakeholders

Key Stakeholder	Method of Engagement	Areas of interest	Our Response
LOCAL COMMUNITY	• Community engagement • Strategic partnerships • News media • Social media • Website	Employment opportunities	• Increased employability in rural areas and for the airport community
		Access to education	• Offer scholarship programmes through our Education Sponsorship Programme • Adopt and nurture schools via the Beyond Borders Programme
		Environmental impact	• Engage in environmental monitoring • Adhere to local and national environmental regulations on noise, water discharge and waste management • Conduct noise contour and impact surveys
		Corporate citizenship	• Continue to give back to the local communities through our Corporate Responsibility Framework which focuses on: Education and Youth Leadership; Community Enrichment and Malaysia Branding • Make corporate donations
THE MEDIA	• Media briefings/interviews • Website and events • Social media • Press conferences	Environmental social and governance issues	• Issue press releases and conduct press briefings regularly • Practise sound and transparent decision making
		Media relations	• Grant media interviews when appropriate and visit the media occasionally • Engage with the media through the 'Media Hunt' programme, media luncheons, media airport trips and other events

Material Matters

Material matters identified as relevant to Malaysia Airports and its stakeholders are continuously monitored and managed as they form the basis of our value creation model. The material matters described on pages 33 to 39 influence our business strategy and targets. They also affect our ability to deliver the desired output and outcomes in relation to the transformation of the six capitals.

Materiality assessment process

The material matters had been identified and prioritised in FY2018 following a materiality assessment process as described below.

IDENTIFICATION

A comprehensive list of material matters was identified based on a review and analysis of both internal and external sources of information including our strategic framework, media review, peer benchmarking, sector-specific regulations, standards as well as industry trends and challenges. Engagements with internal and external stakeholders were also conducted to assess their needs and concerns.

PRIORITISATION

Key representatives of internal stakeholders (eg. senior management and head of departments across the business) and external stakeholders (eg. airlines, regulators, tenants, vendors and service providers) met in a workshop to review, discuss and prioritise the identified material matters to form a materiality matrix.

VALIDATION

The materiality matrix was validated by senior management and approved by the Board.

Review of material matters in FY2019
For FY2019, a review was conducted in line with Bursa Malaysia's recommendation that an annual review of material matters be conducted to ensure that they remain current and aligned to the business and stakeholders. The review entailed assessing information on stakeholders' current interests and concerns as well as analysing the Group's business direction, peers, regulatory environment and external environment. The findings from the review were used to refresh the materiality matrix for FY2019.

Changes to materiality matrix in FY2019
There were no new material matters identified for FY2019. Neither was there any significant change to the business model or operating boundaries.

However, there was a change to the materiality matrix. The material matters 'Service Quality' and 'Customer Experience' were consolidated as 'Total Airport Experience'. The reason for combining them was that both material matters aimed to achieve compliance with the Quality of Service framework and improve rankings for the Airport Service Quality benchmarking programme. As such, there was a significant overlap in initiatives covered by both material matters. Therefore, combining the two will streamline the reporting on these matters.
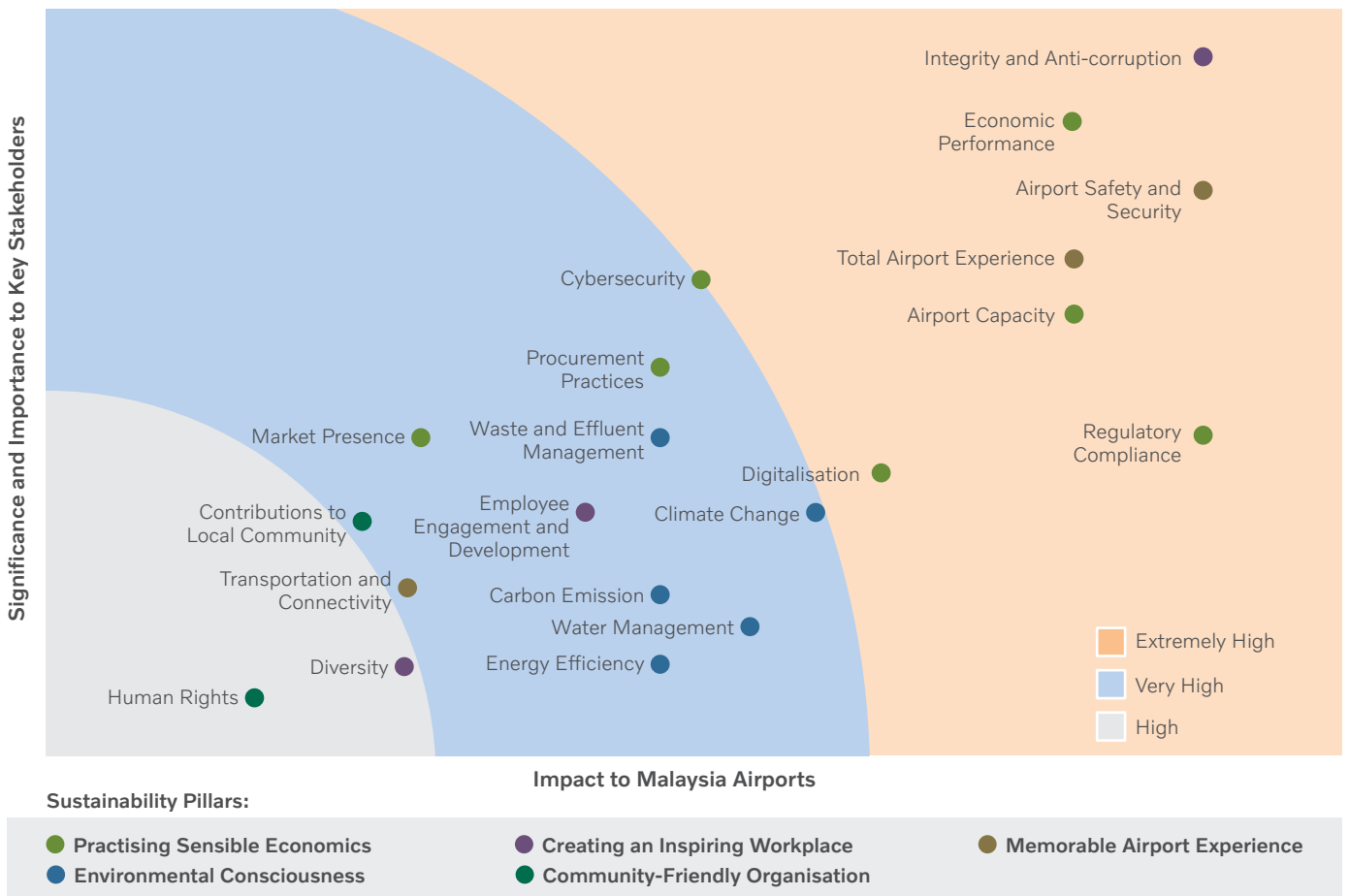
Material Matters

Materiality matrix

The materiality matrix plots material matters in two dimensions – first, impact to Malaysia Airports and secondly, significance to key stakeholders.

The materiality matrix guides Malaysia Airports in addressing and managing matters of utmost importance for the business as well as stakeholders. The material matters is mapped against Malaysia Airports' Sustainability Framework which sets out five sustainability pillars as shown below.

In this report, Malaysia Airports focuses on disclosures on the top seven material matters. A more complete discussion on Malaysia Airports' material matters is covered in the Sustainability Report which can be found on our corporate website www.malaysiaairports.com.my.

The material matters are mapped against Malaysia Airports' Sustainability Framework which comprises five sustainability pillars as shown below in the materiality matrix.

Significance and Importance to Key Stakeholders (y-axis)

Impact to Malaysia Airports (x-axis)

Matters plotted:
- Integrity and Anti-corruption
- Economic Performance
- Airport Safety and Security
- Total Airport Experience
- Airport Capacity
- Cybersecurity
- Procurement Practices
- Regulatory Compliance
- Market Presence
- Waste and Effluent Management
- Digitalisation
- Contributions to Local Community
- Employee Engagement and Development
- Climate Change
- Transportation and Connectivity
- Carbon Emission
- Water Management
- Diversity
- Energy Efficiency
- Human Rights

Legend:
- Extremely High
- Very High
- High

Sustainability Pillars:
- ● Practising Sensible Economics
- ● Environmental Consciousness
- ● Creating an Inspiring Workplace
- ● Community-Friendly Organisation
- ● Memorable Airport Experience

We take our material matters into consideration in our strategy and targets. In the following pages, we illustrate how the top seven material matters are linked to our strategic themes and enablers, key stakeholders and capitals affected to demonstrate the dynamics that affect our ability to create value for stakeholders. To support the Malaysian government's commitment to the United Nations (UN) Sustainable Development Goals (SDGs), we have also aligned our sustainability agenda and material matters to the SDGs that are relevant to our business.

Material Matters

MM1 INTEGRITY AND ANTI-CORRUPTION

Integrity refers to the act of upholding ethics in our everyday conduct in the workplace. This includes advocating anti-corruption practices across all levels of dealings. Acts of corruption include, among others, bribery, fraud, the offer or receipt of kickbacks in return for facilitating a transaction or appointment.

Stakeholders Involved

Employees | Regulators and Government | Tenants | Vendors and Service Providers

Our strategic response to the material matters

Integrity, Culture Transformation & Human Capital | Enhancing Brand Equity

Capitals Affected and Trade-offs

Financial | Intellectual | Human

Link to UN SDGs

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Initiatives and activities

1   In 2019, the Corporate Integrity Unit conducted awareness sessions to brief employees in recent developments on corruption prevention and Malaysia Airports' latest anti-corruption initiatives.
2   The Malaysia Airports Integrity Plan (MAIP) which ran from 2015-2019 came to its conclusion at the end of 2019. Malaysia Airports appointed the Malaysian Institute of Integrity to conduct an independent assessment on the effectiveness of the MAIP, and to assist in developing an Organisational Anti-Corruption Plan for Malaysia Airports moving forwards.
3   Malaysia Airports received certification for ISO 37001:2016 Anti-Bribery Management System for its procurement processes.
4   Awareness session on corporate liability under proposed amendments to anti-corruption laws was conducted for the Board of Directors.
5   Briefings to 44 vendors of Malaysia Airports under the Vendor Integrity Programme

Key performance indicators and targets

1,613 Employees briefed on anti-corruption policies and procedures

5 Confirmed incidents consisting of two extortion and three fraud cases

10 Whistleblowing concerns were raised via the Whistleblowing Programme

Material Matters

MM2 AIRPORT SAFETY AND SECURITY

Airport safety and security refers to the anticipation, recognition, evaluation and control of hazards or threats arising in or from the airport that could impair the safety, security, health and well-being of airport users, including our employees, vendors and passengers.

Stakeholders Involved

Employees	Airlines	Tenants	Passengers	Local Community

Our strategic response to the material matters

Best-in-Class Hub	Integrity, Culture Transformation & Human Capital

Capitals Affected and Trade-offs

Financial	Manufactured	Intellectual	Social

Link to UN SDGs

17 PARTNERSHIPS FOR THE GOALS

Initiatives and activities

1   Completed 77 Aerodrome Emergency Exercises, namely 100% of planned exercises.
2   Collaborated with federal and state agencies, local authorities, airport community and other stakeholders in the safety and security exercises
3   Initiated rehabilitation of Runway 3 at KUL as part of KUL Runway Sustainability Master Plan
4   Launched Foreign Object Debris Detection System at KUL runways and other airside areas
5   Introduced state-of-the-art body scanners to replace existing machines and manual searches by AVSEC
6   Procurement of High Reach Extendable Turret fire-fighting vehicles for KUL
7   New fire vehicles replacement programme for MASB

Key performance indicators and targets

77 Aerodrome Emergency Exercises conducted	**100%** Targeted safety exercises completed	**16** Safety Management System certified airports
0 Occupational disease rate	**1.31** Incident rate	**0.45** Frequency rate

423.65 Severity rate
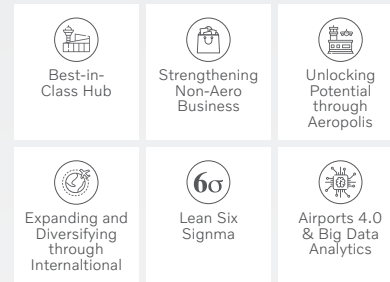
Material Matters

MM3 **ECONOMIC PERFORMANCE**

Economic performance refers to the direct economic value generated and distributed by Malaysia Airports.

Stakeholders Involved

Employees

Regulators and Government

Our strategic response to the material matters

Best-in-Class Hub

Strengthening Non-Aero Business

Unlocking Potential through Aeropolis

Expanding and Diversifying through Internaltional

Lean Six Signma

Airports 4.0 & Big Data Analytics

Capitals Affected and Trade-offs

Financial

Financial

Intellectual
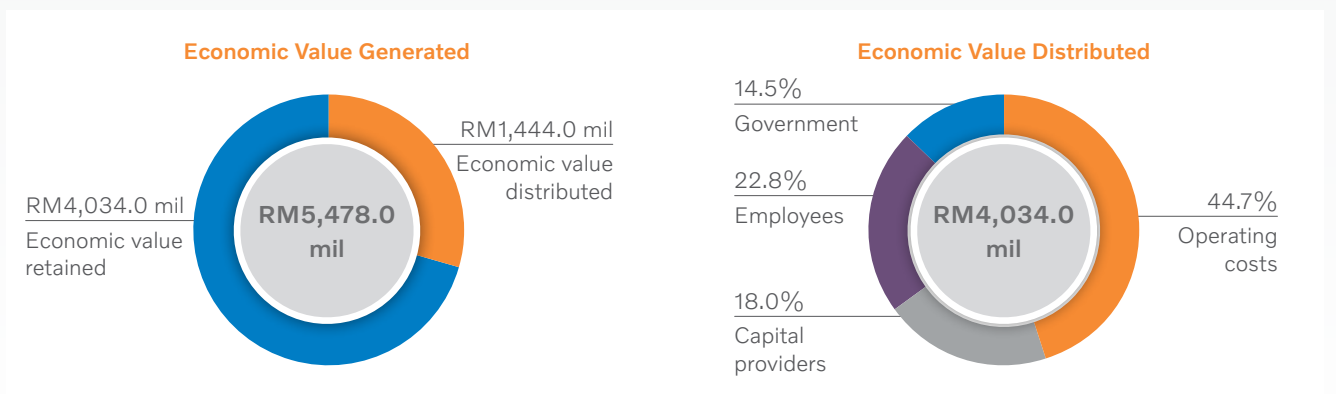
Human

Link to UN SDGs

8 DECENT WORK AND ECONOMIC GROWTH

Initiatives and activities

1   Increase our non-aeronautical revenue through Commercial Reset initiatives
2   Negotiate the cost-based airport aeronautical charge-setting framework also known as Regulated Asset Based (RAB) framework
3   Maximise existing investment and strengthen international business
4   Licence to Win and #ShopLAH campaign to drive non-aeronautical revenue at KUL and selected airports
5   Rebranding of Eraman
6   Continued development of KLIA Aeropolis Digital Free Trade Zone as a cargo and logistics hub for e-commerce
7   Secured new tenants for Subang Aerotech Park while working to finalise the Subang Airport Regeneration Master Plan
8   Introduction of new routes and new airlines

Key performance indicators and targets

Economic Value Generated

RM5,478.0 mil

RM1,444.0 mil
Economic value distributed

RM4,034.0 mil
Economic value retained

Economic Value Distributed

RM4,034.0 mil

14.5%
Government

22.8%
Employees

18.0%
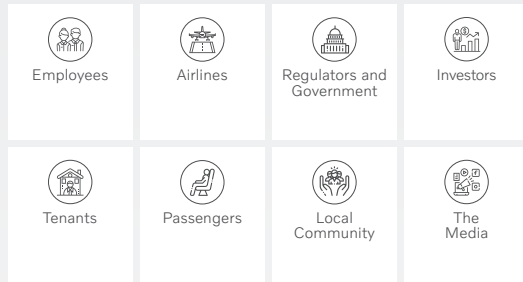Capital providers

44.7%
Operating costs

Further analysis on the business performance of Malaysia Airports is available in the Management Discussion and Analysis section of this report.
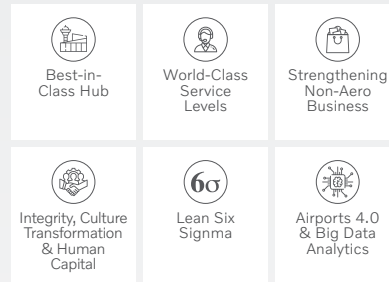
Material Matters

MM4 **TOTAL AIRPORT EXPERIENCE**

Total airport experience refers to the quality of services delivered to guests to enhance their airport experience throughout our value chain.

Stakeholders Involved

Employees	Airlines	Regulators and Government	Investors
Tenants	Passengers	Local Community	The Media

Our strategic response to the material matters

Best-in-Class Hub	World-Class Service Levels	Strengthening Non-Aero Business
Integrity, Culture Transformation & Human Capital	Lean Six Signma	Airports 4.0 & Big Data Analytics

Capitals Affected and Trade-offs

Financial	Manufactured	Intellectual	Human	Social

Link to UN SDGs

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE   17 PARTNERSHIPS FOR THE GOALS
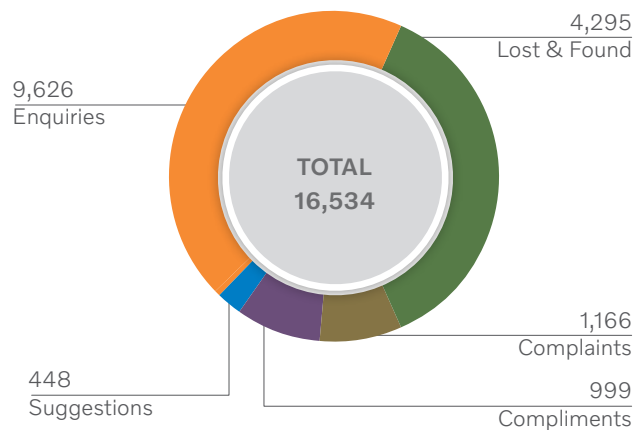
Initiatives and activities

1   KLIA Main terminal BHS, Aerotrain and runaway rehabilitation
2   On-going commercial reset to drive non-aeronautical revenues
3   Continue to drive customer-centric culture through 'Happy Guests, Caring Hosts' training for employees and members of airport community
4   Launched on a trial of a single token passenger journey powered by facial recognition and other technology to simplify a passenger's journey through the airport
5   Launched #1Improvement1Week campaign to continuously deliver improvements to the airport experience throughout the year

Key performance indicators and targets

KUL ASQ Scores Improved In 2019

ASQ Score	2019	2018
Courtesy & helpfulness of staff	4.62	4.50
Comfort of waiting/gate areas	4.51	4.37
Speed of baggage delivery	4.51	4.43
Waiting time to check-in	4.37	4.25
Waiting time at passport check	4.48	4.37
Ambience of the airport	4.67	4.59

Types of Feedback Received in 2019

9,626 Enquiries

4,295 Lost & Found

TOTAL 16,534

1,166 Complaints
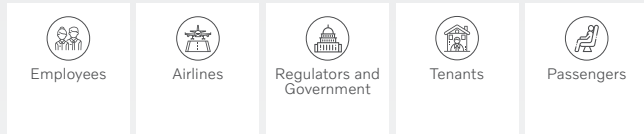
999 Compliments

448 Suggestions
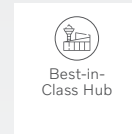
Material Matters

MM5 **AIRPORT CAPACITY**

Airport capacity refers to the airport's ability to cater for increasing passenger traffic and to manage capacity constraints through space optimisation and airport expansion.

Stakeholders Involved

Employees	Airlines	Regulators and Government	Tenants	Passengers

Our strategic response to the material matters

Best-in-Class Hub

Capitals Affected and Trade-offs

Financial	Financial	Manufactured	Intellectual	Human	Social

Link to UN SDGs

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Initiatives and activities

1 Optimisation of current assets at KUL to facilitate the growing number of passengers
2 Optimisation at KUL includes the installation of 10 units of body scanners at KLIA Main terminal, Automated Queue Management System and reconfiguration of the immigration arrival area.
3 #1improvement1week initiative: Optimisation at airports other than KUL includes shifting of ticketing counters, increasing check-in counters and relocation of the baggage reclaim carousel
4 Began the masterplan study for KUL to determine the upgrading and expansion required to address the capacity constraints and capture air travel and cargo growth at KUL
5 Construction of multi-storey carpark at PEN

Key performance indicators and targets

	Airports	International/Domestic	Design Capacity	2019 traffic	2018 traffic
			(mppa)	(mppa)	(mppa)
1	KUL - Main terminal	International	30.0	29.2	28.1
2	KUL - klia 2 terminal	International	45.0	33.1	31.9
3	SAW - Istanbul	International	41.0	36.0	34.1
4	BKI - Kota Kinabalu	International	9.0	9.4	8.6
5	PEN - Penang	International	6.5	8.3	7.8
6	KCH - Kuching	International	5.3	6.0	5.6
7	LGK - Langkawi	International	4.0	2.9	2.7
8	LBU - Labuan	Domestic	2.2	0.7	0.6
9	MYY - Miri	Domestic	2.0	2.4	2.3
10	SBW - Sibu	Domestic	1.8	1.8	1.6
11	KBR - Kota Bharu	Domestic	1.5	1.8	1.7

	Airports	International/Domestic	Design Capacity	2019 traffic	2018 traffic
			(mppa)	(mppa)	(mppa)
12	TGG - Kuala Terengganu	Domestic	1.5	0.9	0.9
13	MKZ - Melaka	Domestic	1.5	0.1	0.05
14	SDK - Sandakan	Domestic	1.5	1.1	0.9
15	SZB - Subang	Domestic	1.5	2.3	2.0
16	TWU - Tawau	Domestic	1.5	1.8	1.6
17	KUA - Kuantan	Domestic	1.3	0.4	0.3
18	BTU - Bintulu	Domestic	1.0	1.1	0.9
19	AOR - Alor Setar	Domestic	0.8	0.9	0.8
20	IPH - Ipoh	Domestic	0.5	0.5	0.3
21	LMN - Limbang	Domestic	0.3	0.06	0.05
22	LDU - Lahad Datu	Domestic	0.1	0.1	0.1
21	MZV - Mulu	Domestic	0.05	0.06	0.06

Material Matters

MM6 REGULATORY COMPLIANCE

Regulatory compliance refers to the compliance with all international and national laws and regulations, including environmental, social and operational regulations.

Stakeholders Involved

| Employees | Airlines | Regulators and Government | Tenants |

Our strategic response to the material matters

| Best-in-Class Hub | World-Class Service Levels | Integrity, Culture Transformation & Human Capital |

Capitals Affected and Trade-offs

| Financial | Financial | Manufactured | Intellectual |

Link to UN SDGs

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Initiatives and activities

1. Full implementation of 18 QoS elements at KLIA Main terminal and 17 elements at klia2 terminal
2. Four working committees set up with the objective of meeting all QoS targets and mitigate all non-compliance

Key performance indicators and targets

Malaysia Airports operates in a highly regulated environment and complies with local laws and regulations as well as international aviation regulations. In 2019 however, Malaysia Airports (Sepang) Sdn Bhd was fined by MAVCOM for certain failures in meeting some requirements of the QoS framework.
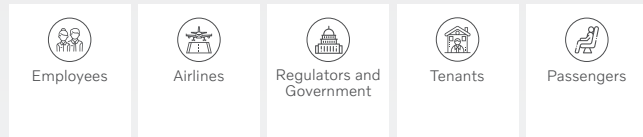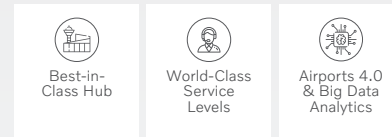
Material Matters

MM7 DIGITALISATION

Digitalisation refers to digital framework encompassing infrastructure enhancement, capacity development and digital innovation that aims at terminal optimisation, operational efficiency, revenue generation and regulatory compliance.

Stakeholders Involved

Employees	Airlines	Regulators and Government	Tenants	Passengers

Our strategic response to the material matters

Best-in-Class Hub	World-Class Service Levels	Airports 4.0 & Big Data Analytics

Capitals Affected and Trade-offs

Financial	Financial	Intellectual	Human	Social

Link to UN SDGs

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Initiatives and activities

1   Demonstrated the Single Token passenger journey initiative through the use of facial recognition system
2   Implemented technology to predict queue times at critical waiting areas which is disseminated to passengers though the MYairports app
3   Terminal Response and Inspection Management System completed in June 2019 to digitalise inspection processes in addition to the existing Washroom Response Management System and Washroom Inspection Management System
4   Migrate manual processes to digital systems including the planning and scheduling of Airport Service Quality surveys and the Commercial Services Inspection Application
5   The Commercial Services Inspection app was launched to enable tenants to log their complaints and feedback electronically
6   Procurement Transformation Journey which has, among its main thrusts, to simplify the procurement process through automation. Launched e-Form A, eCatalogue, eProcurement system, procurement dashboard, robotic process automation to boost productivity.

Key performance indicators and targets

With the use of facial recognition technology at boarding pass and other checkpoints, our AVSEC personnel are able to clear passengers more quickly and efficiently than before. This simplifies the passengers' journey through the airport.

Sustainability Overview

Malaysia Airports recognises the importance of environmental, social and governance (ESG) considerations, especially in creating long-term sustainable value for stakeholders. As such, there is a clear effort to embed sustainability considerations throughout the Company's value creation model and value chain.

Governance and structure

The Board of Directors provides strategic direction with regards Malaysia Airports' ESG agenda through the Company's Sustainability Policy and Framework.

The Senior General Manager, Planning of Malaysia Airports is responsible for translating the ESG model into actionable and tangible initiatives by business and support units in line with the five Sustainability Pillars. The incumbent is a member of the Management Executive Committee (ExCo), chaired by the Group CEO, and comprises the top management of Malaysia Airports. The incumbent is responsible for highlighting and reporting on sustainability matters to the ExCo, and where relevant, to the Board of Directors.

The Sustainability Department assists the Senior General Manager, Planning in the day-to-day running and management of organisation-wide sustainability initiatives. It is staffed by a three-member team and headed by a Senior Manager.

Apart from the Sustainability Department, there are committees at both Board and management levels which oversee specific ESG matters. In addition, there are inter-departmental working committees and taskforces which support the Board and management committees. They own sustainability targets, implement initiatives, monitor and track progress towards achieving the targets. A non-exhaustive list of these Board and management committees include:

Environmental matters

- Environmental Management Committee
- Engineering Environment Committee

Social matters

- Board Nomination and Remuneration Committee
- Human Resources Committee

Governance matters

- Board Finance and Investment Committee
- Board Risk Management Committee
- Board Procurement Committee
- Corporate Risk Management Committee
- Information Security Management Committee

Sustainability Policy and Framework

Since 2010, Malaysia Airports has been guided by a Sustainability Policy that supports our aspiration and outlines our commitment to create sustained stakeholder value as a world-class airport business operator. It also underscores our commitment to be a responsible corporate citizen.

In January 2020, the Board agreed for Malaysia Airports' widened ESG model to be formalised in the Sustainability Policy. This will ensure better alignment of business decisions and strategies with ESG considerations and stakeholders' concerns as well as support Malaysia's commitments with regards to the United Nations Sustainable Development Goals (SDGs). While the final version of the updated policy remains as work in progress at the time of publication of this report, it will retain the Sustainability Pillars while updating the scope of each pillar.

Consequently, the Sustainability Framework has also been refined. The Sustainability Pillars are now linked to the material matters relating to Malaysia Airports' business as well as to the SDGs. This shows the linkage between Malaysia Airports' ESG matters and the key matters at the forefront of our business, as well as how achievement of business and ESG goals contribute towards the global sustainability agenda.

Sustainability Overview

Sustainability Framework

1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS	SUSTAINABLE DEVELOPMENT GOALS

17 Sustainable Development Goals
20 Material Matters
5 Sustainability Pillars

MALAYSIA AIRPORTS

Practising Sensible Economics	Environmental Consciousness	Creating an Inspiring Workplace	Community-Friendly Organisation	Memorable Airport Experience
Airport Capacity	Waste and Effluent Management	Integrity and Anti-Corruption	Human Rights	Airport Safety and Security
Digitalisation	Carbon Emission	Employee Engagement and Development	Contributions to Local Community	Total Airport Experience
Economic Performance	Climate Change	Diversity		Transportation and Connectivity
Regulatory Compliance	Water Management			
Procurement Practices	Energy Efficiency			
Market Presence				
Cybersecurity				

Sustainability Overview

In addition to the Sustainability Policy and Framework, Malaysia Airports had previously formulated other policies, procedures, guidelines and KUL Sustainability Charter which was made available publicly in early 2019 through our website. These important documents embed the ESG model in our operations. The documents stated below are available on our corporate website.

- Environmental Management Policy
- Environmental Protection Policy
- Procurement Policies, Procedures and Guidelines
- Anti-Corruption Policy Statement
- Gift Policy
- Fraud Policy
- Whistleblowing Policy
- Safety, Health and Environmental Policy
- Policy on Prevention and Eradication of Drug and Alcohol Abuse in the Workplace
- Sexual Harassment Policy
- Stop-Work Policy
- KUL Sustainability Charter
- Code of Ethics and Conduct

KUL Sustainability Charter

The KUL Sustainability Charter was introduced in 2019, creating a leadership role for Malaysia Airports in sustainability matters within the airport community at KUL. The charter reflects new and evolving matters of concern to Malaysia Airports and its stakeholders, both internal and external, ranging from employees, airline companies and airport tenants to vendors and ground-handlers.

Through stakeholder consultation, we identified material matters, set goals and identified initiatives to form the basis of the charter. Each of these are aligned to the Sustainability Pillars and SDGs.

United Nations Sustainable Development Goals

As a government-linked company, Malaysia Airports supports the Malaysian government's commitment to the United Nation's 2030 Agenda for Sustainable Development. The United Nations had identified 17 Sustainable Development Goals (SDGs), representing a call for action by all countries — poor, rich and middle-income — to promote prosperity while protecting the planet. Ending poverty must go hand-in-hand with specific goals strategies that build economic growth and address a range of social needs including education, health, social protection, and job opportunities, while tackling climate change and environmental protection.

In 2019, Malaysia Airports had aligned its Material Matters, Sustainability Pillars and the KUL Sustainability Charter with all 17 SDGs. However, the SDGs highlighted in this report and the Sustainability Report are the ones most relevant to Malaysia Airports.

Sustainability Reporting

Since 2009, Malaysia Airports has produced an annual Sustainability Report. The Sustainability Report is prepared in accordance with the GRI Sustainability Reporting Standards Core Option and is available online at Malaysia Airports' corporate website.

Additionally, in line with the Malaysian Code on Corporate Governance and the Listing Rules of Bursa Malaysia, Malaysia Airports produces an annual Corporate Governance Report which is disclosed to Bursa Malaysia and the Securities Commission of Malaysia. This report contains comprehensive details on governance matters relating to the Company. The report is a public document that is available through Bursa Malaysia's website for announcements by listed companies as well as Malaysia Airports' corporate website. In addition, as part of this Annual Report, we produce a Corporate Governance Overview Statement on key governance issues.

The Sustainability Policy, Sustainability Framework and KUL Sustainability Charter are also available at Malaysia Airports' corporate website.

# Sustainability Summary

Sustainability Summary

This table sums up how business considerations represented by the Material Matters and sustainability matters represented by the Sustainability Pillars, relevant SDGs, KUL Sustainability Charter Goals and key stakeholders are intrinsically linked in Malaysia Airports' strategy.

Sustainability Pillars	Material Matters	SDGs	KUL Sustainability Charter Goals	Key Stakeholders
Pillar 1: **PRACTISING SENSIBLE ECONOMICS** Generate sustainable returns from business activities by strengthening and optimising revenue streams	Economic Performance Airport Capacity Regulatory Compliance Digitalisation Cybersecurity Procurement Practices Market Presence	**SDG 8** Decent Work and Economic growth **SDG 9** Industry, Innovation and Infrastructure **SDG11** Sustainable Cities and Communities	Goal 1: Optimising economic performance	Employees Regulators and Government Airlines Passengers Investors Tenants Vendors and service providers The Media
Pillar 2: **ENVIRONMENTAL CONSCIOUSNESS** Manage and reduce the impact on the environment from business activities	Waste and Effluent Management Climate Change Water Management Energy Efficiency	**SDG 6** Clean Water and Sanitation **SDG 7** Affordable and Clean Energy **SDG 11** Sustainable Cities and Communities **SDG 12** Responsible Consumption and Production **SDG 13** Climate Action	Goal 2: Improving energy efficiency Goal 3: Reducing overall carbon foot print Goal 4: Enhancing water and waste management	Employees Regulators and Government Airlines Passengers Investors Tenants Vendors and service providers Local communities The Media
Pillar 3: **CREATING AN INSPIRING WORKPLACE** Value our employees, provide development opportunities and embed good governance	Integrity and Anti-Corruption Employee Engagement and Development Diversity	**SDG 5** Gender Equality **SDG 9** Industry, Innovation and Infrastructure **SDG 16** Peace, Justice and Strong Institutions **SDG 17** Partnerships	Goal 5: Being a responsible service provider Goal 6: Promoting diversity and inclusivity	Employees Regulators and Government
Pillar 4: **COMMUNITY-FRIENDLY ORGANISATION** Support and strengthen community engagement and develop programmes to meet the needs of local communities	Contributions to Local Community Human Rights	**SDG 1** No Poverty **SGD 3** Good Health and Well-Being **SDG 4** Quality Education **SDG 10** Reduced Inequalities **SDG 17** Partnerships	Goal 7: KUL Community development through partnerships	Employees Regulators and Government Local communities The Media
Pillar 5: **MEMORABLE AIRPORT EXPERIENCE** Enhance the travel experience of airport guests to support our mission of creating joyful experiences	Total Airport Experience Airport Safety and Security Transportation and Connectivity	**SDG 9** Industry, Innovation and Infrastructure **SDG 11** Sustainable Cities and Communities **SDG 16** Peace, Justice and Strong Institutions **SDG 17** Partnerships	Goal 8: Providing exceptional customer experience Goal 9: Optimisation through technological advancement Goal 10: Strengthening safety and security at KUL	Employees Regulators and Government Airlines Passengers Investors Tenants The Media

Strategy

ST1 BEST IN CLASS HUB

We aim for our airports to be the preferred hub for travellers by providing better connectivity, building capacity to accomodate traffic growth and providing best in class facilities for excellent service quality to all our passengers.

Capitals Affected

- Financial
- Intellectual
- Manufactured
- Human
- Social
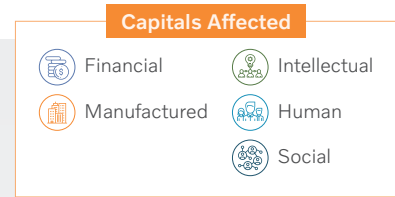
Strategic Key Focus Areas

1   Upgrade KUL's ageing assets namely the Baggage Handling System (BHS) and Aerotrain to cater for increase in passenger volume, achieve compliance with the QoS framework, and improve the minimum connecting time to increase the number of transfer passengers.
2   Rehabilite KUL runways to enhance reliability and meet CAAM and ICAO standards.
3   Expand KUL and other airports to increase number of airlines, grow business and provide quality service for the growing passenger traffic.

Key activities to create value in FY2019

Upgrade BHS and Aerotrain

1   Continue the BHS Operational Sustainability Plan and Aerotrain Operational Sustainability Plan to improve current system reliability prior to replacement of the assets.
2   Implemented Predictive Maintenance Programme (PdM) which utilises Internet of Things (IoT) solutions for real time monitoring and the ability to detect any deviation and faults in the BHS which serve as an early warning of impending issues.

Rehabilitate KUL runways

3   Started the Airport Pavement Operational Sustainability Plan by rehabilitating KUL's Runway 3. Pavement overlaying works have commenced to address potential issues that were identified through a Boeing Bump Index analysis conducted in 2018 such as airfield pavement roughness.

Airport expansion and optimisation

4   Optimised current assets and expanded new assets at KUL including installing 10 new body scanners at KUL, introducing an automated queue management system and reconfiguring the immigration arrival area for better efficiency.
5   Capacity optimisation began at PEN including shifting ticketing counters, increasing check-in counters and relocatiing the baggage reclaim carousel.
6   Capacity optimisation is also in progress at MYY including adding check-in counters and new office space, relocating inline baggage screening, upgrading RAS and reconfiguring existing floor area.

Growing passenger traffic

7   Continued the current joint programme between Malaysia Airports and Tourism Malaysia to increase tourists arrivals in Malaysia.
8   Increased connectivity and routes to our airports through the Aviation Development and Support Programme that encourages existing airlines to grow traffic and attract new airlines.
9   Improved the process and infrastructure to enhance the inter-terminal transfers between KLIA Main terminal and klia2.

Short to Medium Term Focus

Upgrade BHS and Aerotrain

1   To commence the asset replacement programme for BHS at KLIA Main terminal and Aerotrain.

Rehabilitate KUL runways

2   Undergo a three-year asset replacement program for Airport Pavement. The upgrading of Runway 1 and 2 is expected to begin in 2021 and 2023 respectively.

Airport expansion and optimisation

3   Launch KUL Master Plan focusing on the expansion of KUL to enable the aiport to cater to an additional 15-20 million passengers per annum. The expansion will be done in phases.
4   The expansion of MYY airport and three airports in Sabah, including BKI, is in its development stages in tandem with passenger growth.
5   Develop the MASB Airport Master Plan focusing on five airports – BKI, KCH, PEN, SBW and TWU – for future development to cater for passenger growth. The development of the five airports will be in phases.

Strategy

BEST IN CLASS HUB

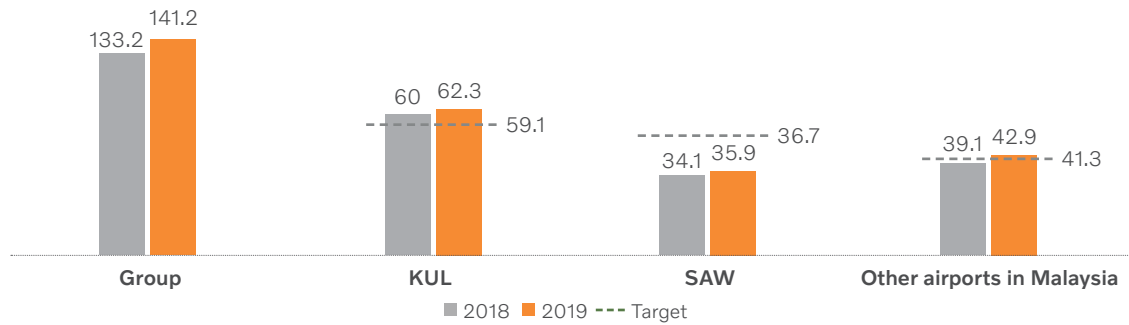**Short to Medium Term Focus (Continued)**

6   Continue optimisation initiatives at KUL - reactivate group check-in facilities, optimise bus lounge, enhance immigration and customs area and leverage on technology to improve passenger flow management. 50 additional body scanners will be installed at KUL to reduce congestion at security checkpoints.
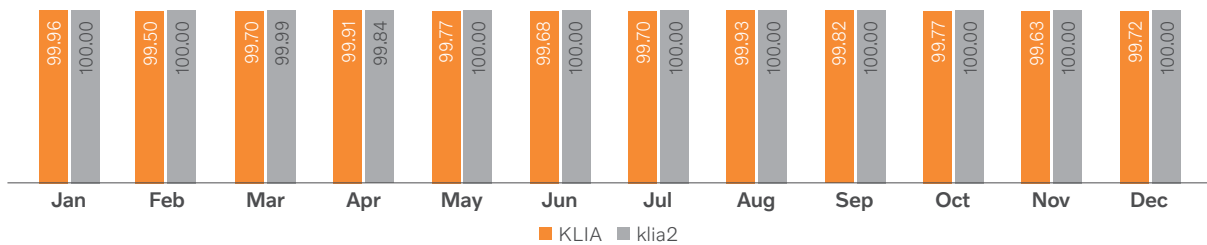
Growing passenger traffic

7   Grow passenger traffic through promotional activities, partnerships and incentives to increase connectivity and accessibility by attracting more new airlines to our airports, and encourage and support business expansion by existing airlines in terms of new routes, increase in scheduled frequencies and increase in seat capacity.
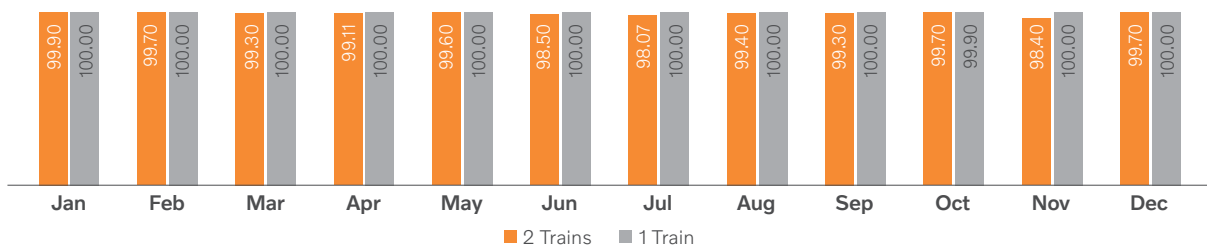
Performance Indicators

Passenger Traffic (mil)

	Group	KUL	SAW	Other airports in Malaysia
2018	133.2	60	34.1	39.1
2019	141.2	62.3	35.9	42.9
Target		59.1	36.7	41.3

Legend: ■ 2018 ■ 2019 - - - Target

BHS Availability at KUL (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
KLIA	99.96	99.50	99.70	99.91	99.77	99.68	99.70	99.93	99.82	99.77	99.63	99.72
klia2	100.00	100.00	99.99	99.84	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Legend: ■ KLIA ■ klia2

Aerotrain Availability at KUL (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2 Trains	99.90	99.70	99.30	99.11	99.60	98.50	98.07	99.40	99.30	99.70	98.40	99.70
1 Train	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	99.90	100.00	100.00

Legend: ■ 2 Trains ■ 1 Train

Link to Material Matters

MM2 Airport Safety and Security   MM3 Economic Performance   MM4 Total Airport Experience

Strategy

ST2 WORLD CLASS SERVICE LEVELS

Malaysia Airports aspires to be the international gateway of the nation with a world class service culture. It is imperative for us to provide our guests with an excellent total airport experience in terms of services, facilities, infrastructure and airport processes.

Capitals Affected

- Financial
- Intellectual
- Manufactured
- Human
- Social

Strategic Key Focus Areas

Improve service levels and increase passenger satisfaction through the following:
1. Achieve Quality of Service (QoS) and Airport Service Quality (ASQ) targets
2. Enhance the customer-centric culture within the airport community

Key activities to create value in FY2019

Achieve QoS and ASQ targets
1. Implemented 18 QoS elements at KLIA Main terminal and 17 elements at klia2.
2. Enhanced washroom facilities at KUL in areas that contribute to compliance with the QoS framework.
3. Enhance facilities such as toilets, Wi-Fi, Flight Information Display Systems, wayfinding and cleanliness of the terminals.

Enhance customer-centric culture within the airport community
4. Continued the Host Culture Transformation Programme for airport communities including our business partners to increase awareness on improving our ASQ ranking and transforming the airport communities into more caring hosts as part of the 'Happy Guests, Caring Hosts' programme.
5. Launched 'Bounce Higher as Caring Host' as advanced training for 'Happy Guests, Caring Hosts' to enhance the knowledge and skills of members of the airport communities in strengthening the customer-centric culture.
6. Recognised high performing Caring Hosts during the CARE Summit Awards to appreciate their contributions and successes in elevating service quality.
7. Strengthen and formalise the Guest Experience Framework to improve QoS performance and ASQ scores.

Short to Medium Term Focus

Achieve QoS and ASQ targets
1. Consistently meet all QoS targets at KUL and mitigate all non-compliance.
2. Drive the readiness of all QoS elements for the next phase of the QoS rollout to other airports.
3. Refurbish passenger washrooms with improved interiors, ambience, ventilation and cleanliness.
4. Focus on expediting the replacement of facilities that may potentially impact QoS performance in relation to the elements that will be assessed under the framework such as BHS, Aerotrain, washrooms, signage and terminal ambience.
5. Strive to meet ASQ and ACSPP targets for participating airports.

Enhance customer-centric culture within the airport community
6. Carry out a CARE Ambassadors Programme which includes refresh of the learning and development, retention programme, rewards and recognition programmes and a refreshed organisational structure to transform airport front line staff, namely CARE Ambassadors and Aviation Security personnel.
7. Improving ASQ scores for KUL through nurturing and cultivating the 'Host Culture' service mindset throughout the airport community to make KUL one of the top 10 airports ranked by ASQ score.
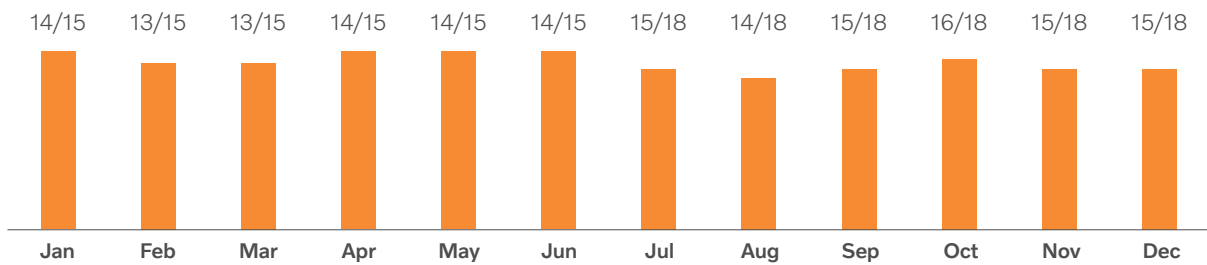8. Continue to drive the Host Culture Transformation journey to fortify, elevate and sustain service levels.
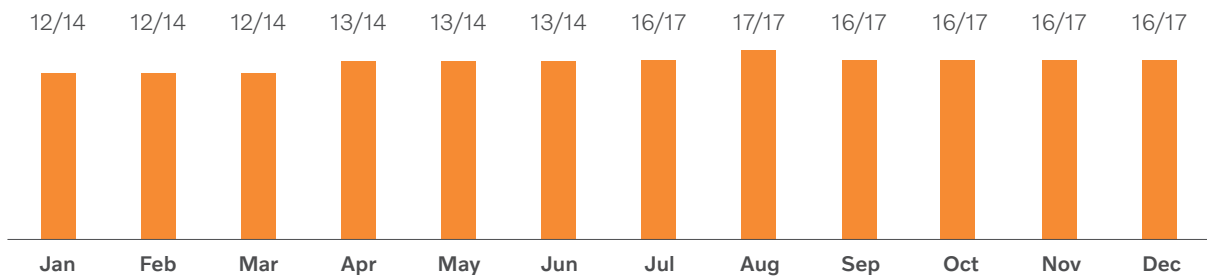
Strategy

ST2 WORLD CLASS SERVICE LEVELS
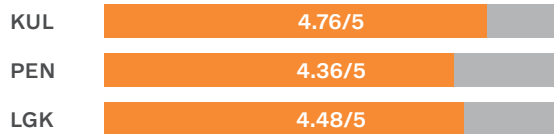
Performance Indicators

QoS Results for KUL Main terminal

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
14/15	13/15	13/15	14/15	14/15	14/15	15/18	14/18	15/18	16/18	15/18	15/18

QoS Results for klia2 terminal

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
12/14	12/14	12/14	13/14	13/14	13/14	16/17	17/17	16/17	16/17	16/17	16/17

ASQ Scores - Overall Satisfaction

KUL	4.76/5
PEN	4.36/5
LGK	4.48/5

ACSPP Scores - Overall Satisfaction

KCH	4.53/5
BKI	4.34/5

The Passenger Boarding Bridge team won the 2019 Malaysia Enterprise Innovation Award by Asia IoT Business Platform

Link to Material Matters

MM4 Total Airport Experience

Strategy

ST3

STRENGHTENING NON-AERO BUSINESS

Airports today have evolved to provide more than just aviation services. The commercial and retail business at airports have become part of the total airport experience that guests look forward to when coming to our airports. They also form an important revenue stream for Malaysia Airports.

Capitals Affected

- Financial
- Intellectual
- Manufactured
- Human
- Social

Strategic Key Focus Areas

1 Implement a commercial reset strategy to increase the retail profile at Malaysia Airport's airports with an injection of high end retailer and pop up stores in our airports
2 Develop an e-Commerce platform to cultivate the internet market for future growth

Key activities to create value in FY2019

Commercial reset

1 On-going commercial reset implementation – recently opened retail outlets include Travelex, Gloria Jean's Pushcarts, as well as Din Tai Fung and Costa Coffee, which are both 'first to airport' openings.
2 Commercial reset implementation at LGK that included curating its retail and food and beverage offerings and bringing in new stores such as Charles & Keith and Burger King, has shown success and raised the profile of the airport.
3 Implementation of various marketing campaigns such as 'Licence to Win' and 'SHOPLAH' to encourage guests to shop at airport retail outlets.

E-commerce

4 Partnership between Eraman and e-commerce platform, Ourshop, that allows travellers to pre-book products on ourshop.com and collect their purchases at a dedicated pick-up point located at the Eraman duty free outlet in klia2.
5 Implemented e-wallet payment systems including Union Pay, Alipay and WeChat Pay at retail outlets in the airports.

Short to Medium Term Focus

Commercial reset

1 Leverage on passenger growth to expedite the commercial reset implementation in KUL and other selected airports to align offerings the airports' passenger profiles by introducing new brands, high-end fashion retailers and a refreshed shopping experience while also giving international guests a 'Sense of Malaysia' through locally-made artisanal products.

E-commerce

2 Develop an e-commerce platform for KUL to capitalise on the expected high growth of the online shopping market while improving passenger experience.

Commercial revenue enhancement and strengthening retail duty free

3 Improve category management and retail duty free business through retailer engagement and benchmarking to align with best practices and establish strong relationships with retailers.
4 Strengthen brand awareness and retail duty-free business through on-ground events, marketing and promotion, public relations and social media initiatives, and store enhancements in KUL and other selected airports.
5 Introduce digitised and tech-based media, such as interactive digital directory and advertising panels that will add value to the airport experience of guests.
6 Enhance and improve the carpark ambience and facilities at airports for better passenger carpark experience and increased carpark revenues.

Strategy

ST3 **STRENGHTENING NON-AERO BUSINESS**

Performance Indicators

No	Key Performance Indicators	Coverage	Target	FY2019	FY2018
1	Commercial Revenue (RM mil)	KLIA	504.0	415.4	416.2
		klia2	374.8	336.3	345.3
		MASB	210.9	139.3	136.0
2	Non-Aero Revenue (RM mil)	Group	N/A	2,161.5	2,092.5
3	Spend per Pax (RM)	KLIA	45.6	44.5	46.7
		klia2	34.8	28.0	29.3
4	Retail Duty Free Revenue (RM mil)	MA Niaga	880.0	854.5	834.2
5	Retail Duty Free EBITDA (RM mil)	MA Niaga	N/A	53.2	75.5

Link to Material Matters

MM3 Economic Performance   **MM8** Digitalisation

Strategy

ST4 **UNLOCKING POTENTIAL THROUGH AEROPOLIS**

Malaysia Airports' off-terminal real estate development is synergistic to its airport and aviation business. The development is aligned with the national agenda to elevate Malaysia as Asia Pacific's hub for e-commerce logistics industry and Maintenance, Repair and Overhaul (MRO) industry.

Capitals Affected

- Financial
- Intellectual
- Manufactured
- Human

Strategic Key Focus Areas

1   Developing the air cargo and logistics sector via e-commerce fulfilment hub at KLIA Aeropolis
2   Develop KLIA Aeropolis and Subang Aerotech Park as leading centres to uplift Malaysia's MRO revenue

Key activities to create value in FY2019

1   Developed KLIA Aeropolis Digital Free Trade Zone as a site with cargo terminal, sorting centre, warehouse and operations offices.
2   Malaysia Airports signed a joint-venture agreement with Boustead Projects Limited for the development and management of an aerospace and high-tech park within the Subang Aerotech Park.

Short to Medium Term Focus

1   Position Malaysia as Asia Pacific's hub for e-commerce logistics and MRO.
2   Finalise Subang Airport Regeneration Master Plan to position SZB as a city airport, business aviation hub and aerospace ecosystem.

Link to Material Matters

MM3 Economic Performance

Strategy

ST5

EXPANDING AND DIVERSIFYING THROUGH INTERNATIONAL MARKET

Malaysia Airports continues to explore opportunities to expand its international footprint while focusing more on optimising its homegrown business.

Capitals Affected

- Financial
- Intellectual
- Manufactured
- Human
- Social

Strategic Key Focus Areas

1   Maximise existing investment and strengthen international business.
2   To expand and diversify Malaysia Airports' international business through operation, management, development and provision of airport-related services.

Key activities to create value in FY2019

SAW

1   For operations in Turkey, passenger traffic at SAW grew 4.1% YoY to register 35.5 million passenger movements.
2   SAW was named 'Large Airport of the Year' by CAPA - Centre for Aviation, a leading organisation in the aviation and travel industry.

Short to Medium Term Focus

SAW

1   Increase revenue growth and customer satisfaction, provide excellent operations, improve employee development and expand capacity at SAW.

Establish international strategy

2   Expand and diversify Malayia Airports' operations through the establishment of Malaysia Airports International (MAI) that will facilitate and manage overseas airport assets.
3   MAI to create a balanced portfolio, establish funding strategy, define investment policy, strengthen consultancy services and build partnerships.
4   Identify opportunities outside Malaysia to provide facility management and IT services to airports.

Performance Indicators

- 2018
- 2019
- --- Target

	2018	2019	Target
SAW Passenger traffic (mppa)	34.1	36.0	36.67
SAW Revenue (RM mil)	1,100.8	1,227.0	1,123.7
SAW EBITDA (RM mil)	830.7	923.8	902.6
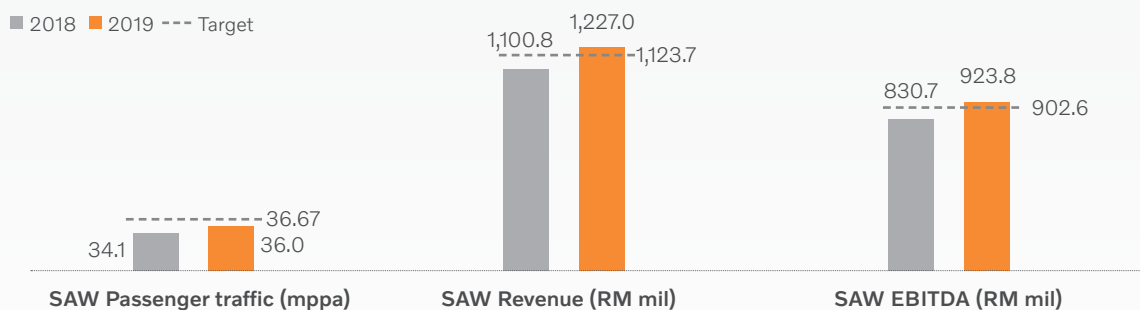
Link to Material Matters

MM3   Economic Performance

Key Enablers

EN1 **INTEGRITY, CULTURE TRANSFORMATION AND HUMAN CAPITAL**

Malaysia Airports recognises that our employees are the main drivers of our strategy. Therefore, integrity, a positive culture and competencies are critical factors for us to succeed in our business objectives and to spur nation building.

Capitals Affected

- Financial
- Manufactured
- Intellectual
- Human
- Social
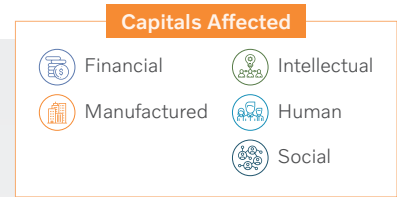
Strategic Key Focus Areas

1. Strengthen integrity practices to guide employee conduct in the workplace.
2. Shape a positive culture at the workplace by initiating and sustaining a shift towards a customer-centric culture and improve employee engagement.
3. Enhance organisational effectiveness and people capabilities to adapt to changes in regulation and industry needs.

Key activities to create value in FY2019

Integrity

1. Achieved ISO 37001:2016 certification for the Anti-Bribery Management System (ABMS) for procurement process, a testament to upholding integrity of the highest level by benchmarking against international standards for anti-bribery practices.
2. Continued implementation of Malaysia Airports Integrity Plan in collaboration with the Malaysian Institute of Integrity to reinforce integrity and ethical behaviour among our employees through awareness campaigns and an integrity conference.
3. Finalised the development of corporate Core Values to be implemented in FY2020. Integrity is one of the core elements aimed at cultivating good employee behaviour which will have a positive impact on performance and results.

Culture transformation

4. Invested RM11.0 million for human capital development with focus on improving workforce capability and driving cultural transformation.

Human capital

5. Launched the Leaders Airport Adoption Programme (LEAP) to accelerate the development of Airport Managers through active mentoring and engagement with senior leadership team.
6. Introduced the Group CEO and Leadership Awards to strengthen our performance and rewards programme.

7. 12 employees were certified as International Airport Professionals through the Airport Management Professional Accreditation Program that aimed to develop new generation airport leaders.
8. Promoted 39 graduates from Customer Experience Management to 'officer' level through the Skills Certification Program that enhances knowledge, upskills the workforce and recognises employees who can demonstrate skills outlined in the National Occupational Skills Standards based on prior experience and achievements.
9. Carried out the Malaysia Airports Competency Assessment on 5,945 employees to assess our airport operational personnel on technical knowledge and skills capabilities to conform with standards set by regulators.
10. Enhanced employee learning and development by introducing online learning courses.
11. Streamlined HR processes by going digital, notably for matters relating to employee travel.

Short to Medium Term Focus

Integrity

1. Expand the ISO 37001:2016 ABMS certification to other areas within Malaysia Airports such as commercial services, information technology and project management by 2020.
2. Develop Organisational Anti-Corruption Plan in line with the National Anti-Corruption Plan with assistance from relevant agencies namely Malaysian Anti-Corruption Commission, National Centre for Governance, Integrity and Anti-Corruption and Malaysian Institute of Integrity.

Key Enablers

EN1 **INTEGRITY, CULTURE TRANSFORMATION AND HUMAN CAPITAL**

Culture transformation

3   Communicate Core Values framework and roadmap and roll out internalisation and change management programmes among employees.

Human Capital

4   Establish MAHB Academy as a talent factory to enhance our workforce capabilities through strategic collaboration and partnerships with reputable institutions and industry players.

5   Leverage use of technology to refresh delivery of learning and development programmes through a digital learning platform.

6   Introduce differentiated bonus schemes to enhance competitiveness of Malaysia Airports' rewards and recognition structure.

Performance Indicators

Employee Engagement Score

78.3%
Target

78%
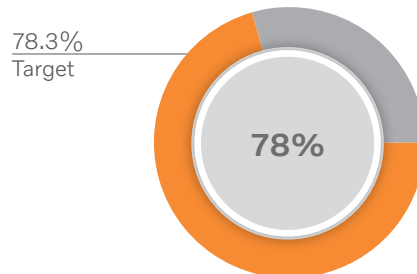
Received MSWG-ASEAN Corporate Governance Awards 2018
Award recipient under the Anti Bribery Management System (ABMS) Certification Scheme by SIRIM

Link to Material Matters

MM1 Integrity and Anti-Corruption   **MM2** Airport Safety and Security   **MM4** Total Airport Experience

MM6 Regulatory Compliance

Key Enablers

EN2 **AIRPORTS 4.0 AND BIG DATA ANALYTICS**

Digital transformation is imperative to gain competitive advantage, maintain regulatory compliance and drive capacity optimisation and operational efficiency, with a strong focus on providing a seemless travelling experience for passengers.

Capitals Affected

- Financial
- Intellectual
- Manufactured
- Human
- Social

Strategic Key Focus Areas

1. Establish a unified digital platform for big data analytics, artificial intelligence, intelligent enterprise as well as cyber and information security.
2. Utilise Internet of Things (IoT) sensors to collect, collate, analyse and act on data captured and industrial IoT.
3. Leverage industrial IoT to focus on asset management and predictive maintenance.

Key activities to create value in FY2019

1. Examine and revamp processes to prevent recurrence of systems disruptions and strengthen business continuity plan.
2. Continue executing our Digital Transformation programme that began in 2018 with focus on connectivity and realtime information by connecting key stakeholders in one fully integrated digital ecosystem.
3. Launched a single token passenger journey initiative powered by facial recognition, big data analytics and IoT to automate the travel journey from check-in to boarding.
4. Established strategic collaboration with multiple industry players including government agencies to increase capability in driving operational and service efficiency through digitalisation.

Short to Medium Term Focus

1. Refresh of the Total Airport Management System to increase operational efficiency and productivity.
2. Simplify passenger journey by providing end-to-end passenger experience that is secure, seamless and efficient.
3. Maintain a safe and secure airport environment to increase passenger comfort and experience.
4. Leverage on technology to improve efficiency and productivity at the airports.
5. Procurement Transformation Initiative to drive towards excellence by leveraging on technology.

Link to Material Matters

- **MM1** Integrity and Anti-Corruption
- **MM2** Airport Safety and Security
- **MM4** Total Airport Experience
- **MM5** Airport Capacity
- **MM6** Regulatory Compliance
- **MM7** Digitalisation

Key Enablers

EN3 **ENHANCING BRAND EQUITY**

Brand equity is one of our enablers as its value is derived from improved awareness, perception and quality among internal and external stakeholders.

Capitals Affected

- Financial
- Intellectual
- Manufactured
- Human
- Social

Strategic Key Focus Areas

1. Enhance brand visibility through a more aggressive presence
2. Increase positive perception with more cohesive company messaging
3. Create strategic alliances and enhance perception among internal and external stakeholders

Key activities to create value in FY2019

1. Embarked on a brand refresh initiative whereby a brand audit, development of a brand strategy and architecture were completed.
2. Formulated a cohesive and integrated media plan to ensure alignment of key messages to target audience
3. Executed cohesive corporate responsibility initiatives based on the approved framework and created strategic alliances to enhance perception among the airport community.

Short to Medium Term Focus

1. Continue to enhance brand visibility by executing initiatives that strengthen brand positioning
2. Continue to conduct proactive engagements with members of the media to ensure consistent messaging
3. Continue to garner stakeholder support by fostering dynamic stakeholder engagement

Performance Indicators

Legend: 2018 | 2019 | ----- Target

Indicator	2018	2019	Target
Total PR Value (RM mil)	346.3	1,115.1	360.0
CSR PR Value (RM mil)	35.6	73.3	36.0
Brand Sentiment Score	0.27	0.22	0.28
Social Media Followers (mil)	2.9	3.2	4.5
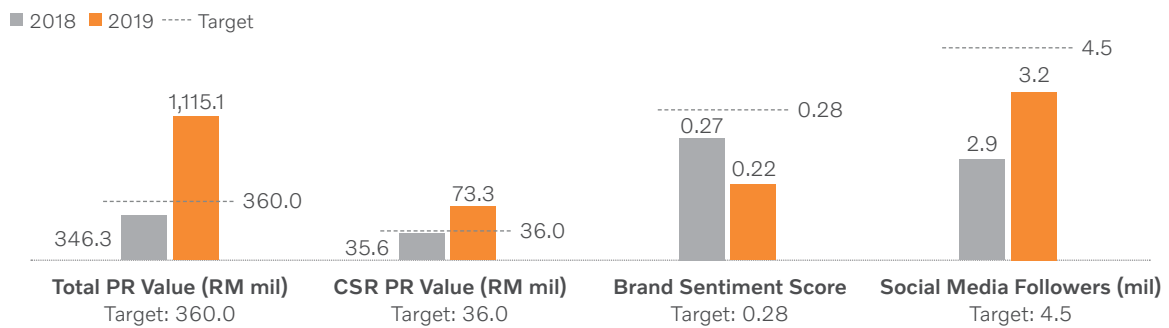
Link to Material Matters

- **MM1** Integrity and Anti-Corruption
- **MM4** Total Airport Experience
- **MM6** Regulatory Compliance
- **MM7** Digitalisation

Key Enablers

EN4 **LEAN SIX SIGMA**

Embrace a systematic approach in how we drive improvements in efficiency and effectiveness to their successful conclusion.

Capitals Affected

Financial   Human

Manufactured   Social

Intellectual   Natural

Strategic Key Focus Areas

1   Utilise Lean Six Sigma methodology through top-down efforts and on a wider scale to support revenue, cost optimisation, service quality and capacity development.

Key activities to create value in FY2019

1   Successfully implemented 297 initiatives through Lean Six Sigma which resulted in total financial impact of RM78.8 mil.
2   Strengthen internal expertise at various Lean Six Sigma knowledge levels across Malaysia Airports.
3   Enrolled Lean Six Sigma programme to all Malaysia Airports' subsidiaries to increase the pool of experts to drive improvement activities through Lean Six Sigma methodology.
4   Improvement of glass mirrors in passenger washrooms.
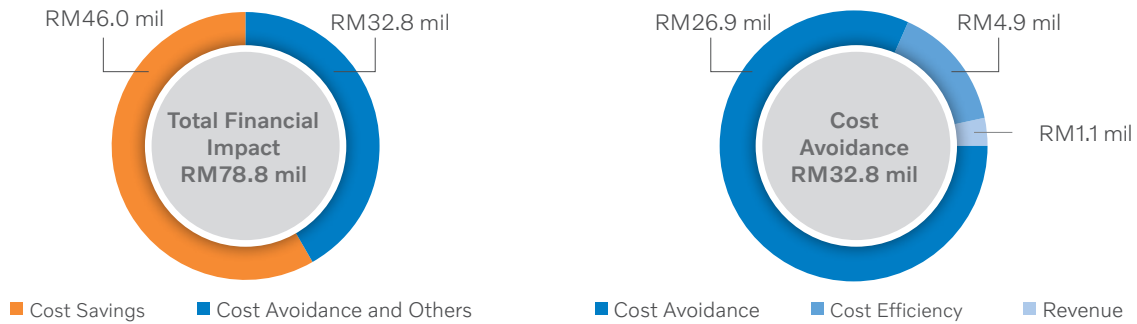5   Optimisation of KLIA Bus terminal by increasing platform utilisation and expand the connectivity for express and stages buses.
6   For Malaysia Airports' agriculture and horticulture business segment, Lean Six Sigma is implemented in improvement of Fresh Fruit Bunches (FFB) harvesting and collection during flooding season at selected affected zones and fields.

Short to Medium Term Focus

1   Continue embedding Lean Six Sigma culture to drive continuous improvements related to QoS and ASQ targets
2   Focus on key areas that maximise positive impact to Malaysia Airports in both financials and efficiency.

Performance Indicators

RM46.0 mil   RM32.8 mil

Total Financial Impact RM78.8 mil

RM26.9 mil   RM4.9 mil

Cost Avoidance RM32.8 mil

RM1.1 mil

■ Cost Savings   ■ Cost Avoidance and Others   ■ Cost Avoidance   ■ Cost Efficiency   ■ Revenue

Lean Six Sigma Knowledge Level	Trained Employees in FY2019	Trained Employees in FY2018
Yellow Belt/Lean Practitioner	215	112
Green Belt	46	53
Total	261	165

Link to Material Matters

MM2 Airport Safety and Security   **MM3** Economic Performance   **MM4** Total Airport Experience

MM5 Airport Capacity   **MM6** Regulatory Compliance   **MM7** Digitalisation

Management Discussion and Analysis
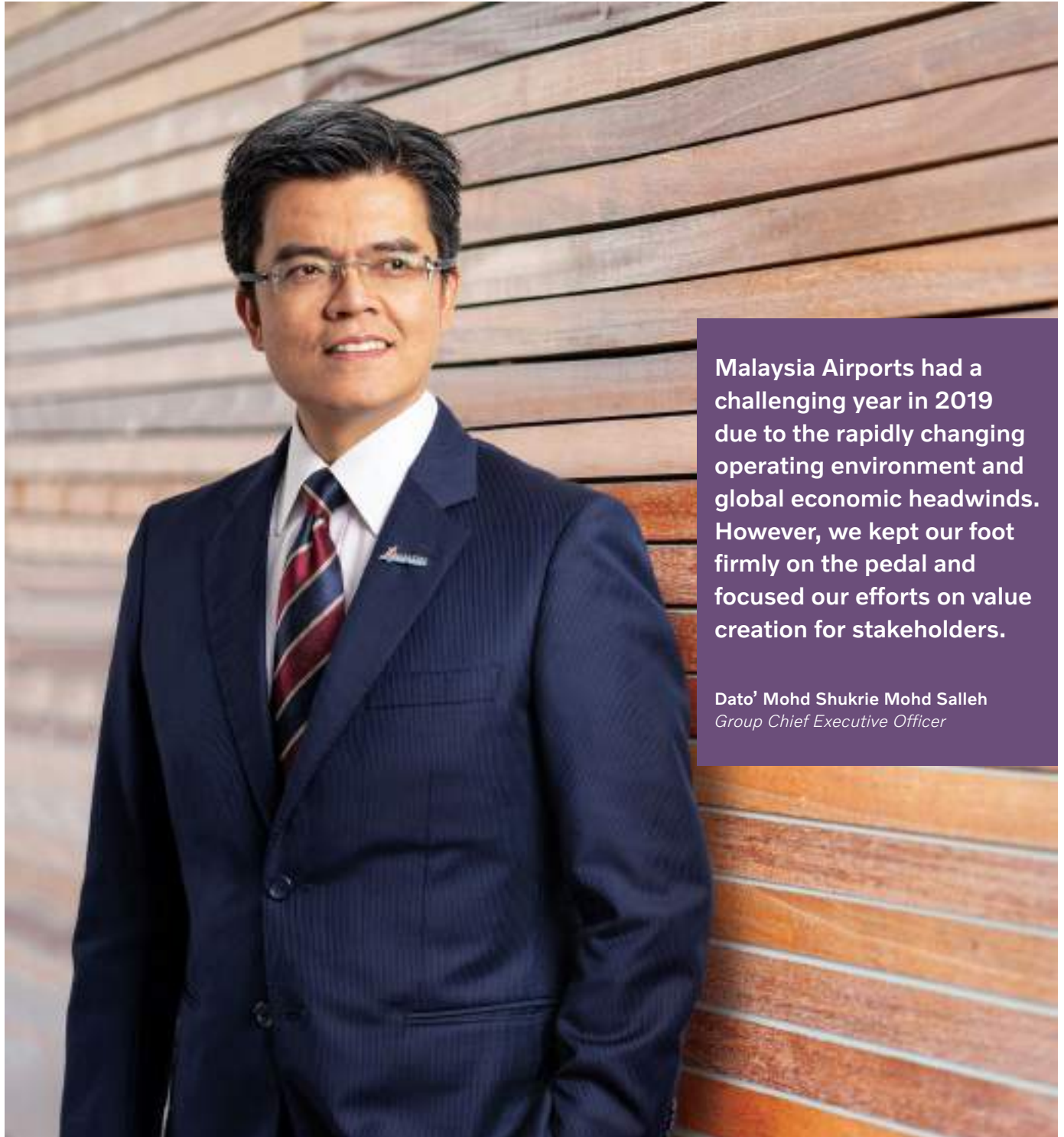
> **Malaysia Airports had a challenging year in 2019 due to the rapidly changing operating environment and global economic headwinds. However, we kept our foot firmly on the pedal and focused our efforts on value creation for stakeholders.**
>
> **Dato' Mohd Shukrie Mohd Salleh**
> *Group Chief Executive Officer*

Management Discussion and Analysis

Our efforts paid off and it was a good year for Malaysia Airports. Our investments in KL International Airport (IATA Code: KUL), our airports in Malaysia and in Istanbul Sabiha Gökçen International Airport (IATA Code: SAW) had translated into tangible growth and results not only for shareholders, but also across the wider range of stakeholders.

A year of record revenues in 2019 coupled with prudent debt and cash flow management also means that Malaysia Airports started 2020 from a position of strength and good financial standing. That will help us to face the challenges that the COVID-19 pandemic has dealt the aviation industry in Malaysia as well as regionally and globally.

2019 highlights
Malaysia Airports set a new record for total passenger traffic of 141.2 million, an increase of 6.0% year-on-year (YoY). For Malaysia operations, passenger traffic hit 105.3 million, growing 6.2% YoY to surpass the 100 million mark for the first time ever. For operations in Turkey, passenger traffic at SAW grew 5.6% YoY to register 36.0 million movements

On the back of improved results from airport operations, Group revenue for the financial year ended 31 December 2019 (FY2019) amounted to RM5,213.1 million, a growth of 7.4% YoY. Malaysia operations accounted for RM3,774.9 million representing a 6.4% YoY growth, while overseas operations contributed RM1,438.2 million, an increase of 10.4% YoY.

Excluding gains from extraordinary items and fair value of investments, Group EBITDA in 2019 increased by 9.4% YoY due to higher EBITDA from both Malaysia and overseas operations by 9.4% and 9.4% YoY respectively, supported by higher international passenger traffic. Excluding extraordinary items in FY2018, Group profit before tax (PBT) increased 33.4% to RM659.2 million while profit after tax (PAT) improved by 21.9% YoY in 2019.

As sustaining our growth is important, we embarked on several major projects to upgrade our infrastructure. These include rehabilitation work for Runway 3 at KUL and optimising existing airport infrastructure for greater efficiency. We also began preparatory work for the multi-year projects to replace the aerotrain and baggage handling system at KUL.

At Penang International Airport (IATA Code: PEN), the construction of a seven-storey carpark which began in 2019 was completed in early 2020, adding 582 parking bays to PEN, bringing the total bays to 1,800. We also received approval from the Ministry of Finance (MOF) to allow us to proceed with further expansion plans for PEN which will increase its capacity from 6.5 million passengers per annum (mppa) to 12 mppa.

We also made strides in the intangibles – improving our procurement process, strengthening integrity and anti-corruption measures, and instilling a mind-set change among our frontline staff and the KUL community with the Happy Guests, Caring Hosts training programme to improve guest experience. We launched the KUL Sustainability Charter to focus on beyond today's results and to ensure that we lay a sound foundation for future growth.

Malaysia Airports reached a major milestone in 2019 when we secured the approval of the Malaysian cabinet for the extension of our operating agreements (OAs), thereby extending our licence to operate, manage and maintain the network of airports in Malaysia till 2069.

It was also a year of flux as we prepared for the move to the Regulated Asset Base (RAB) method of funding for capital expenditure. Implementing the RAB or any other sustainable funding model would enable Malaysia Airports to invest in infrastructure to ensure sufficient capacity and improve service levels at airports. While the final details for a sustainable funding model for airport development are still being bolted down, we are confident by being adaptable and agile, Malaysia Airports has the capability to deliver the airport growth needed to serve our stakeholders.

Management Discussion and Analysis

Our year was marred by a network core switch failure resulting in systems disruption affecting operations at KLIA Main terminal in August 2020. Despite the disruption, the airport continued to operate without closure thanks to the incredible support from over a thousand volunteers and the whole airport community who had rallied together with us.

While we deeply regret the disruption caused by the incident, there were valuable lessons learnt from this experience. Since then, we have revamped our processes, strengthened our business continuity plans and replaced critical IT hardware to prevent a recurrence, restore stakeholder confidence and maintain KUL's 21-year sterling track record.

By the close of 2019, we also were heartened that our efforts were recognised by our stakeholders as we received awards and accolades in key aviation and non-aviation areas. We won awards for our terminal as well as airport marketing and customer service. In addition, we also received awards for financial performance, corporate governance, sustainability, environmental practices, employment practices and corporate reporting.

Malaysia Airports paid a single-tier dividend of 5.0 sen per ordinary share for FY2019 amounting to RM82.9 million in October 2019. In addition, on 21 May 2020, the Company also paid a final dividend of 10.0 sen per ordinary share amounting to RM165.9 million for FY2019. Therefore, the total dividend paid amounting to RM248.8 million translates to a payout of 52% of the total adjusted PAT, surpassing the Group's dividend policy of a minimum 50% payout ratio.

It is my pleasure as Group Chief Executive Officer of Malaysia Airports to present to stakeholders our Management Discussion and Analysis for FY2019.

FINANCIAL PERFORMANCE

Stronger Revenues in FY2019
Excluding construction revenue, the Group registered revenue of RM5,213.1 million for FY2019 which was 8.9% higher than FY2018. The higher operating revenues are attributed to improved results from the airport operations segment which grew by 9.6% to RM4,926.2 million. Revenue in non-airport operations segments declined by 1.5% to RM286.9 million.

Within the airport operations segment, the higher operating revenues were driven by a 15.0% YoY growth in aeronautical revenue. This was achieved on the back of strong passenger growth of 6.0% to 141.2 million passengers and growth in commercial aircraft movements by 3.2% YoY. Also contributing to the airport operations segment was the growth of non-aeronautical revenue of 3.4% to RM2,161.5 million as retail and commercial businesses showed improved performance.

Double-digit earnings growth
Malaysia Airports had registered earnings before interest, tax, depreciation and amortisation (EBITDA) of RM2,292.0 million for FY2019, surpassing its headline financial Key Performance Indicators target for FY2019 core EBITDA of RM2,163.6 million. This was achieved as a result of strong revenue growth, primarily arising from improved operational performance both in Malaysia and Turkey.

Despite an increase in the Group's total cost mainly due to higher utilities and administrative cost for Malaysia operations, the Group recorded a double digit jump in profits. Excluding extraordinary items in FY2018, profit before tax (PBT) increased by 33.4% YoY to RM659.2 million while profit after tax (PAT) increased by 21.9% YoY to RM537.0 million.

Assets and Liabilities

Cash Balances, Bank Borrowings and Liquidity
On the back of prudent debt management and cash flow, in 2019, the Group had improved its debt to equity ratio to 0.60 times, compared to 0.63 times in FY2018. Cash and cash equivalents had increased slightly by 0.2% to RM1,453.1 million YoY from RM1,450.5 million in FY2018.

During the year, the Group had paid down its Senior Term Facility for Turkey operations by EUR35.0 million equivalent to RM162.6 million. This reduced the Group's total borrowings at the end of FY2019 to RM4,932.7 million, a 4.1% reduction YoY.

The Group continues to strictly observe financial covenants to comply with funding requirements and internal guidelines.

Management Discussion and Analysis
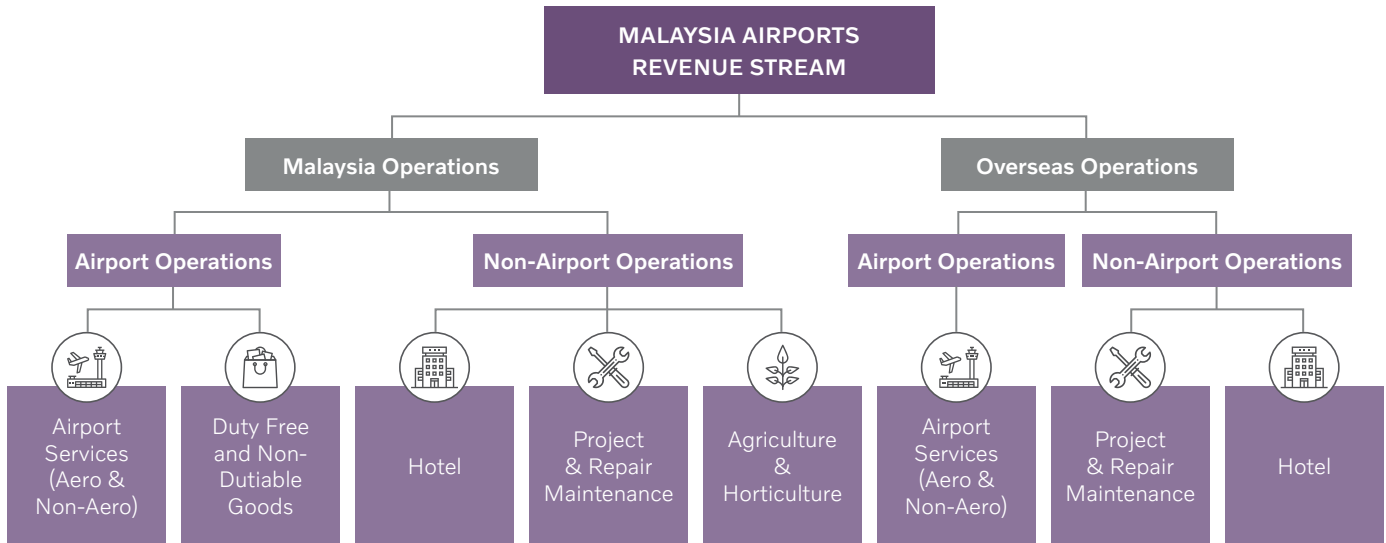
OPERATIONS REVIEW

In this section, we explain Malaysia Airports' strategies, key initiatives and results in our five main business segments to give stakeholders a better picture of how our resources were applied to create value.

Airport Operations

Airport Operations covers the two major segments of our business - first, Airport Services which is further divided into aeronautical and non-aeronautical business, and secondly, Duty-free and Non-Dutiable Goods. The revenue from Airport Operations makes up 94% of our total revenues.

Airport Services - Aeronautical Business

The Aeronautical Business derives its revenues from airlines and passengers who use our airports, as well as cargo which is transported through our airports. The main categories of revenues are passenger service charges, aircraft landing and parking charges and charges for use of airport facilities.

Aeronautical Revenues grew in 2019

Aeronautical revenues are strongly correlated with the volume of airlines, passengers and cargo handled using our facilities. Therefore our business strategies for this segment are focused on driving volumes, and a higher proportion of international passengers. We are pleased to inform stakeholders that our numbers continued to grow strongly in 2019.

Overall, aeronautical revenue grew 15.0% to RM2,764.7 million. For Malaysia operations, aeronautical revenue grew 10.9% YoY to RM1,993.5 million. For operations in Turkey, aeronautical revenue grew 27.0% YoY to RM771.2 million, contributed mainly by higher numbers for international passengers.

Management Discussion and Analysis

In terms of profitability, airport services for Malaysia operations recorded a PBT of RM621.6 million, while for operations in Turkey, airport operations contributed RM145.0 million, making it the first year a PBT was recorded since SAW became a wholly-owned subsidiary of Malaysia Airports in 2014.

The revenue growth in this segment is supported by the increase in passenger traffic movements, higher percentage of international passengers, new airlines and new routes as explained below.

Passenger traffic movements hit a record high
Malaysia Airports' entire network of airports, including SAW, achieved a record high in passenger traffic with 141.2 million passenger movements in 2019, a 6.0% increase YoY. Both international and domestic passenger movements registered growth; international passenger movements grew 6.5% YoY to 67.5 million while domestic passenger movements grew 5.6% YoY to 73.7 million. Overall commercial aircraft movements increased by 3.2% YoY.

Airports in Malaysia
The passenger movements for airports in Malaysia crossed the 100 million threshold for the first time with 105.3 million passengers, a 6.2% YoY growth. Compared to 2018, international passenger movements grew 3.1% to reach 53.3 million while domestic passenger movements grew 9.7% to 52.0 million.

12 of the 21 main airports in Malaysia especially those in Sabah and Sarawak registered high double-digit growth in passenger movements. Overall commercial aircraft movements increased by 3.4% YoY. The overall average load factor was 75.0% in 2019, 0.7 percentage points higher than 2018. Cargo movements decreased by 2.9% YoY to 943,782 metric tonnes in line with sluggish global air cargo performance.

KUL
KUL surpassed the 60 million mark for the first time with 62.3 million passengers, an increase of 3.9% over 2018. International passenger movements grew 3.0% YoY while domestic passenger movements recorded a 6.2% growth YoY. Passenger movements at both KLIA Main terminal and klia2 grew 3.9% YoY with KLIA Main terminal recording 29.2 million passengers and klia2 recording 33.1 million. Aircraft movements at KUL increased by 2.1% YoY.

Airports in Malaysia excluding KUL
The other airports in Malaysia accounted for 42.9 million passenger movements, a 9.7% increase YoY. They comprised 8.4 million international passenger movements, a 3.1% increase YoY and 34.6 million domestic passenger movements, an 11.5% YoY increase. Overall commercial aircraft movements increased by 4.5% YoY. Sandakan Airport (IATA Code: SDK) and Bintulu Airport (IATA Code: BTU) crossed the 1.0 million mark while Melaka Airport (IATA Code: MKZ) handled more than 100,000 passengers compared to its typical high of 50,000 in previous years.

SAW
SAW passenger traffic grew 5.6% YoY to register 36.0 million movements. International passenger movements increased by 22.0% YoY to 14.2 million while domestic passengers decreased by 3.0% YoY to 21.7 million movements. This was due to a focus on international routes, as well as well the restructuring of Pegasus Airlines' routes to focus on international routes. Total aircraft movements increased 2.5% YoY, with international aircraft movements recording an increase of 17.6%.

New airlines, routes, destinations and frequencies
As a result of intensive marketing, our airports in Malaysia bid 'Selamat Datang' to 11 new airlines, two new charter airlines and three new cargo freighters. The Group also welcomed 39 new international services in Malaysia. SAW added six new airlines and launched 13 new international services.

Another growth strategy is to encourage existing airlines customers to add more services to our airports. In 2019, for Malaysia operations, 48 new services were added to the network consisting of 41 international and seven domestic services . For the international sector, KUL recorded the highest number of new services with 27 while the other airports in Malaysia registered 14 new international services. This has reversed the trend in 2018 in which regional international airports registered the highest number of new direct flights rather than KUL.

For SAW in particular, the launch of SAW-KUL route by Malaysia Airlines was the highlight of the year, becoming the first direct long-haul route launched from SAW. This charter flight marks the return of Malaysia Airlines to the Istanbul market since 2014.

A total number of 9,458 international additional frequencies in 2019 were added into Malaysia Airports' network through introduction of new destination and business expansion by both local and foreign carriers.

Management Discussion and Analysis
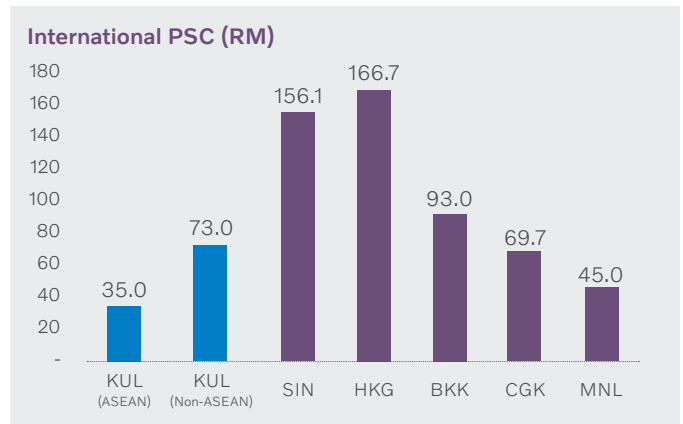
Strategies and Key Initiatives

Growing passenger numbers, attracting new airlines and securing new routes is an effort that requires Malaysia Airports to engage and collaborate with its stakeholders, locally and internationally.

In this regard, the efforts are multipronged. First, we are able to provide a competitive cost base for airline operations. Secondly, targeted marketing efforts are focused on assisting airlines which choose our airports for their new routes. Thirdly, we continue to upgrade our infrastructure and facilities in line with our strategic theme of being a best-in-class hub; this ensures the airports have the capacity and capability to meet guest demand. And fourthly, we continuously improve the guest experience in line with our strategic aim of providing world-class service levels.

A competitive cost base for airline operations

A key advantage is the enabling environment in Malaysia which makes our airports among the world's most competitive cost base for airline operations in terms of charges imposed on passengers and airlines.

Passenger Service Charge (PSC) are imposed on all departing passengers according to their destination – domestic, ASEAN or International (Non-ASEAN). PSC are set by the Malaysia Aviation Commission (MAVCOM) after consultation with stakeholders and are subsequently gazetted by the Government of Malaysia. In 2019, the Government of Malaysia introduced an international 'Departure Levy' of RM8.0/ RM20.0 for ASEAN and Non-ASEAN routes respectively.

International PSC (RM)

Airport	PSC
KUL (ASEAN)	35.0
KUL (Non-ASEAN)	73.0
SIN	156.1
HKG	166.7
BKK	93.0
CGK	69.7
MNL	45.0

New Airlines in 2019

3 New airlines in **PEN**

Batik Air
Jakarta - Penang

Qingdao Airlines
Quanzhou - Penang

Shenzhen Airlines
Shenzhen - Penang

1 New airline in **KUL**

Air Arabia
Sharjah - Kuala Lumpur

1 New airline in **BKI**

Air Busan
Daegu - Kota Kinabalu
Busan - Kota Kinabalu

1 New airline in **LGK**

Qatar Airways
Doha - Penang - Langkawi

1 New airline in **KBR**

Scoot
Singapore - Kota Bharu

1 New airline in **SDK**

Royal Brunei Airlines
Bandar Seri Begawan - Sandakan

1 New airline in **TWU**

Royal Brunei Airlines
Bandar Seri Begawan - Tawau

1 New airline in **SBW**

Royal Brunei Airlines
Bandar Seri Begawan - Sibu

1 New airline in **BTU**

Royal Brunei Airlines
Bandar Seri Begawan - Bintulu

Management Discussion and Analysis

Targeted marketing efforts

Malaysia Airports also leverages its competitive advantage with marketing efforts which are targeted at increasing the number of airlines, routes and frequencies to our airports. In addition to maintaining an active presence at aviation industry forums and events, there were several key initiatives in 2019 that fuelled our growth in this area.

Airlines Incentive Programme

Malaysia Airports has in place an incentive programme for new and existing airline partners. The programme provides for waiver of landing charges to assist the airline in its early years of operations at our airports. It also enables the airlines to receive funds to market and promote their new routes to Malaysia, as well as rewards for passenger growth.

Joint International Tourism Development Programme

This programme was launched in 2018 as a joint initiative between Malaysia Airports and Tourism Malaysia to attract and develop inbound air traffic to Malaysia. A collective fund of RM20 million was made available to airlines for approved media and promotional activities to attract tourist from key markets. In 2019, 12 airlines which include foreign and Malaysian carriers, utilised this incentive.

Langkawi International Tourism Promotional Fund

This two-year programme was launched in 2019 to promote Langkawi as a preferred and top-of-mind international tourist destination following the completion of upgrading works at Langkawi International Airport (IATA Code: LGK). A sum of RM2.5 million was made available to airlines, charterers, tour operators and other tourism industry players and is expected to grow tourist arrivals in Langkawi significantly.

Management Discussion and Analysis

Visit Malaysia 2020 Promotions
Malaysia Airports was a strategic partner of Tourism Malaysia in promoting Visit Malaysia 2020 (VM2020) and had in place a structured programme for this purpose.

In 2019, Malaysia Airports had laid the groundwork for VM2020. First, we promoted VM2020 via our strategic assets at airports including SAW. Secondly, Malaysia Airports worked with government ministries and agencies to ensure a smooth and seamless experience for visitors arriving in Malaysia through airports. Thirdly, we also collaborated with Tourism Malaysia to partner with various international airlines and tour operators through the Joint International Tourism Development Programme (JITDP) to increase connectivity and develop attractive holiday packages to Malaysia.

However, in March 2020, the Malaysian Government made a decision to cancel VM2020 in the light of the COVID-19 global pandemic and its impact of tourism in Malaysia as well as globally.

Makkah Route Hajj Pre-Clearance at KUL
The Makkah Route is an initiative of the Kingdom of Saudi Arabia (KSA) to enable pre-clearance for Hajj pilgrims in their home country. Malaysia was selected as the first country to implement the initiative in 2017.

Under this initiative, the KSA sets up an immigration centre at KUL Main terminal to enable Malaysian Hajj pilgrims to complete immigration

procedures at KUL Main terminal itself and ensuring compliance with health requirements. Upon arrival in Saudi Arabia, the pilgrims will by-pass immigration procedures and head directly for transportation to their hotels, where their luggage would be sent directly.

In 2019, more than 33,000 Hajj pilgrims on 69 flights were processed under this system. There is potential for the pre-clearance to be extended to umrah pilgrims, and for KUL to become a transit hub for umrah pilgrims from across Southeast and East Asia.

Upgrading infrastructure and facilities
This is an important area as decisions by our airline partners on route development are driven by many factors including considerations around the capacity, safety and quality of airport infrastructure and facilities.

Hence, these matters are included in Malaysia Airports' Materiality Matrix, and are among our top priority areas for our business.

We are pleased to inform stakeholders that we have made considerable progress in these areas.

Enhancing capacity
Airport capacity is important to ensure operational safety and efficiency, service standards as well as passenger comfort.

Penang International Airport expansion given green light
At the end of 2019, we received approval from the Ministry of Finance and Ministry of Transport as well as local authorities to proceed with the expansion plans for Penang International Airport (IATA Code: PEN) to increase its capacity from 6.5 mppa to 12 mppa for the first phase of the development. The plans entail additional aircraft stands, increased gross floor area, a new domestic pier and increased car parking spaces. The airport will also be redesigned to be environmentally friendly and will feature the latest in automated check-in and baggage drop capabilities for passenger convenience.

The works, which were initially targeted to start in Q2 2020 are likely to be deferred or scaled back to prioritise the use of resources in the wake of the COVID-19 pandemic.

Nevertheless, in 2019, we commenced building works for a new multi-storey car park at PEN to increase car parking spaces from 1,200 to approximately 1800. The check-in area and immigration arrival area were also reconfigured to optimise the available space, increase efficiency and ease congestion.

Management Discussion and Analysis

Developing master plans for KUL and selected airports.
In 2019, Malaysia Airports engaged the services of airport planning consultants to develop airport master plans for KUL and five other airports – PEN, Kota Kinabalu International Airport (IATA Code: BKI), Kuching International Airport (IATA Code: KCH), Sibu Airport (IATA Code: SBW) and Tawau Airport (IATA Code: TWU) - to plan for future growth. The project deliverables for each airport are first, a master plan that encompasses a 30-year outlook and a phased development plan to meet market demand of passengers, aircrafts and cargo movement, and secondly, a functional layout plan for the conceptual expansion of the passenger terminal at each airport.

For KUL, the airport master plan will also incorporate the development of the KLIA Aeropolis.

Tightening Safety and Security
Airport Emergency Exercises
These are safety and security exercises involving simulations of emergency scenarios at the airport such as aircraft crash, hijacking and act of aggression at the airport. They are designed to test the efficacy of the Airport Emergency Plan, the readiness of our people and the inter-agency coordination needed to respond effectively in a different emergency scenarios.

In 2019, a total of 77 safety and security exercises were conducted including eight full scale exercises. An example of a full scale exercise in 2019 was the act of aggression exercise codenamed 'Ex-RAMPAS' at LGK. Ex-RAMPAS involved 32 parties including LGK staff, emergency response agencies, regulators, state government departments and members of the airport community. The five-day exercise covered workshops, tabletop exercises, full scale simulations as well as a post-mortem.

State-of-the-Art Security Scanners
New security body scanners were also installed at KUL. The new scanners are able to detect both organic and non-organic foreign objects on the body without requiring a manual pat-down. They are more effective as they can detect all kinds of materials unlike the old walk through detectors that can only detect metal contraband. The new scanners are also faster and safer as they do not involve x-rays or radiation.

Improving infrastructure and facilities
Upgrading Runway 3
Upgrading works on Runway 3 at KUL began in October in line with the KUL Runway Sustainability Master Plan. The works which start with pavement rehabilitation are expected to be completed mid-2020. The exercise will ensure continuous safety of the runway and address potential future issues such as airfield pavement roughness identified through a Boeing Bump Index analysis. Once works are completed on Runway 3, upgrading works are expected to commence for Runway 1 in 2021 and Runway 2 in 2023.

Optimisation at KUL
At KUL, Malaysia Airports worked closely with airline partners to optimise existing space and facilities to improve passenger flow and experience.

One of these initiatives was the formation of a joint Innovation Garage Team by Malaysia Airports and Malaysia Airlines, an initiative mooted by Khazanah Nasional Berhad, a common shareholder of both companies. The Innovation Garage Team was tasked to identify and resolve problems faced by the airport and the airlines.

Management Discussion and Analysis

Two initial issues tackled by the team were the congestion at the check-in counters and mishandled baggage at KLIA Main terminal, where Malaysia Airlines has the largest airline operations.

As a result of the joint efforts, at KLIA Main terminal, check-in counters were reassigned among Malaysia Airlines and nine airline partners, and self-check in kiosks were relocated to reduce congestion during peak periods. This eased congestion and reduced time for check-in by 30% and time from check in to boarding by 15%.

The joint team also implemented three solutions to address mishandled baggage - increasing the number of baggage transfer lines, reinforcing ground handling standard operations procedure at KLIA Main terminal and improving passenger awareness. This reduced the number of mishandled baggage complaints by 25% for Malaysia Airlines.

As a member of the Visit Malaysia 2020 (VM2020) One-Stop Task Force headed by the Prime Minister's Office, Malaysia Airports implemented several initiatives to prepare for VM2020. These measures were undertaken in collaboration with other members of the Task Force including the Ministry of Tourism, Arts and Culture, the Immigration Department, and the Royal Malaysian Customs Department. Among the initiatives was optimising the arrival areas at KUL. At klia2, we expanded and reconfigured the immigration arrival area to double its original size to improve the immigration process for arriving passengers. This involved the relocation of the Eraman emporium at klia2 to enable immigration counters and autogates to be located at optimal locations. We also reconfigured the arrival customs inspection area and changed the existing single lane for customs inspections to six new lanes for both KLIA Main terminal and klia2.

Developing digital solutions

Among the security enhancement measures piloted in 2019 by Malaysia Airports under its Airports 4.0 digitalisation initiative was the development of a single token passenger journey, which is powered by facial recognition technology, big data analytics and the Internet of Things (IoT). This initiative which is in its pilot phase beginning early 2020 for certain flights departing from KUL enables the deployment of electronic gates with facial recognition capabilities to simplify the journey of passengers through the airport. As a result of the technology advancement, passengers are required to verify their travel documents only once, namely upon check-in.

A Passenger Reconciliation System is also being developed for both terminals at KUL as an Airports 4.0 initiative. The system allows for real-time validation of passenger information at all screening checkpoints. As the real-time validation enables baggage of no-show passengers to be quickly identified and offloaded from the aircraft, it enhances airport and aircraft security in addition to improving airline on-time performance.

Airports 4.0 has also resulted in the enhancement of Predictive Maintenance of Malaysia Airports' facilities and systems. By leveraging on technology, the monitoring of facilities and systems are IoT-monitored to automate and improve maintenance tasks. This enables closer and more constant monitoring and alerts compared to a manual system. In this initiative, Malaysia Airports collaborated with MIMOS Berhad, Malaysia's national applied R&D centre which is charged with developing the National IoT Roadmap.

Replacement of Baggage Handling System and Track Transit System at KUL

The Baggage Handling System (BHS) and Aerotrains at KUL are critical facilities which are ageing and need to be modernised to enable KUL to cope with future growth. In addition, these facilities fall under MAVCOM's Quality of Service (QoS) requirements for KUL. Therefore, in 2019, Malaysia Airports embarked on preparatory work for the replacement of the BHS and Aerotrains.

As these are major airport systems, the decommissioning and replacement process will take several years. In the meantime, as any closure of the system will result in a drop in capacity, an interim system must also be put in place prior to the decommissioning of the existing system. It is envisaged that the interim system will serve as a back-up to the main system upon completion of the project.

Inter-terminal transfer

In 2019, Malaysia Airports initiated a collaboration with Pos Aviation, to provide check-in baggage transfer services for self-connecting passengers between both KUL terminals. This service will be facilitated by a self-developed booking platform to cater to the needs of this category of travellers.

With this service, self-connecting passengers can transfer their baggage between the two terminals easily. After claiming their luggage, they can hand it over to the appointed ground handler at the arriving terminal for transfer to their next flight at the the next terminal.

Management Discussion and Analysis

This makes it more convenient for passengers to self-connect and attract more transit passengers to use KUL as their hub. Our aim is to implement this service in 2020.

Upgrading Passenger Experience
To complement marketing efforts and upgrading of infrastructure and facilities, Malaysia Airports also focuses on enhancing the passenger experience.

Happy Guests, Caring Hosts
The Happy Guests, Caring Hosts service culture transformation programme was launched in 2018. It aimed to instil a customer-first mind-set among the 20,000-strong KUL community comprising airline partners, government agencies and some 8,000 of our employees.

In 2019, over the course of nine months, 197 training sessions were conducted by in-house trainers to spark a mind-set change among participants. The training covered all Malaysia Airports employees at KUL. Train-the-trainer sessions were conducted to roll out the programme to the rest of the KUL community as well as at other airports.

To recognise the efforts of the KUL community in embracing and projecting the Caring Hosts culture, Malaysia Airports organised a series of recognition events.

The results of the training were immediately apparent with improvements in KUL's score in the benchmark Airport Service Quality (ASQ) ratings, in particular the overall score as well as scores for staff courtesy and helpfulness. Complaints had also reduced by 20% YoY.

The next phase of the Happy Guests, Caring Hosts programme involves behavioural assessments and on-site coaching via usage of technology to drive results and recognition programmes.

Improving Service Levels
In 2018, MAVCOM introduced the Quality of Service (QoS) framework to improve airport service levels. The initial roll out to KLIA Main terminal and klia2 in 2018 involved three elements and was expanded in stages. By end-2019, the QoS covered 20 elements for KUL. Out of the total, 19 elements at KLIA Main

Management Discussion and Analysis

terminal and 18 elements at klia2 carry financial penalties for non-compliance. In 2019 also, preparations were made for the QoS introduction to SZB, BKI and LGK. The QoS scheme for these 3 airports were scheduled to be implemented in 2020.

Failure to comply with the QoS framework puts the airport's aeronautical revenue at risk as MAVCOM may impose penalties of up to 5% of the airport's aeronautical revenue. As such, Malaysia Airports has in place four working group committees to look into the critical areas of the QoS – Passenger Comfort and Facilities, Passenger and Baggage Flows, Operator and Staff Facilities and Queue Times.

In September 2019 and January 2020, Malaysia Airports' subsidiary, Malaysia Airports (Sepang) Sdn Bhd was fined RM1.18 million for Q1 2019 and RM856,875 for Q2 2019 by MAVCOM for QoS failures. Mitigation plans have been put into motion including rectifying shortcomings and closer communications with MAVCOM with regards on-going works at the airports which may impact QoS performance.

Benchmarking Service Quality

Malaysia Airports benchmarks the performance of its airports against international standards so that it is able to compare its performance against its peers and competitors.

For KUL, Malaysia Airports subscribes to the Airports Service Quality (ASQ) programme by Airports Council International (ACI). Several other airports are evaluated on Malaysia Airports' internal Airport Customer Satisfaction Performance Programme, which mirrors the standards and methodology of the ASQ programme.

In 2019, KUL successfully increased its ASQ overall score to 4.76 out of 5.0. This has placed KUL at number 17 in the ASQ ranking. It also represents the highest score that KUL has achieved. A key driver of the improvement is the Happy Guests, Caring Hosts transformation programme mentioned above.

KUL ASQ Score

4.76 out of 5

2019	**4.76**	5
2018	4.70	5
2017	4.65	5

Management Discussion and Analysis

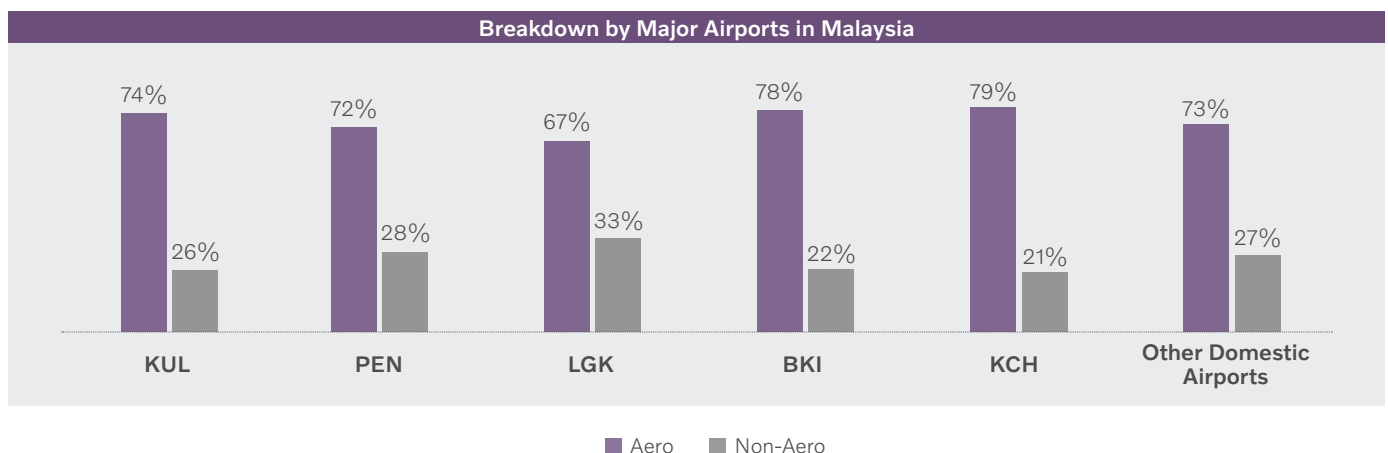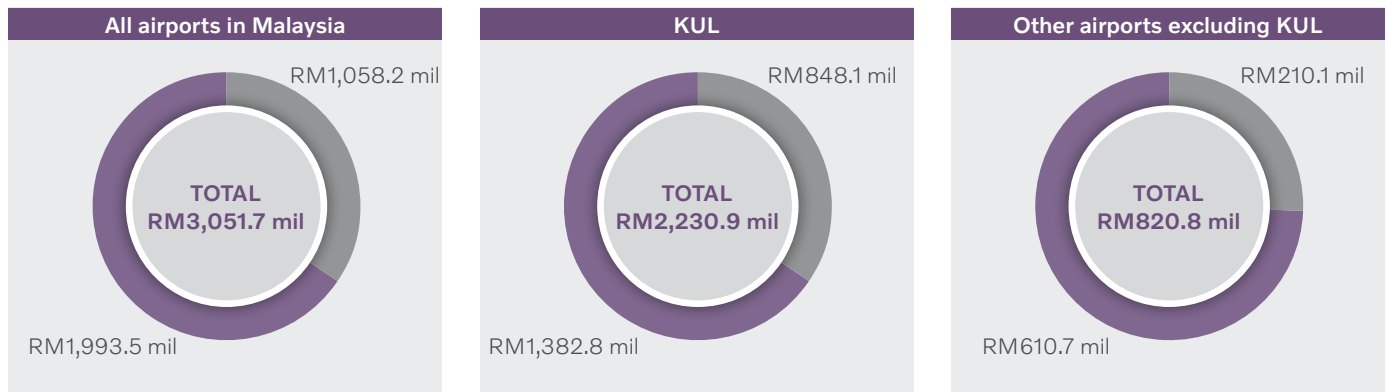## AIRPORT OPERATIONS – NON-AERONAUTICAL REVENUES

One of the key focus areas under our business plan is 'Strengthening Non-Aero Business', and by that to increase non-aeronautical revenues which are derived from the following revenue streams:

1. Airport Services - Non-aeronautical Business – rental from leasing airport space and other commercial activities
2. Duty-Free and Non-Dutiable Goods – receipts from sales of goods by our subsidiary Malaysia Airports (Niaga) or better known by its brand name Eraman.

In 2019, we grew both revenue streams as the commercial reset programme initiated in 2018 showed impact on improving revenues. By year end, non-aeronautical revenues for the Group grew 3.4% to RM2,161.5 million. This was driven by a 4.1% YoY increase in non-aeronautical revenues from airport services to RM1,308.6 million while duty-free and non-dutiable goods contributed RM852.9 million, a 2.3% YoY increase. Non-aeronautical revenue had also increased its share of revenues to 41% of Group revenues, in line with the strategy to strengthen non-aeronautical businesses.

Malaysia Airports – Revenue from Airport Operations in Malaysia
- aeronautical vs non-aeronautical revenues

All airports in Malaysia	KUL	Other airports excluding KUL
RM1,058.2 mil	RM848.1 mil	RM210.1 mil
TOTAL RM3,051.7 mil	TOTAL RM2,230.9 mil	TOTAL RM820.8 mil
RM1,993.5 mil	RM1,382.8 mil	RM610.7 mil

Breakdown by Major Airports in Malaysia

	KUL	PEN	LGK	BKI	KCH	Other Domestic Airports
Aero	74%	72%	67%	78%	79%	73%
Non-Aero	26%	28%	33%	22%	21%	27%

■ Aero   ■ Non-Aero

Management Discussion and Analysis

Strategies and Key Initiatives

Commercial Reset

Understanding that airports no longer function as just a transportation hub, Malaysia Airports aims to raise the retail profile and position the airports, particularly the international airports as lifestyle destinations in their own rights through a strategy called 'Commercial Reset'.

The strategy was introduced in 2018 and expanded in 2019, with the main objective of future-proofing the total airport experience for travellers in our bid to position Malaysia as the preferred global hub. This is done through real estate improvement and new retail mix as well as retail layout to maximise footfall. Travellers will be gifted with exciting retail experiences such as new brands, bespoke pop-up stores, experiential kiosks and various engaging set-ups.

New retail zones are tailored to simplify and easily connect travellers who seek retail goods and services:
* Duty free zone
* Fashion avenue
* F&B
* Retailtainment

Another key components of the commercial reset strategy is creating a 'Sense of Place' by leveraging on Malaysia's rich cultural identity, allowing travellers to have a taste of fashion, craft, food and cosmetics Malaysia has to offer as the airport is the gateway to the country while also providing local SME's an international platform to promote their products. Sense of Malaysia stores are taking shape and will launch in 2020. As a preview, Little Malaysia and Delicacies of Malaysia opened at KUL, whilst Delicacies of Penang opened at PEN.

Commercial reset will also offer a more attractive leasing strategy to encourage tenants to make the required investments alongside Malaysia Airports and to leverage technology to capitalise on the growth of on-line shopping.

Management Discussion and Analysis

Case study

Impact of the commercial reset at LGK after a year

First to execute the commercial reset was LGK, with the expansion from 25 retail outlets to 42. New concourse areas, improved lighting and a welcoming ambience encouraged our travellers to browse in comfort, shop at their leisure and enjoy many new dining options.

Making the airport a destination itself, we scored a few 'first in the market', with Costa Coffee, UK's favourite coffee shop and Ya Kun Kaya Toast, Singapore's famous retro-ambience café chain opening their very first Malaysia outlets at LGK. Charles & Keith also opened their one and only store on the island at LGK. The new Langkawi Food Garden has been designed to elevate the standard of brand offerings and service levels which includes a mixture of local and international F&B brands and is testament that food courts need not be mundane but rather inviting and visually comforting.

The commercial reset has also boosted non-aeronautical revenue contribution in LGK. Commercial revenue in LGK jumped 40% year-on-year to RM17.9 million in 2019, resulting in non-aeronautical revenue making up 33% of LGK total airport revenue, seven percentage points higher than other airports in Malaysia excluding KUL.

We expect to see non-aeronautical revenues receive the same boost as the commercial reset is rolled out to the other airports including KUL.
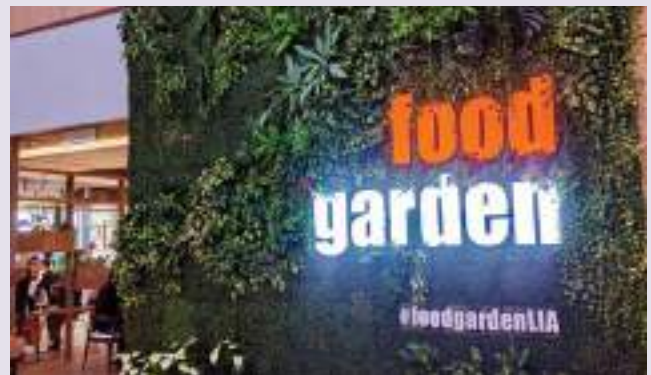
Management Discussion and Analysis

First-to-Airport Experiences

New outlets in line with guest preferences have opened at the airports following the commercial reset. In 2019, these include KUL's new F&B offerings:

- Costa Coffee, the UK coffee chain, followed its first two Malaysian store openings at LGK, by opening its first Klang Valley store at KLIA Main terminal, landside departure level.
- Din by Din Tai Fung, serving pork-free Taiwanese cuisine at KLIA Main terminal, landside departure level.

For those traveling through KUL, currency exchange is no longer a dull experience with Travelex's 'retailtainment' and open concept bureau de change store with digital interactive access, the first in Southeast Asia.

Exciting Campaigns

#ShopLAH – Shop Like A Hero

The 'Shop Like A Hero' campaign or #ShopLAH was launched to support the commercial reset strategy. The campaign sparks the imagination of travellers as it depicts our airports as vibrant, luxurious and exciting destinations. Our airports are also where online and offline retail experiences converge with e-reward programmes, cashless payment solutions and reliable free internet access.

Licence to Win

The Licence to Win shopping campaign returned in 2019 offering the grand prize of a McLaren 570S coupe. The campaign was rolled out at the five international airports – KUL, PEN, BKI, LGK and

KCH. It aims to reward travellers and airport guests who spend a minimum of RM250 at retail outlets at the airports. A bonus prize of a Ducati Monster 821 Superbike is also offered to shoppers at the international airports other than KUL. The campaign also offered customers of campaign partners - Maybank, Eraman, Malaysia Airlines, Petron and Boost – the opportunity for multiple contest entries and increase their chances of winning.

KULinary

KULinary is an annual event by Malaysia Airports to award the top food and beverage outlets at both KLIA Main terminal and klia2. The campaign serves as a catalyst for F&B operators at KUL to strive for better results not only in terms of food variety, quality and value, but also service levels to ensure an enjoyable dining experience for passengers.

In 2019, Malaysia Airports raised the bar on KULinary by partnering with the Malaysia International Gastronomy Festival (MIGF) to bring the MIGF KULinary festival to KUL for three days in November. Guests were able to sample award-winning dishes from participating restaurants at KLIA Main terminal and klia2. The offerings were judged by a team of professionals in the culinary world, including renowned Malaysian chef and restauranteur, Chef Wan.

Since the inception of KULinary in 2016, the public perception of F&B at our airport has proven to be positive. KUL's ASQ rating for 'restaurants and eating facilities' increased from 4.08 in 2016 to 4.33 as at Q3 2019, and the 'restaurant facilities value for money' category also saw an improvement from 3.79 to 4.12.

Management Discussion and Analysis

HIMPUN

HIMPUN at KUL was a showcase of a curated selection of fashion, craft, delicacies and beauty items produced by home-grown Malaysian enterprises that give visitors a cultural perspective. The campaign which ran in September and October 2019 also served as a preview for the Sense of Malaysia concept store scheduled to open at all international airports in 2020.

HIMPUN also featured artisanal food products as well as cultural performances and activities that reflect our rich Malaysian heritage.

KUL Biennale 2020

Malaysia Airports had signed a Memorandum of Understanding with the National Visual Arts Development Board to collaborate on the KUL Biennale 2020, a large-scale international contemporary art programme. However, the programme which had been scheduled for a six-month run in conjunction with Visit Malaysia 2020 was cancelled in line with the cancellation of Visit Malaysia 2020.

Adding value to non-aero partners

Upgrade Point of Sale System

As part of the commercial reset, the current Point of Sale system will be standardised with a single vendor with Enterprise Solutioning. This establishes a central database and increases data governance as well as provides collection mechanisms for advanced analytics. The automated system will also reduce manual tasks and improve cost optimisation for vendors and customers.

Mystery Shopper Programme

The Mystery Shopper and Customer Service Programme acts as a tool to evaluate or audit the retailers' customer service elements and performance. The audit results will identify, areas of improvement and guide the development of Customer Service Standards of Practice.

The programme also aims to raise awareness amongst concessionaires and retailers on the importance of service quality standards, to provide the front liners and retailers with an understanding of the aspired customer experience and service standards at every point of the in-store customer journey. By identifying the service quality gaps, training modules may be customised for front line sales staff to improve service quality standards. This is aimed also at improving ASQ scores and overall airport experience for passengers and shoppers.

Duty-Free and Non-Dutiable Goods

The sale of Duty-Free and Non-Dutiable Goods falls under Malaysia Airports' wholly owned subsidiary, Malaysia Airports (Niaga) Sdn Bhd, or more commonly known as its brand name 'ERAMAN'. ERAMAN is the largest travel retail and duty-free brand in Malaysia, operating 38 retail and 14 food and beverage outlets in all five international airports and also at Labuan Airport (IATA Code: LBU).

Revenues for duty-free and non-dutiable goods rose 2.4% YoY

In 2019, revenues in this segment increased by 2.4% YoY to RM854.5 million. This is attributed to the improved retail environment and offerings as well as the shopping campaigns following the commercial reset. However, sales were affected by the downsizing of the ERAMAN International Arrival emporium at klia2 due to the reconfiguration of the Immigration counters in Q4 2019. In addition, although passenger traffic for Malaysia grew 6.2% in 2019, international passenger traffic which accounts for the bulk of revenues from duty-free and non-dutiable goods had grown 3.1% YoY.

This segment generated a PBT of RM44.5 million in FY2019, 5.8% higher YoY, excluding a one-off dividend income in FY2018. Nevertheless, the weakening of the Ringgit against major currencies had impacted product margins for the year.

KUL accounts for 82% of the revenues in this segment. Revenue per pax for KUL was RM11.20, a reduction of 3.9% YoY.

The top four product categories for 2019 continued to be liquor and tobacco, followed by perfume and cosmetics, and confectionery products, with beauty products registering the highest growth for the year. In terms of overall sales contribution, Malaysians remain the number one contributor, followed by passengers from China, India and Indonesia.

Strategies and Key Initiatives

Rebranding of ERAMAN – bigger, better and bolder
In 2019, Malaysia Airports carried out the rebranding of ERAMAN, in line with Malaysia Airports' overall commercial reset strategy. ERAMAN's logo was replaced with a new and stylised logo, and the façade of its outlets were enhanced. ERAMAN staff uniforms were also updated with a new modern design.

Management Discussion and Analysis

Rebranding story
ERAMAN's presence has evolved in its 25 years of operations, and the rebranding enables the brand to project a more modern and uplifting mnemonic for local and global travellers.

Logo
The primary logo design reflects the refreshed persona of ERAMAN – a manifestation of excitement in the form of a gift box with the 'e' illustrated by a swerving ribbon.

Colour
The vibrant purple palette reflects its promise of excitement, while extending a warm welcome to travellers for a lasting impression from the airport to their homes.

Old Logo	New Logo

This rebranding exercise was ERAMAN's first after 25 years in business. It aims to enhance ERAMAN's brand presence and awareness among local and international travellers, and elevate the brand to differentiate it from competitors. This will help position ERAMAN as the brand with the highest top of mind recall in the airport travel retail and duty-free space in Asia Pacific and complements the brand's offering of the most complete shopping experience and excellent customer service.

The rebranding will also see ERAMAN playing an integral role in Malaysia Airports' overall commercial reset by expanding its outlet presence, realigning product categories and offerings and enhancing guest experience through experiential marketing and digitalisation, as explained further below.

New brands

New brands were introduced at the airport in particular for perfumes and cosmetics which better suit customer profiles.

ERAMAN unveiled its first Dior and Lancôme free-standing stores and the second store for Swarovski at KUL encompassing 2,438 square feet. The concept is designed to enhance the consumer experience, inviting them to experiment the brand and allowing them to explore the various products offered in one space.

ERAMAN also welcomed new kiosks from renowned brands, Estee Lauder and Dior, at BKI in December 2019 and January 2020, respectively.

E-commerce partnership with OURSHOP

Fresh on the back of the brand refresh, ERAMAN entered into an on-line shopping partnership with AirAsia's online marketplace, Ourshop. The tie-up allows guests to pre-book products on Ourshop.com and pick up the products at dedicated ERAMAN duty free outlets in klia2.

The e-commerce partnership provides guests with an enhanced shopping experience, and the ability to select products from a wide selection ranging from duty free to high street and other retailers from all over the world. The partnership also enables ERAMAN to leverage on access to passenger trends and travellers' departure and arrival cities to enable more precise marketing and selection of products. It is also in line with the growing significance of e-commerce in the travel retail and duty-free market space.

Food and beverage

ERAMAN expanded and introduced the new Food Garden concept in March 2019 at LGK. Located at Level 1 of the arrival hall, Food Garden at LGK was designed to enhance travellers dining experience by offering them a mixture of international F&B brands such as Starbucks Coffee and Street Churros. For those craving local favourites, they can indulge at Marrybrown, Hainan Taste, Little Wok Kitchen, the Malaysian Mix Rice and the famous Old Town White Coffee.

Management Discussion and Analysis

This food court is inspired by a garden concept and was designed to offer a range of tastes at an affordable price-point to appeal to customers from all walks of life - from the budget-conscious traveller to those who want to indulge in lifestyle brands.

We were also proud that ERAMAN's Bibik Heritage won the Award of Excellence for Outstanding Local Dessert for its 'cendol' at the MIGF KULinary 2019 Awards.

Shopping campaigns and marketing initiatives

ERAMAN's marketing initiatives in 2019 took on both a thematic and tactical approach. The thematic activities were centred around ERAMAN major rebranding initiative as well as major festive periods of Chinese New Year, Hari Raya and Christmas. An integrated campaign was launched across our retail and lifestyle outlets which covers below-the-line media advertisements, complimented by Gift-With-Purchase and Purchase-With-Purchase promotions to boost sales and per ticket spending.

For each festive season, as part of the 'Experience Excitement', ERAMAN invested in customised visual merchandising design across all retail outlets to project a consistent brand identity that promotes a festive ambience which is aesthetically pleasing to ERAMAN customers. Adding to the impact and effect, ERAMAN retail staff will wear festive attire to promote the campaign.

ERAMAN partnered with Commercial Services Division to run the Licence to Win campaign. The six-month campaign was aimed at creating a joyful shopping experience and reward ERAMAN customers. This campaign resulted in a 2.4% YoY growth in sales for the months of August to December 2019.

ERAMAN also launched the Shop and Stay Contest at X-PRESS which is specifically tailored to the airport community. This contest contributed YoY revenue growth of 31% throughout the contest period which began October until December 2019.

ERAMAN also engaged and collaborated with our strategic bank partner, Maybank. An example was the collaboration with Maybank Cards for the tactical campaign 'Maybank RM30 Rebate' from July to December 2019. The campaign was initiated in conjunction with the Licence to Win campaign and aimed to reinforce the value-add that ERAMAN offers to all customers. This tactical campaign contributed an increase of 4% based on sales per ticket.

Non-Airport Operations

Non-Airport Operations covers three segments – Hotel, Project and Repair Maintenance Operations and Agriculture and Horticulture.

Hotel

Malaysia Airports operates hotels in both Malaysia and Turkey. In Malaysia, the hotels are operated by Malaysia Airports' wholly owned subsidiary, KL Airport Hotel Sdn Bhd, under the brand 'Sama-Sama Hotels'. There are three Sama-Sama Hotels – the five star Sama-Sama Hotel KL International Airport and two airside transit hotels – Sama-Sama Express KLIA and Sama-Sama Express klia2. In Turkey, the hotel is known as 'Airport Hotel' and is located landside at SAW.

KL Airport Hotel Sdn Bhd also operates the Airport Fast Track service at KLIA Main terminal, a premium kerbside-to-gate service that offers guests fast track lanes for check-in, customs and immigration, transportation services and buggy and concierge services.

In 2019, revenues from hotel services in Malaysia increased by 0.9% YoY to RM93.3 million. It was a challenging year for the hotel segment as renovations to the flagship Sama-Sama Hotel KL International Airport were delayed, and did not proceed in the third quarter of 2018 as planned. As a result, the business plan to capitalise on the refreshed product 2019 did not materialise and the average occupancy rate in FY2019 was 80%, compared to 83% in FY2018. In terms of profitability, the hotel business recorded PBT of RM12.3 million in FY2019, a marginal decrease compared to RM12.6 million in FY2018 due to higher costs.

The performance of the hotel segment is dependent on several factors. Passenger traffic at KUL and airline routes are key drivers of occupancy rates as transit passengers and airline crew layovers are key customer segments. In addition, the demand for meeting and event facilities is another key factor.

Competition in the hospitality industry remains intense, with new hotels opening in the vicinity of KUL. That has impacted occupancy as well as the average room rate. In addition, there are fewer transit passengers at KUL as a result of reduction of flights by certain airlines. This has resulted in a drop in overall transient occupancy by 4.4% YoY.

Management Discussion and Analysis

We have also improved the visibility and image of the brand by taking part in corporate social responsibility events throughout the year. We brought cheer to disadvantaged children and senior citizens, ran a blood donative drive and also participated in a fun cycling event. Giving back to the community has boosted staff morale. This has translated into better teamwork and improved productivity in the work place as well as a positive attitude to deliver their best at work.

We were encouraged when Sama-Sama Hotel was named 'Best Luxury Airport Hotel' for Southeast Asia by the World Luxury Hotel Awards, with Sama-Sama Express KLIA also winning the 'Best Air Transit Hotel – Malaysia' award. In the Haute Grandeur Awards, Sama-Sama Hotel won the 'Best Airport Hotel – Global' award.

Project and Repair Maintenance Operations
This business segment comprises operations in Malaysia and Qatar. In Malaysia, we operate through Malaysia Airports' two wholly owned subsidiaries, Malaysia Airports Consultancy Services Sdn Bhd (MACS) and Urusan Teknologi Wawasan Sdn Bhd (UTW). In Qatar, we operate through Malaysia Airports Consultancy Services Middle East LLC (MACS ME), in which we own a 49% stake.

MACS ME has provided facilities management at Hamad International Airport (IATA Code: DOH) in Doha, State of Qatar since 2013. Among the services provided by MACS ME are comprehensive facilities management services, interim security services, custodial and janitorial services.

MACS ME also provides maintenance support for the special systems maintenance at Hamad International Airport and RFID system to track suspicious baggage as well as equipment supply and maintenance support for the RFID system.

MACS provides airport operations and management consultancy services, including consultancy for benchmarking service quality under the ASQ and ACSPP programmes.

UTW is an asset and facilities management service provider. It provides services to internal customers – KUL, PEN and SZB – as well as external customers – KLCC Tower 3, KLCC Common Facilities and Masjid As-Syakarin, Persada PLUS, Mitsui Outlet Park KLIA, Airbus Helicopters, Port of Tanjung Pelepas, Exxon Mobil Tower and the Sepang International Circuit. UTW is an industry leader, and was the first facilities management company to be awarded the 5-star SCORE rating by the Construction Industry Development Board (CIDB) Malaysia.

In Malaysia, revenue from the project and repair maintenance operations segment grew by 54.2% YoY to RM140.6 million. In terms of profitability, this segment recorded a PBT of RM52.6 million compared to a PBT of RM17.8 million in FY2018.

In Qatar, MACS ME's revenue decreased 1.7% to RM146.6 million mainly due to the end of facility management services for airport operational facilities and ancillary building contract at Hamad International Airport (FM009 Project). Despite the lower revenue from FM009 Project due to project completion, higher revenue was recorded from CP310 Project due to additional claims for Radio Frequency Identification (RFID) works, but overall revenue still below the revenue recorded in FY2018. EBITDA was also lower in 2019 YoY with lower gross profits from FM009 Project mainly due to additional costs for materials, spare parts and third-party vendors were incurred to meet end of contract obligations before FM009 Project handing over to Hamad International Airport in 2019. As a result, this segment recorded a PBT of RM5.9 million in FY2019 compared to RM17.0 million in FY2018.

In 2019, UTW secured a new revenue segment in KUL cleaning services and trolley operation and management. It has also diversified its services mix to offer facilities management services uniquely tailored to suit various industries like airports, sea ports and shopping malls. Its services mix was also extended to include Energy Efficiency and Renewable Energy as well as Building Health Check. UTW has also redesigned its service deliverables to Malaysian airports in line with the QoS framework requirements.

UTW was also awarded the CIDB 5-star rating in several areas including Exemplary Leadership, Excellent Management & Technical Capabilities and Excellent Integrated ICT & Project Management. It was also the recipient of the KLCC Award in several categories including Best Contractor and Best Safety Practice.

Agriculture and Horticulture
Malaysia Airports' agriculture and horticulture business segment is conducted by its wholly owned subsidiary, MAB Agriculture-Horticulture Sdn Bhd (MAAH). MAAH is focused primarily on the cultivation and management of mature oil palm, pineapple and coconut plantations as well as landscaping at KUL and Sarawak.

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In 2019, mature oil palm plantations covered 6,646.3 hectares, coconut plantations covered 126.8 hectares while landscaping activities covered 906.7 hectares. In terms of revenue generation, sale of oil palm fresh fruit bunches account for 78.1% of MAAH's revenues, while coconut and landscape activities account for the remaining 21.9%. In 2019, MAAH ventured into a new crop, pineapple, with a pilot scheme covering 9.1 hectares, and this will generate revenue in 2020.

2019 was a challenging year for MAAH in view of the lower price of crude palm oil (CPO), with prices averaging RM1,999.0 per tonne. Revenues fell 8.0% YoY to RM33.9 million. In view of lower revenues, MAAH took pre-emptive measures to implement cost-saving initiatives across the board, and achieved savings on cost of sales for direct materials, as well as fixed and variable costs. Operating expenditure was also lower by 35%. This resulted in savings of RM0.71 million.

In 2019, MAAH was certified with the Malaysia Sustainable Palm Oil (MSPO 2530-3) certification. The company was also recertified for Quality Management System (ISO 9001-2015).

Unlocking value via Aeropolis

The off-terminal real estate development by Malaysia Airports' subsidiary, KLIA Aeropolis Sdn Bhd (KLIA Aeropolis) focuses on three core clusters aligned to national blueprints, namely Air Cargo and Logistics, Aerospace and Aviation, and MICE and Leisure. These are synergistic to the Malaysia Airports' core business in driving passenger growth and cargo volumes. The aeropolis provides a strong source of income for Malaysia Airports via lease rentals, concession fees, cargo throughput charges and land-related profits.

The development of integrated industrial precincts by KLIA Aeropolis is set to attract global anchor tenants and supply chain to KUL and SZB. These have the potential to become engines of growth beyond the airport boundaries and a key foreign and domestic direct investment destination within the region in the e-commerce Logistics and MRO sectors.

Air cargo and logistics
KLIA Aeropolis DFTZ Park
The KLIA Aeropolis DFTZ Park anchored by e-commerce titan, Alibaba Group, is a joint collaboration between Malaysia Airports and Cainiao HK to develop a 60-acre regional e-commerce fulfilment, sorting and transhipment centre. This will house the world's first electronic World Trade Platform outside China and largest air cargo facility within the 215acre Free Commercial Zone at KUL upon completion. The DFTZ Park is on track to begin operations by 2020, with the completion of 88% of construction work at the end of 2019.

KLIA Air Cargo Terminal 1
The capabilities of air cargo logistics at KUL were enhanced with the operations launch of Ground Team Red, a joint venture between AirAsia Bhd and SATS Ltd, in December 2019. The facility spans 93,000 sq ft which will handle 300,000 tons of air freight annually, strengthening the regional logistics hub play at KUL.

Aerospace and aviation
Strategic Delivery Partnership with Boustead Projects Limited
In March 2019, Malaysia Airports inked a landmark joint venture with Boustead Projects Limited to spur the growth of the aerospace and aviation sector at Subang Aerotech Park. The 30:70 partnership between Malaysia Airports and Boustead Projects will focus on the development and management of a grade-A park, with customised real estate solutions for example, design and build-to-suit facilities. The 'plug & play' facilities remove the initial cost burden for aerospace players in this cost-sensitive and competitive sector.

ExecuJet MRO Services Malaysia establishes regional base in Subang Airport
ExecuJet is a full-service, business jet maintenance facility, serving three original equipment manufacturers, namely Dassault Aviation, Bombardier, and Gulfstream. With the acquisition by French aircraft firm, Dassault Aviation, ExecuJet announced in March 2019 that it planned to expand its existing 64,000 sq ft facility at SZB to 100,000 to 150,000 sq ft, potentially doubling the facility's footprint. The SZB MRO facility will be Dassault Aviation's first aircraft services facility in Asia, and it is intended to serve as a centre of excellence for the maintenance of Falcon jets. This development positions Malaysia as the regional MRO hub for business jets.

Opening of Airbus Helicopters regional hub
Malaysia is the regional hub for Airbus Helicopters, offering customer support, MRO and training services from its facility at Subang. In August 2019, Airbus Helicopters further bolstered Malaysia's position as the regional aerospace and aviation hub with the opening of new state-of-the-art helicopter completion and delivery centre for its Asia Pacific customers at SZB.

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Future direction
With the strategic industrial and logistics hubs blueprints, Malaysia Airports expects to develop 2,000 acres in the KLIA Aeropolis over the next four decades. However the key enablers to achieve this ambitious plan are the new lease agreement being finalised with the Government, together with the facilitative fiscal stimuli.

The KLIA Aeropolis DFTZ Park will position Malaysia as Asia Pacific's regional e-commerce logistics hub. While at Subang Aerotech Park, Malaysia Airports is well positioned to transform to become an ecosystem developer and creating leading industrial parks, coupled with Boustead projects capabilities, building a compelling proposition for Subang Aerotech Park.

NON-FINANCIAL PERFORMANCE

In line with Malaysia Airports' move towards integrated reporting and integrated thinking, I am also pleased to share with stakeholders information about Malaysia Airports' progress in several key areas that have an impact on our ability to create value for stakeholders. These key areas are part of the material matters that have been identified by stakeholders as being critical for the long-term sustainability of Malaysia Airports' business. They also form part of the environmental, social and governance (ESG) considerations that are embedded into our business and value-creation process.

For stakeholders seeking in-depth information about ESG matters, I would like to highlight that Malaysia Airports produces an annual Sustainability Report that is prepared in accordance with the requirements of the GRI Sustainability Reporting Standards (Core Option). This year's Sustainability Report is available online at our corporate website, www.malaysiaairports.com.my.

Sustainability
Malaysia Airports launched the KUL Sustainability Charter to lead the national aviation industry and stakeholders to embrace ecological, social and economic strategies that will foster business longevity and competitiveness. The charter is aligned to Malaysia Airports' Sustainability Framework and outlines Malaysia Airports' commitment to sustainable business performance and practices that will benefit all parties across the airport value chain. This platform will provide the KUL community with a clearer vision of the sustainability goals and initiatives, provide guidance in applying the best practices, and where applicable, set common goals and targets to measure and benchmark results.

Integrity and Anti-Corruption
In 2019, Malaysia Airports achieved the ISO 37001:2016 certification for its Anti-Bribery Management System (ABMS) used for procurement processes. The internationally recognised ABMS is designed to help Malaysia Airports establish, implement, maintain and improve an anti-bribery compliance programme, and encourage better governance. The certification applies to the head office and MA Sepang, which runs KUL. Moving forward Malaysia Airports will embark on full scope certification for the head office and MA Sepang. It will also roll out the certification to MASB, which runs the other airports in Malaysia.

In 2019, the Corporate Integrity Unit (CIU) conducted awareness sessions for employee on recent legal and corporate developments in the prevention of corruption. Three main topics were covered – Anti-Bribery and Corruption Guide, corporate liability under s. 17A of the Malaysian Anti-Corruption Commission Act 2009 and the implementation of the ABMS by Malaysia Airports. This was further amplified by face-to-face sessions with employees on integrity, corruption and whistleblowing with employees.

We also continued the Vendor Integrity Programme which has been on-going since 2017. The CIU in collaboration with the Procurement and Contract Division organised briefings for vendors of Malaysia Airports to ensure that they are aware of the Vendor Code of Ethics, relevant provisions under the employee Code of Ethics and Conduct as well as anti-corruption measures and whistleblowing safeguards which apply to vendors.

Procurement
In addition to the application of ABMS methodology to procurement, Malaysia Airports continued to implement procurement transformation initiatives to drive value creation. The initiatives fell under three categories to further streamline processes in preparation for the implementation of the RAB framework:
• establish category management and strategic sourcing
• simplify procurement processes by automation and digitisation
• enhance integrity, competency and capacity

Leveraging on technology for procurement in the form of eTender, eBidding, eRFQ and eCatalogue has simplified the process and enabled faster turnaround and cost savings.

Environment
Environmental concerns are a material matter that had been flagged by stakeholders as having the potential to impact them and Malaysia Airports' business. A cross departmental committee, the Environmental Management Committee (EMC), drives initiatives

Management Discussion and Analysis

and monitors the results in line with the Environment Strategy Roadmap, a five-year (2016-2020) strategic plan for better environmental stewardship in key areas. In 2019, an Engineering Environment Committee (EEC) chaired by the General Manager of Engineering was set up to focus and follow through on the operational impact on environmental concerns. Please note that the data for Environmental indicators refer only to Malaysia operations unless otherwise stated.

In 2019, Malaysia Airports also embarked on a Green Airport Strategy that focuses on environmental issues such as energy and water usage, waste disposal and carbon emissions. The programme sets out five phases for the development of more sustainable airport operations characterised by the use of affordable clean energy, recycling and reuse of resources and waste, efficient use of energy and water, low carbon emissions and sustainable transport systems.

Energy Efficiency

Fuel Consumption

Fuel consumption contributes to our Scope 1 carbon emissions footprint. In 2019, total fuel consumption for all airports was 478,952 litres while fuel intensity was 0.0046 litres per passenger.

Fuel performance measures	2016	2017	2018	2019
Total consumption (litre)	493,142	488,133	491,403	478,952
Fuel intensity (litre/passenger)	0.0055	0.0051	0.0050	0.0046

Figures from 2016 to 2018 are for all airports in Malaysia. Data for January to March 2019 is incomplete for Sabah and Sarawak airports.

Electricity Consumption

Electricity consumption is another main indicator of energy usage. Electricity usage contributes to our Scope 2 carbon emissions footprint. In 2019, total electricity usage in all airports in Malaysia amounted to 541,466,390 kWh, an increase of 3.01% compared to 2018. However, within the context of our passenger traffic growing 6% YoY for all airports in Malaysia in 2019, energy intensity per passenger had decreased from 5.30 kWh per passenger in 2018 to 5.14 kWh per passenger in 2018, a 3.11% decrease YoY.

Electricity performance measures	2016	2017	2018	2019
Total consumption (kWh)	505,106,878	491,493,827	525,650,443	541,466,390
YoY change (%)	-	-2.68%	6.93%	3.01%
Electricity intensity (kWh)	5.68	5.09	5.30	5.14

Note: electricity consumption information for airports in Malaysia only

In 2019 Malaysia Airports had embarked on energy saving initiatives listed in the table below. The results from the implementation of these initiatives have been encouraging as they have already started to yield cost savings.

Energy reduction initiatives	Total savings in value (RM)	Total savings in consumption (kWh)
Upgrading of interior lighting to more energy efficient LED bulbs	903,023	2,474,036
Replacement/Upgrading/Optimisation of Chiller/AHU	385,020	1,054,851
Conveyor optimisation	17,574	48,150
BHS Peak Hour Initiatives	15,497	42,460

Note: energy reduction information for airports in Malaysia only

Management Discussion and Analysis

Solar Energy

Since 2014, Malaysia Airports has been using solar energy to complement traditional electricity sources at KUL. In 2019, the solar panels generated 18,763 MWh of clean energy for KUL reducing carbon emissions and environmental impact as well as saving RM2.79 million in terms of costs.

Moving forward, we have planned for the implementation of solar energy at other airports namely, BKI, PEN, LGK, SZB, Sultan Ahmad Shah Airport, Kuantan (IATA Code: KUA) and MKZ. These are expected to be commissioned in early 2020.

Carbon Emissions

As a signatory of to the Aviation Industry Commitment to Action on Climate Change (Geneva, 2008), Malaysia Airports is committed to developing our business towards carbon-neutral growth and aspire to a carbon-free future.

The global ambition for reducing carbon emissions in airport operations is led by the Airports Council International through its Airport Carbon Accreditation (ACA) Programme. KUL has participated in the ACA programme since 2016 and had achieved 'Level 3: Optimisation' in 2018, and this was successfully renewed in 2019.

The klia2 terminal building continues to gain recognition as a building constructed to embody sustainability by virtue of its design, construction and operations. Its design concept applies sustainable architecture, green building and energy-efficiency in most aspects of its development and construction processes. These initiatives help conserve energy by optimising the design, functions and processes towards keeping the heat out and optimising the cooling systems at the terminal building.

In 2019, klia2 won an award for being the best Energy Efficient Designed Building at the National Energy Awards. The award cited klia2's extensive rainwater and condensate harvesting, the Thermal Energy Storage District Cooling Plant to offset peak load demands, its 10MWp solar PV farm that generates 31% of its energy requirement, use of extensive daylighting, where natural ventilation and daylighting are provided at the entrance and its car park area which has been designed to encourage and incentivise hybrid and electric vehicle use.

Workplace

Diversity

At the end of 2019, Malaysia Airports had 10,724 employees, a slight increase of 1.35% over 2018. Female employees make up approximately 35% of the Group's workforce.

Our workforce is also very diverse with no fewer than 33 different ethnic groups in Malaysia represented. This reflects the diversity of the guests and other stakeholders that Malaysia Airports serves throughout the country.

Training and Development

Ensuring that our employees constantly keep their skills updated is an important aspect of Malaysia Airports' workplace practices. In this regard, we invest in our people to ensure that their capabilities, skills and knowledge are in line with the industry's latest developments.

In 2019, a total of RM12.6 million was invested in training and development, an increase of 38.5% YoY. This also represents an increase in training hours across all employee categories.

Management Discussion and Analysis

Training	2016	2017	2018	**2019**
Investment on training and development (RM)	7.2 million	7.6 million	9.1 million	**12.6 million**
Average training hours (2016 - 2019)				
All employees	12.4	14.6	10.8	**16.1**
Management	18.1	15.3	10.2	**15.3**
Executive	16.5	14.7	11.1	**16.1**
Non-executive	7.7	14.2	10.8	**11.0**

Note: training and development information for Malaysia only

Employee Engagement and Development

In 2019, Malaysia Airports launched two new strategic rewards initiatives to recognise and reward outstanding achievements and contributions by employees - the GCEO Merit Award and Leadership Award.

The GCEO Merit Award identifies, recognises and rewards outstanding employees who are regarded as 'Best of the Best', 'Role Model' or 'Ambassador' of Malaysia Airports for their exemplary achievements and significant contributions beyond expectation and the call of duty, and personified the 'Happy Guests, Caring Hosts' service culture. Three employees were granted the GCEO Merit Award in 2019 out of 74 nominees.

The Leadership Award programme cultivates a culture of real-time recognition where Heads of Divisions are empowered to grant on-the-spot awards to team members and even partners who have contributed to the success of the division and Malaysia Airports as a whole. This award places emphasis on outstanding achievement, significant contribution and effort towards growth, enhancement and transformation of the business as well as driving business excellence and exceptional results through exemplary behaviour. All divisions initiated and organised various Leadership Awards programmes including staff appreciation events, team celebrations as well as monetary and non-monetary rewards for deserving employees.

Corporate Responsibility

Giving back to the community has always been a part of Malaysia Airports' corporate DNA. In 2007, we initiated a school adoption programme, 'Beyond Borders', in which we adopted schools in the vicinity of KUL and set out to spark improvements in the performance of the schools, particularly in the use of English. In 2017-2019, we adopted our fourth batch of schools comprising Sekolah Kebangsaan Dengkil, Sekolah Jenis Kebangsaan (Cina) Wah Lian, Sekolah Jenis Kebangsaan (Tamil) Dengkil and Sekolah Jenis Kebangsaan (Asli)

Bukit Bangkong. We are pleased that the mean passing rates in the schools for English had improved from 53% in 2017 to 66% in 2019, an improvement of 13 percentage points.

In 2019, Beyond Borders was expanded to include the refurbishing of the computer laboratory at the National Skills Development Centre at Serendah. There, Malaysia Airports breathed new life into the centre's computer lab. We furnished the lab with new ICT equipment and furniture such as computers, projector and screen, network cables as well as tables and chairs to provide a more conducive environment for learning.

Malaysia Airports also gives back to the society through elevating community livelihood, micro industry development, environmental initiatives, as well as involving employees in volunteerism activities. We encourage employees to engage with the communities located near our airports, and build strong ties with them. In this regard, community engagement projects are conducted around airports across the nation based on the needs of the communities. In the majority of projects, Malaysia Airports contributes in terms of funding and volunteer hours. However, in some cases, Malaysia Airports provides space at the airport to showcase an event, product or initiative by the community. The projects are grouped into several areas of interest – community development, clean environment, arts and culture, micro industry support

Through our airports, we have the capability to reach a large local and international audience, and showcase initiatives which provide them with insights into Malaysian arts, culture and heritage. One of the key highlights for 2019 was the Malaysian Traditional Dance Festival held at the KLIA Main terminal. This was the third year we had organised this event in collaboration with Majlis Belia Malaysia (Malaysian Youth Council). Over 200 youth dancers from across Malaysia participated in the festival over a three week period. Visitors to KLIA Main terminal were able to witness this vibrant

Management Discussion and Analysis

and colourful showcase of Malaysian culture and talent while the concourse of the airport reverberated with the melodious traditional music accompanying the dance performances.

In 2019, we contributed substantial financial resources for corporate responsibility amounting to RM1.1 million as well as employee volunteer hours.

In addition, Malaysia Airports manages 18 STOLports that serve the remote interior areas of Malaysia which are difficult to reach via land transport, particularly in the states of Sabah and Sarawak. We manage these STOLports as part of our nation-building and corporate responsibility efforts as passengers do not pay any Passenger Service Charges for use of the STOLports. In 2019, we served 156,513 passengers through the 18 STOLports.

STOLports are an important gateway for the local population in many aspects such as commerce, education, supply of food and medicine and in medical emergencies. They help grow eco-tourism by enabling tourists to reach remote areas easily. STOLports also provide the local community with job opportunities in maintenance and upkeep, security as well as establishing food and retail kiosks. It is also heart-warming to see the keen sense of appreciation the communities have for our contribution to their livelihoods and well-being.

OUTLOOK FOR 2020

A challenging time ahead

The COVID-19 pandemic has dealt a severe blow on the global economy as countries take drastic steps to contain the pandemic, effectively shutting down large sections of the global economy. The Malaysian economy will be affected by a combination of weak global demand, supply chain disruptions and COVID-19 containment measures in Malaysia as well as abroad. As a result, Bank Negara Malaysia has projected the Malaysian Gross Domestic Product in 2020 to range between a contraction of 2.0% at worst or growth of 0.5% in its best case scenario.

The aviation industry has been badly affected globally with some airlines grounding their entire fleets, laying off employees and facing financial pressures. For Malaysia, MAVCOM has revised its forecast for passenger traffic to contract by between 36.2% and 38.1% in 2020. This translates into total passenger numbers of approximately 67.7 million and 69.7 million in 2020, compared to 109.2 million in 2019.

The contraction is due to unprecedented measures taken by the Malaysian government to prevent a spike of COVID-19 cases in Malaysia. As early as January 2020, the government had imposed a ban on travellers from Wuhan, China. This was extended to other travellers from China and other countries as the virus continued to spread. On 18 March 2020, a Movement Control Order came into force in Malaysia resulting in severe restrictions on travel. Air travel was impacted as the Movement Control Order includes a blanket restriction on all foreigners from entering Malaysia as well as Malaysians travelling abroad. Malaysians are also restricted from travelling inter-state unless they have prior written permission from the police.

In Turkey, similar measures taken to contain the spread of COVID-19 had led to first a restriction on international arrivals into Turkey, and further led to the temporary closure of SAW.

Our business has been impacted

The impact of such measures on air travel has already been demonstrated by a sharp fall in air traffic numbers for Q1 2020 affecting our aeronautical revenues. Malaysia Airports' network of airports registered 25.5 million passenger movements for the quarter, a decline of 23.9% compared to Q1 2019. Airports in Malaysia registered a decline of 27.5% with 18.4 million passengers

Management Discussion and Analysis

while KUL passenger movements fell 29.3% with 10.7 million passenger movements. At SAW, passenger movements had fallen by 12.5% over Q1 2019 with 7.1 million passengers.

In April 2020, Malaysia Airports felt the full impact of the Movement Control Order in Malaysia as well as the temporary suspension of SAW from 27 March till 30 April. Overall, Malaysia Airports' network of airports registered a decline of 98.8% compared to April 2019, with only 137,000 passenger movements. Aircraft movements contracted by 91.6% compared to April 2019, as flights in Malaysia were initially limited to repatriation operations of Malaysians and cargo flights, while SAW had seen only cargo flights.

Nevertheless, local airlines in Malaysia recommenced flights in key domestic routes with minimal frequencies from 29 April and at SAW, Pegasus and Turkish Airlines are planning to resume operations from 28 May onwards.

With the easing of the Movement Control Order to a Conditional Movement Control Order in Malaysia from 4 May, most businesses, including duty free and retail outlets at our airports, have been allowed to resume operations subject to tight Standard Operating Procedures.

In terms of non-aeronautical business, retail activity at airports in Malaysia has been curtailed as only retail outlets which are categorised as "essential" such as banks, pharmacies and food and beverage are allowed to operate while the Movement Control Order is in force. Food and beverage outlets may only operate for takeaways, with dining-in prohibited.

Our hotel business has been also seen a fall in activity in Malaysia as hotel services were removed from the list of essential services permitted to operate after the first two weeks of the Movement Control Order.

Demand for palm oil is likely to also be impacted by weak global demand and supply chain disruptions due to the pandemic containment measures.

Proactive multi-pronged strategy

The outlook for 2020 is therefore very challenging. The position is compounded by uncertainty – we are unable to predict the how long the COVID-19 pandemic will continue and its severity. As such, we are also unable to provide clarity on where we are today, and where the bottom is. While this is uncharted territory for Malaysia

Airports, I would like to assure stakeholders that Malaysia Airports has adopted a multi-pronged strategy to address critical matters.

First and foremost, our top priority is the safety and health of passengers, employees and the wider airport community. We are cooperating with the Ministry of Health and other government agencies to contain the COVID-19 threat. We have installed sophisticated thermal scanners at all international airports to screen all arriving and departing passengers. Stringent hygiene, sanitisation and disinfection procedures are in place especially in relation to "high-touch" surfaces. Seating, queuing and other procedures have also been adapted to enable social distancing to be practised at all times.

Secondly, Malaysia Airports has also made it a priority to formulate a Group-wide optimisation plan to ensure we are able to meet our financial and operational obligations. This includes aggressive cost containment by paring down non-essential operating costs and optimising operational costs. We are also prioritising capital expenditure, reviewing operational efficiencies and rebasing costs to conserve cash and ensure business continuity.

Thirdly, our operations are needed to provide mission-critical links for the fight against COVID-19 as our airports enable essential and time-sensitive cargo such as medical supplies, equipment and food to be transported as needed. Our airports are also facilitating the return of Malaysians from overseas.

Key measures moving forward

We have had to make tough decisions based on our critical priorities above. To reduce financial strain, we have closed or consolidated operations at under-utilised terminal areas and facilities. On-ground staff shifts have been adjusted and recruitment has been frozen.

We also identified infrastructure projects such as replacement of critical aging assets which need to proceed. These include the replacement of the Baggage Handling System and the Aerotrain Track Transit System. The reduced passenger traffic currently will enable these projects to proceed with less disruption to operations, and also enable KUL to emerge from this crisis with improved facilities and capacity.

We are also reviewing the expansion plans for PEN, with a view to either defer or scale back on those plans. In the meantime, we have taken advantage of the lull in airport operations to embark on upgrading our core network operating system. The upgrading will also support other infrastructure and capacity enhancements as

Management Discussion and Analysis

part of our digital transformation strategy. These include process automation, augmented contactless self-service, robotics and biometrics technology which will enable our Airports 4.0 digitalisation initiative to proceed at full throttle once the pandemic eases.

Malaysia Airports is also prioritising engagement with the government to land on a sustainable funding model for future growth and development. We had previously embarked on preparation for the Regulated Asset Base framework mooted by MAVCOM which shifts away from the dependence on government funding for capital expenditure. However, with the COVID-19 pandemic as well as uncertainties caused by the impending merger of MAVCOM with the CAAM, there is a need for clarity on the way forward. This will enable Malaysia Airports to plan with certainty for long-term sustainability as well as to respond swiftly to changes in critical needs.

New Ambition, Vision Statement and Brand Promise

In a separate exercise, in 2019, Malaysia Airports had re-examined its long term business plan, and articulated an ambition to place Malaysia Airports among the 'Top 5 Airports in the World' within the next five years.

As part of building the Company for the future, Malaysia Airports conducted a brand audit on our vision and mission statement, and to ensure better alignment with our focus areas for the future. The brand audit had shown that while there was a need to frame a vision that was more medium term in nature so as to provide stronger focus in implementing our immediate strategies and plans, the Group had indeed made significant strides in its commitment to deliver joyful experiences.

As a result of the brand audit, we reformulated our brand identity. Malaysia Airports' new vision – 'A Global Airport Group that Champions Connectivity and Sustainability' – now reflects our ambition more accurately. The vision is reinforced by our Brand Promise – 'Hosting Joyful Connections'.

We believe this will enable stakeholders to understand more clearly our ambition and commitment, as well as to recognise how we are able to create long-term sustainable value for the future for all our stakeholders. We will also be rolling out initiatives that support the realigned brand identity in 2020.

Final words

In a year of challenges, it has been a source of strength for all of us at Malaysia Airports to be supported by a united workforce. I would like to thank my colleagues for their commitment and dedication and for the many sacrifices they have had to make along our corporate journey. I would also like to our Board of Directors for their guidance and stewardship at the helm of Malaysia Airports.

I would also like to express my sincere gratitude to the various ministries, government agencies, airline partners, retail partners, vendors and other business partners as well as our shareholders for their support throughout 2019.

Malaysia Airports would also like to record a special thanks to Tun Dr Mahathir Mohammed for gracing the 21st anniversary celebrations for KL International Airport with his presence in August 2019. We were proud to demonstrate to him how Malaysia Airports had translated his vision for KL International Airport into the vibrant world-class airport that is a catalyst for economic growth and nation building for Malaysia.

While the way forward is challenging, I am confident that with the mutual cooperation and support between Malaysia Airports and its stakeholders, we will be able to chart a path together towards better times. I look forward to working closely with all of you in 2020.

Dato' Mohd Shukrie Mohd Salleh
Group Chief Executive Officer

Five-Year Financial Summary

1   Revenue

RM**5,213.1** million

3,870.2
4,172.8
4,651.3
4,851.7
5,213.1

| 2015 | 2016 | 2017 | 2018 | **2019** |
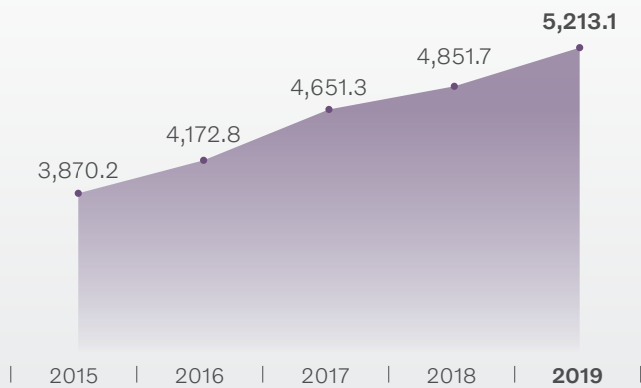
2   Profit Before Taxation

RM**659.2** million

45.9
183.3
338.8
780.6
659.2

| 2015 | 2016 | 2017 | 2018 | **2019** |
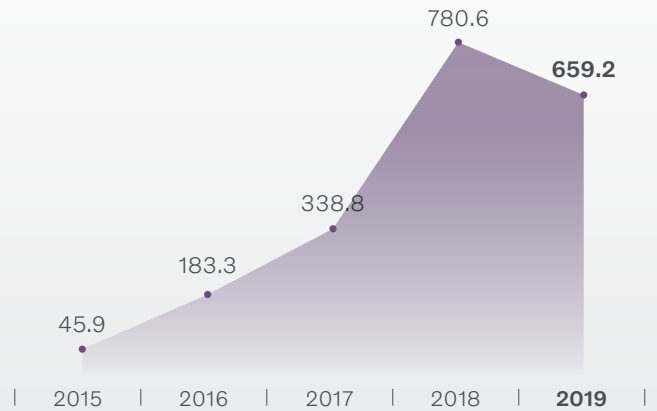
3   Profit For The Year

RM**537.0** million

40.1
73.2
240.4
727.3
537.0

| 2015 | 2016 | 2017 | 2018 | **2019** |
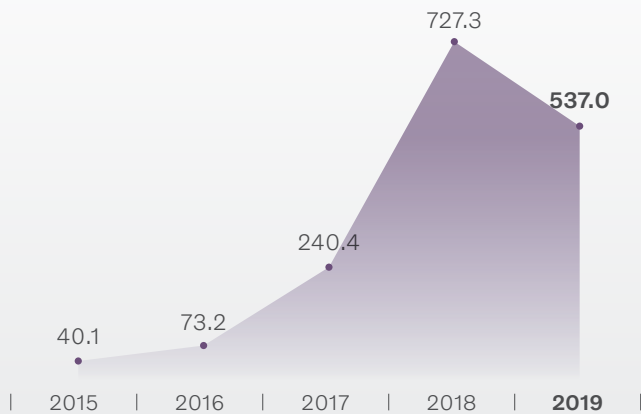
4   Total Equity

RM**9,325.4** million
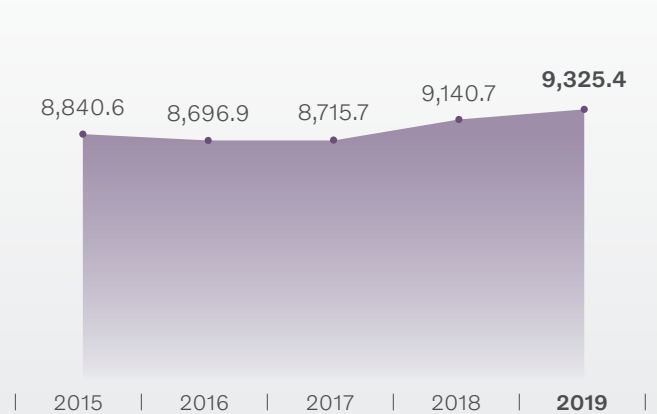
8,840.6
8,696.9
8,715.7
9,140.7
9,325.4

| 2015 | 2016 | 2017 | 2018 | **2019** |

Group Five-Year Summary

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the financial years ended 31 December

In RM Million	2019	2018	2017	2016	2015
Revenue	5,213.1	4,851.7	4,651.3	4,172.8	3,870.2
Profit before tax and zakat from continuing operations	659.2	780.6	338.8	183.3	45.9
Taxation and zakat	(122.1)	(53.3)	(98.4)	(110.2)	(5.8)
Profit from continuing operations, net of tax	**537.0**	**727.3**	**240.4**	**73.2**	**40.1**
Loss for the year from discontinued operations, net of tax	-	-	–	(0.0)	(0.0)
Profit for the year	**537.0**	**727.3**	**240.4**	**73.2**	**40.1**
Profit attributable to:					
Owners of the Company	537.0	727.3	239.8	70.4	40.9
Non-controlling interest	-	-	0.6	2.8	(0.8)
Profit for the year	**537.0**	**727.3**	**240.4**	**73.2**	**40.1**
Earnings per share attributable to equity holders of the Company (sen)					
Basic, for profit/(loss) form continued operations	28.90	40.37	10.98	0.94	(1.09)
Basic, for profit/(loss) for the year	28.90	40.37	10.98	0.94	(1.09)

Group Five-Year Summary

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the financial years ended 31 December

In RM Million	2019	2018	2017	2016	2015
Non-current assets	17,781.7	18,010.2	18,832.0	18,698.8	19,415.3
Current assets	4,401.0	4,262.9	3,372.8	2,589.6	2,576.9
Asset of disposal group classified as held for disposal	-	-	-	0.2	0.2
Total assets	**22,182.7**	**22,273.1**	**22,204.8**	**21,288.6**	**21,992.3**
EQUITY					
Share capital[1]	5,114.3	5,114.3	5,114.3	1,659.2	1,659.2
Perpetual sukuk	997.8	997.8	997.8	997.8	997.8
Share premium[1]	-	-	-	3,455.1	3,455.1
Retained earnings	3,284.7	3,037.4	2,583.3	2,321.2	2,449.5
Fair value adjustment reserve	-	-	-	8.3	5.3
Hedging reserve	(18.0)	(24.9)	(28.6)	(37.4)	(13.5)
Other reserves	0.8	4.0	6.9	6.8	5.1
Foreign exchange reserve	(54.2)	12.0	42.0	283.8	282.8
	9,325.4	**9,140.7**	**8,715.7**	**8,694.9**	**8,841.4**
Non-controlling interest	-	-	-	2.0	(0.8)
Total equity	**9,325.4**	**9,140.7**	**8,715.7**	**8,696.9**	**8,840.6**
Non-current liabilities	9,568.2	10,999.7	11,262.7	10,825.9	10,927.7
Current liabilities	3,289.1	2,132.6	2,226.4	1,765.7	2,224.0
Total liabilities	**12,857.3**	**13,132.4**	**13,489.1**	**12,591.7**	**13,151.7**
Total equity and liabilities	**22,182.7**	**22,273.1**	**22,204.8**	**21,288.5**	**21,992.3**
Net asset per share (RM)	**5.62**	**5.51**	**5.25**	**5.24**	**5.33**

[1] *The Group's share premium account was transferred to form part of the Group's share capital pursuant to the Companies Act 2016 which came into force on 31 January 2017*

Group Quarterly Performance

Year 2019 In RM Million	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2019
Financial Performance					
Operating revenue	1,252.3	1,261.2	1,355.2	1,344.4	5,213.1
Profit before tax and zakat	164.6	201.6	246.8	46.1	659.2
Profit net of tax	149.6	160.1	197.9	29.5	537.0
Earnings per share (sen)	8.16	8.78	11.05	0.91	28.90

Year 2018 In RM Million	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2018
Financial Performance					
Operating revenue	1,215.8	1,154.7	1,229.5	1,251.7	4,851.7
Profit before tax and zakat	472.7	125.6	154.8	27.5	780.6
Profit net of tax	444.6	86.1	168.5	28.1	727.3
Earnings per share (sen)	25.94	4.33	9.28	0.82	40.37

Consolidated Statement of Profit or Loss

For the financial year ended 31 December 2019

	2019 RM Million	2018 RM Million	% Change
Revenue	**5,213.1**	**4,851.7**	**7.4**
Operating profit	1,350.4	1,496.1	(9.7)
Finance costs	(726.0)	(745.6)	(2.6)
Share of results of associates	15.3	12.8	19.3
Share of results of joint ventures	19.4	17.3	12.3
Profit before tax and zakat	**659.2**	**780.6**	**(15.6)**
Taxation and zakat	(122.1)	(53.3)	129.1
Profit net of tax	**537.0**	**727.3**	**(26.2)**
Profit attributable to:			
Owners of the Company	537.0	727.3	(26.2)
Earnings per share attributable to owners of the company (sen per share)			
- Basic, for profit for the year	28.90	40.37	(28.4)

Consolidated Statement of Financial Position

as at 31 December 2019

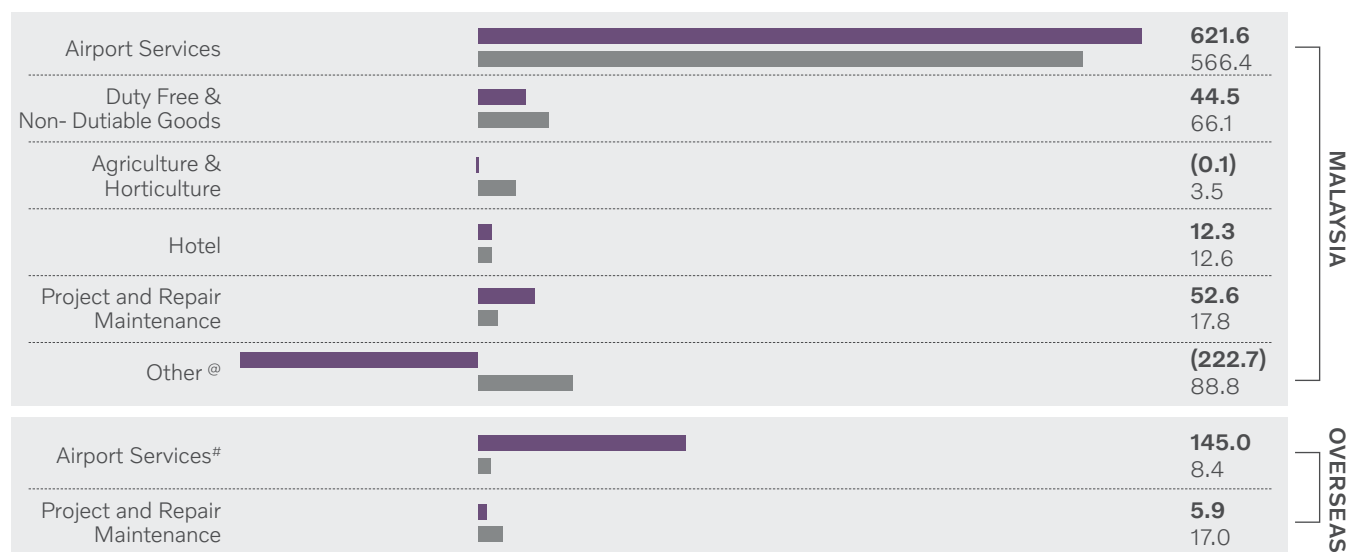| Assets	2019 RM Million	2018 RM Million	% Change
Property, plant and equipment	461.9	425.8	39.1
Right-of-use assets	130.4	-	(0.0)
Investments	564.1	564.2	(0.0)
Intangible assets	16,062.6	16,765.0	(4.2)
Other non-current assets	562.7	255.3	120.4
Current assets	4,401.0	4,262.9	3.2
Total assets	**22,182.7**	**22,273.1**	**(0.4)**
Equity and liabilities			
Share capital	5,114.3	5,114.3	-
Perpetual sukuk	997.8	997.8	-
Retained earnings	3,284.7	3,037.4	8.1
Hedging reserve	(18.0)	(24.9)	(27.6)
Other reserves	0.8	4.0	(81.0)
Foreign exchange reserve	(54.2)	12.0	(550.0)
Total equity	**9,325.4**	**9,140.7**	**2.0**
Non-current liabilities	9,568.2	10,999.7	(13.0)
Current liabilities	3,289.1	2,132.6	54.2
Total liabilities	**12,857.3**	**13,132.4**	**(2.1)**
Total equity and liabilities	22,182.7	22,273.1	(0.4)
Net asset per share (RM)	**5.62**	**5.51**	**2.0**
Return on assets	2.4%	3.3%	(25.9)

Group Segmental Analysis

REVENUE 2019
RM5,213.1 MILLION

	2019	2018	
Airport Services	**2,791.4**	2,582.0	MALAYSIA
Duty Free & Non- Dutiable Goods	**852.9**	833.1	
Agriculture & Horticulture	**26.9**	30.1	
Hotel	**88.6**	90.2	
Project and Repair Maintenance	**15.2**	13.1	
Other @	**-**	-	
Airport Services#	**1,291.6**	1,154.1	OVERSEAS
Project and Repair Maintenance	**146.6**	149.1	
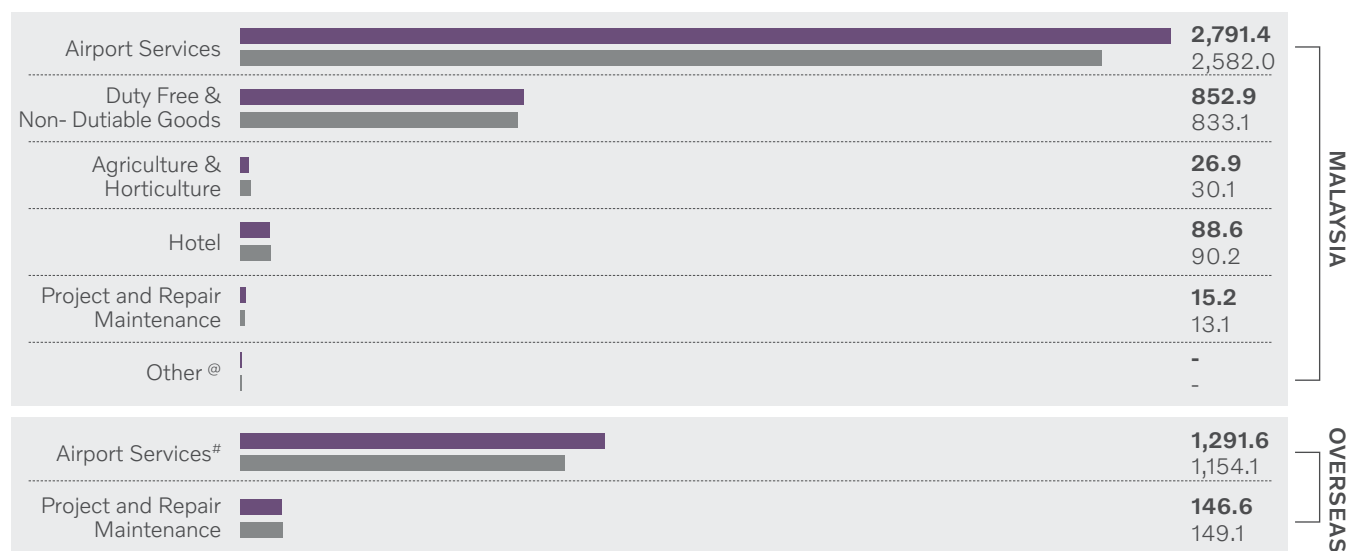
PROFIT BEFORE TAXATION 2019
RM659.2 MILLION

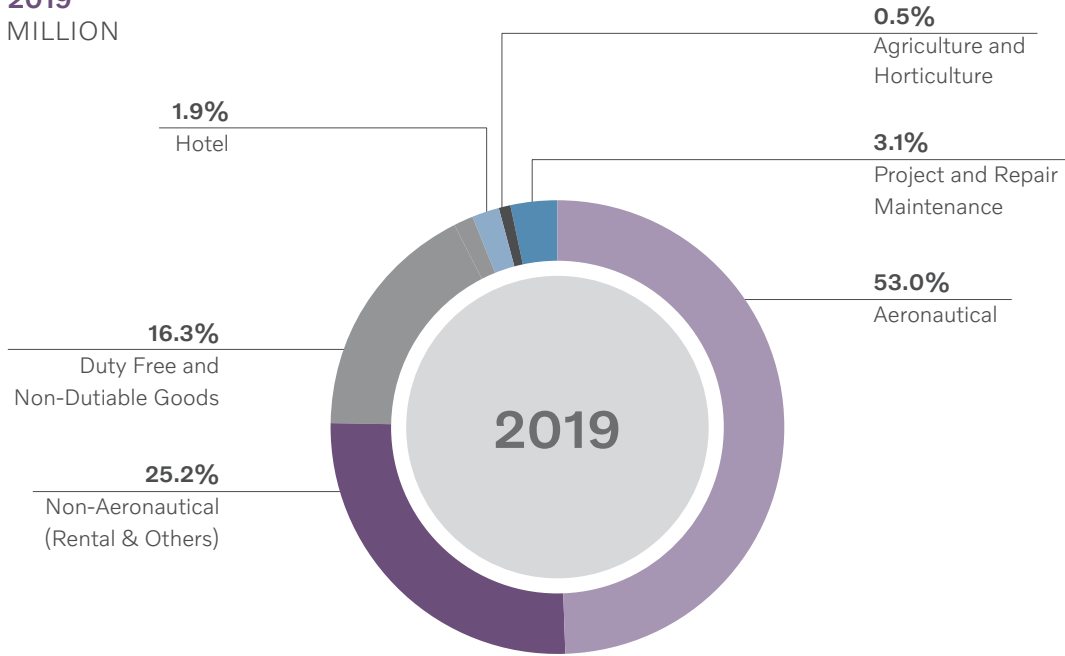|	2019	2018	
Airport Services	**621.6**	566.4	MALAYSIA
Duty Free & Non- Dutiable Goods	**44.5**	66.1	
Agriculture & Horticulture	**(0.1)**	3.5	
Hotel	**12.3**	12.6	
Project and Repair Maintenance	**52.6**	17.8	
Other @	**(222.7)**	88.8	
Airport Services#	**145.0**	8.4	OVERSEAS
Project and Repair Maintenance	**5.9**	17.0	

■ 2019   ■ 2018

Note: The group revenue segmental analysis excludes inter-segment transactions
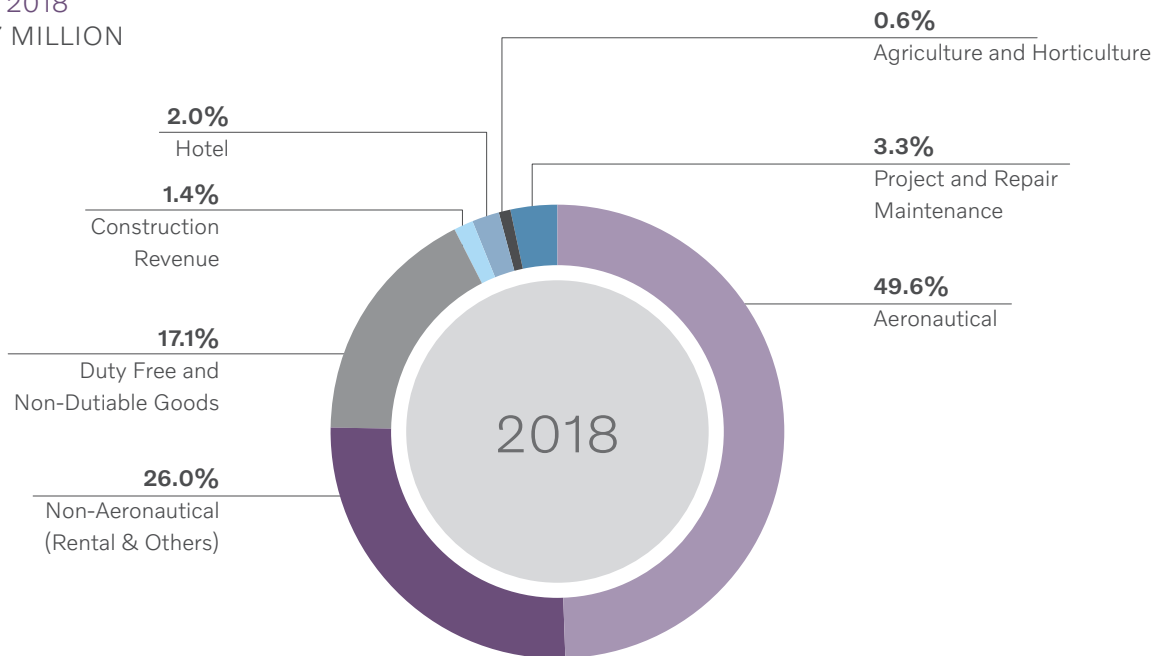*# Airport Services revenues include IC 12 construction revenues amounting to RM65.6 million in FY2018*
@ Other segmental profit before taxation includes inter-segment eliminations and consolidation entries
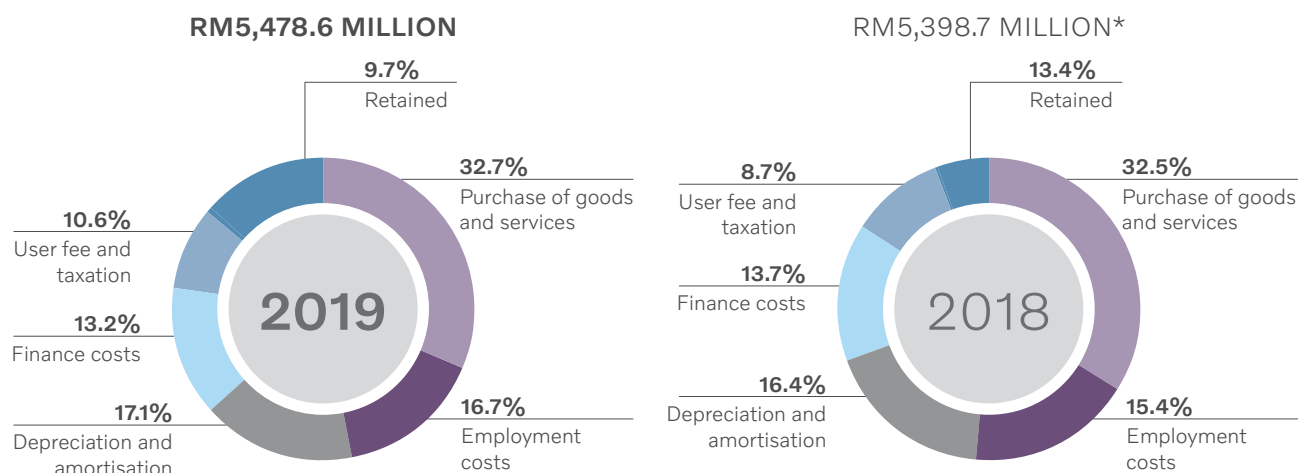
Group Segmental Analysis

REVENUE 2019
RM5,213.1 MILLION

0.5%
Agriculture and
Horticulture

3.1%
Project and Repair
Maintenance

53.0%
Aeronautical

1.9%
Hotel

16.3%
Duty Free and
Non-Dutiable Goods

25.2%
Non-Aeronautical
(Rental & Others)

2019

REVENUE 2018
RM4,851.7 MILLION

0.6%
Agriculture and Horticulture

3.3%
Project and Repair
Maintenance

49.6%
Aeronautical

2.0%
Hotel

1.4%
Construction
Revenue

17.1%
Duty Free and
Non-Dutiable Goods

26.0%
Non-Aeronautical
(Rental & Others)

2018

Statement of Income Distribution

RM5,478.6 MILLION

RM5,398.7 MILLION*

2019 donut chart:
- 9.7% Retained
- 32.7% Purchase of goods and services
- 16.7% Employment costs
- 17.1% Depreciation and amortisation
- 13.2% Finance costs
- 10.6% User fee and taxation

2018 donut chart:
- 13.4% Retained
- 32.5% Purchase of goods and services
- 15.4% Employment costs
- 16.4% Depreciation and amortisation
- 13.7% Finance costs
- 8.7% User fee and taxation

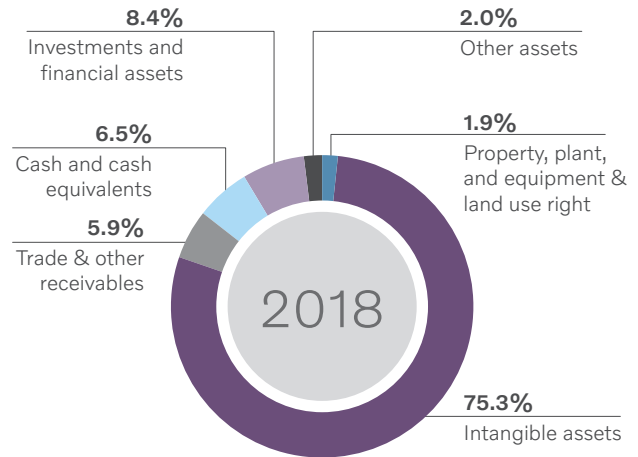|	2019 RM Million	%	2018 RM Million	%
Current income available for distribution	5,478.6		5,398.7*	
To supplier				
Purchase of goods and services	1,805.1	32.7	1,761.4	32.4
To employees				
Employment costs	920.0	16.7	836.1	15.4
Utilisation of assets				
Depreciation and amortisation	941.6	17.1	887.5	16.4
To financier				
Finance costs	726.0	13.2	745.6	13.7
To government				
User fee and taxation	583.6	10.6	470.9	8.7
Retained for reinvestment, future growth and dividend payment				
Current year	537.0	9.7	727.3	13.4
	5,478.6	100.0	5,398.7	100.0

*   *Included in current income available for distribution is an unrealised gain on fair value on financial assets at fair value through profit or loss (RM258.4 million) and gain on disposal on investment in associate (RM28.2 million) for 2018*
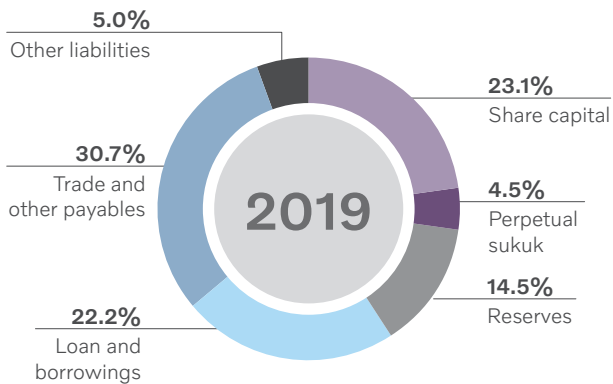
Statement of Financial Position
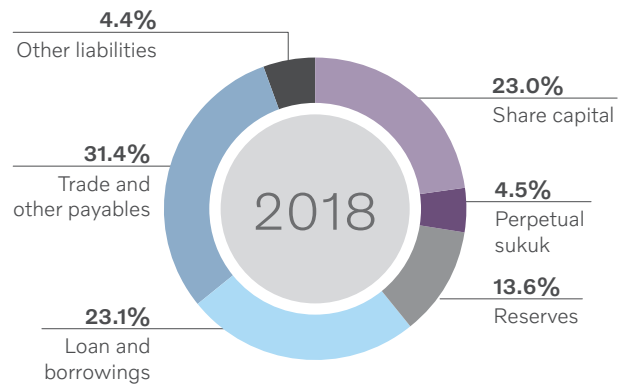
TOTAL ASSETS 2019
RM22,182.7 MILLION

10.4%
Investments and financial assets

6.6%
Cash and cash equivalents

6.0%
Trade & other receivables

1.9%
Other assets

2.7%
Property, plant, and equipment & land use right

2019

72.4%
Intangible assets
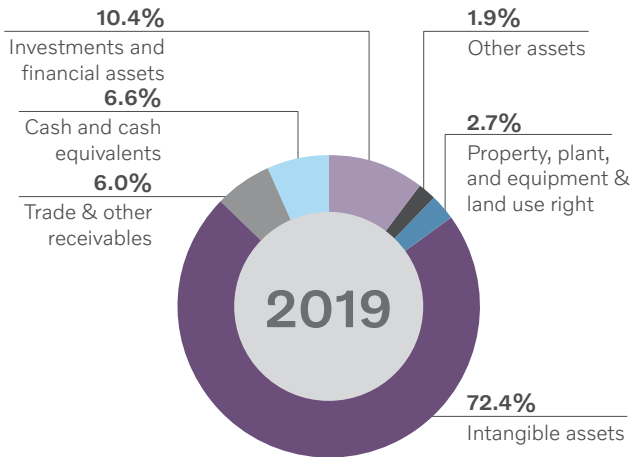
TOTAL ASSETS 2018
RM22,273.1 MILLION

8.4%
Investments and financial assets

6.5%
Cash and cash equivalents

5.9%
Trade & other receivables

2.0%
Other assets

1.9%
Property, plant, and equipment & land use right

2018

75.3%
Intangible assets

EQUITY AND LIABILITIES 2019
RM22,182.7 MILLION

5.0%
Other liabilities

30.7%
Trade and other payables

22.2%
Loan and borrowings

23.1%
Share capital

4.5%
Perpetual sukuk

14.5%
Reserves

2019

EQUITY AND LIABILITIES 2018
RM22,273.1 MILLION

4.4%
Other liabilities

31.4%
Trade and other payables

23.1%
Loan and borrowings

23.0%
Share capital

4.5%
Perpetual sukuk

13.6%
Reserves

2018

Group Financial Performance

KEY FINANCIAL PERFORMANCE

Malaysia Airports Holdings Berhad (Malaysia Airports or the Group) had registered earnings before interest, tax, depreciation and amortisation (EBITDA) of RM2,292.0 million for the financial year ended 31 December 2019 (FY2019), surpassing its headline financial Key Performance Indicators target for FY2019's core EBITDA of RM2,163.6 million. The achievement was on the back of the strong growth in revenue, primarily arising from strong operational performance both in Malaysia and Turkey.

IC INTERPRETATION 12: SERVICE CONCESSION ARRANGEMENT

The Group adopted IC Interpretation 12: Service Concession Arrangements (IC12) effective 1 January 2011. IC 12 addresses the accounting for "public-private" arrangements whereby a private sector operator involved in the construction and / or upgrading of infrastructure assets such as schools, roads and airports to be used in providing public service. The operator provides construction services to the grantor in exchange for an intangible asset, i.e. a right to collect revenue in accordance with the service concession arrangements.

In accordance with the Malaysian Financial Reporting Standard 138: Intangible Assets (MFRS 138), the Group recognises the intangible asset at its fair value. In line with the requirement of Malaysian Financial Reporting Standard 111: Construction Contracts (MFRS 111), the Group recognises the construction revenues and costs by reference to the stage of completion of the construction works of the development of Istanbul Sabiha Gökçen International Airport's (SAW) boarding hall expansion. In FY2018 the Group recognised the construction revenues in relation to the aforesaid project amounting to RM65.6 million (EUR26.0 million). The Group also recognised the construction costs amounting to RM65.6 million (EUR 26.0 million) for the above projects in FY2018. There is no construction revenue or cost recognised in FY2019.

GROUP PROFITABILITY

Excluding construction revenue and costs, the Group registered revenue of RM5,213.1 million for FY2019 which was 8.9% higher than the RM4,786.1 million registered in its corresponding period in FY2018. Excluding extraordinary items in FY2018, profit before tax (PBT) has increased to RM659.2 million as compared to the PBT of RM494.0 million recorded in FY2018 while profit after tax (PAT) had also increased by 21.9% to RM537.0 million from RM440.7 million after excluding extraordinary items in FY2018. The extraordinary items in 2018 amounted to RM286.6 million and relates to unrealised gain on fair value on financial assets at fair value through profit or loss of RM258.4 million and a gain on disposal on investment in associate of RM28.2 million.

The higher operating revenues in 2019 were attributable to the improved results from airport operations segment which grew by 8.0% to RM4,926.2 million. Revenue in non-airport operations segments declined by 1.5% to RM286.9 million. The Group recorded a favourable PBT and PAT in line with improved revenue, despite an increase in costs. The increase in the Group's total cost was mainly due to higher utilities and staff cost recorded during the year for Malaysian operations.

OPERATIONS REVIEW

The increase in airport operations revenue segment as mentioned above continued to be driven by the 15.0% growth in aeronautical revenue to RM2,764.7 million. This was largely attributed to the strong passenger growth of 6.0% to 141.2 million passengers. Total commercial aircraft movements grew by 3.2% to 1,123,722 movements contributed mainly from AirAsia Group of Companies, Malaysia Airline, Malindo Air, Pegasus Airlines and Turkish Airlines.

The growth in non-aeronautical revenue also contributed to the overall increase in the airport operations segment. Non-aeronautical revenue recorded a growth of 3.4% to RM2,161.5 million on the back of improved performance in the retail and commercial businesses. Revenue from rental of space, advertising and other commercial segments grew 4.1% to RM1,311.3 million, contributed by higher occupancy rate despite lower rental revenue caused by the ongoing commercial reset exercise.

Group Financial Performance

TYPES OF REVENUE: AERONAUTICAL AND NON-AERONAUTICAL REVENUE

Malaysia Airport's revenue base can be broadly classified under aeronautical and non-aeronautical revenues. Aeronautical revenue is mainly derived from airport operations business which entails the collection of passenger service charge (PSC), landing and parking fees, and other ancillary charges to airlines. Meanwhile, the non-aeronautical revenue is broadly derived from commercial activities in the airport operations business, and the non-airport operations business.

Commercial activities in the airport operations business comprises revenue from lease of commercial spaces (rental), operations of duty free and non-duty free outlets, management of food and beverages (F&B) outlets, management and operations of airport parking facilities, advertising business and the Free Commercial Zone at KLIA.

Total commercial activities above continue to be a key earnings driver, accounting for 41.5%, or RM2,161.5 million, to the Group's revenue. This is in line with the Group's long-term plan to further diversify Malaysia Airport's revenue streams by expanding this business segment.

The non-airport operations business include revenue derived from Sama-Sama Hotel and Sama-Sama Express operations, agriculture and horticulture activities, project and repair maintenance services and other activities that may be described in the Group's financial statement.

Revenue breakdown	FY2019 (RM'000)	FY2018 (RM'000)	Variance
I) Airport Operations	**4,926.2**	**4,560.4**	**8.0%**
Airport Services:			
Aeronautical	2,764.7	2,404.3	15.0%
Non-Aeronautical (Rental & Others)	1,311.3	1,259.2	4.1%
Duty Free and Non-Dutiable Goods	850.2	831.3	2.3%
Construction Revenue	-	65.6	-100.0%
II) Non-Airport Operations	**286.9**	**291.3**	**-1.5%**
Hotel	98.3	99.0	-0.7%
Agriculture and Horticulture	26.9	30.1	-10.5%
Project and Repair Maintenance	161.7	162.2	-0.3%
Total revenue	**5,213.1**	**4,851.7**	**7.4%**

BUSINESS SEGMENTS

The Group's business segment is divided into 2 sub-groups i.e. airport operations and non-airport operations.

Airport operations comprise of airport services and operations of duty free and non-duty free outlets. Airport services include aeronautical revenue generated from operating, managing and maintaining designated airports in Malaysia and SAW and providing airport related activities; and non-aeronautical revenue derived from rental and other commercial activities. The revenues generated from operations of duty free and non-duty free outlets are categorised as non-aeronautical revenue.

The non-airport operations comprise of agriculture and horticulture activities, hotel operations and project and repair maintenance services. All non-airport operations income is categorised as non-aeronautical revenue.

Group Financial Performance

SEGMENTAL REVENUE

Malaysia Operations

1. Airport operations

(a) Airport services: This business segment comprises of aeronautical and non-aeronautical revenues. Aeronautical revenue consists of collection of PSC, landing and parking fees, and other ancillary charges to airlines; while non-aeronautical revenue is generated from rental and other commercial activities. Aeronautical revenue increased by 10.9% to RM1,993.5 million in tandem with growth in international passenger traffic.

Non-aeronautical revenue rose by 1.8% to RM800.6 million. This favourable variance was due to an indirect implication to a more aggressive marketing campaign undertaken by the tenant despite ongoing commercial reset activities.

(b) Duty free and non-dutiable goods: This business segment includes the operations of duty free and non-duty free outlets and management of F&B outlets at designated airports. This business segment grew by 2.3% to RM850.2 million in FY2019 as compared to previous year.

2. Non-airport operations

(a) Agriculture and horticulture: The agriculture and horticulture business segment activities include the cultivation and sale of oil palm and other agriculture products. The lower revenue contribution is due to the lower price attained for Fresh Fruit Bunch (FFB) per tonne, despite the higher production volume (FY2019: RM409/62,968 MT; FY2018: RM463/66,106 MT) resulting in revenue for the agriculture and horticulture segment decreasing by 10.5% to RM26.9 million in FY2019, lower than the RM30.1 million registered in FY2018.

(b) Hotel: The hotel segment manages and operates Sama-Sama Hotel and Sama-Sama Express in Malaysia. The hotel segment revenue decreased by 1.8% to RM88.6 million, mainly attributed to lower average occupancy rate (FY2019: 80%; FY2018: 83%) and lower average room rate.

(c) Project and repair maintenance services: The main activities include provision of mechanical, electrical and civil engineering services and the airport business consulting, maintenance and technical services. This segment recorded higher growth of 15.6% in revenue to RM15.2 million in FY2019.

Overseas Operations

1. Airport operations

(a) Airport services: Excluding construction revenues, the increase in airport services revenue by 18.7% to RM1,281.9 million was mainly due to improved aeronautical revenue which grew by 27.0% to RM771.2 million. The growth is in line with the positive passenger growth at SAW by 5.6% registering a total of 36.0million passengers in FY2019.

2. Non-airport operations

(a) Project and repair maintenance services: The project and repair maintenance segment revenue relates to MACS Middle East LLC (MACS ME) which provides facilities maintenance services at Hamad International Airport in Doha, Qatar. The segment recorded negative growth of 1.7% at RM146.6 million in FY2019.

Group Financial Performance

SEGMENTAL PROFITABILITY

Malaysia Operations

1. **Airport operations**
   (a) Airport services: In line with the increase in the airport services revenue, Malaysia operations recorded a PBT of RM621.6 million in FY2019 from a PBT of RM566.4 million in FY2018.

   (b) Duty free and non-dutiable goods: This segment generated a PBT of RM44.5 million in FY2019.

2. **Non-airport operations**
   (a) Agriculture and horticulture: The agriculture and horticulture business recorded a loss before tax of 0.1million from a PBT of RM3.5 million in FY2018 due to lower price attained for FFB per tonne and production output.

   (b) Hotel: The hotel business recorded PBT of RM12.3 million in FY2019, showing a marginal decrease compared to PBT of RM12.6 million recorded in FY2018. This was mainly due to lower average room rate and occupancy rate.

   (c) Project and repair maintenance services: This segment recorded a PBT of RM52.6 million in FY2019 compared to a PBT of RM17.8 million in FY2018.

Overseas Operations

1. **Airport operations**
   (a) Airport services: Overseas operations recorded an increase in PBT of RM145.0 million compared to an PBT of RM8.4 million in the previous year. The favourable variance was mainly due to higher aeronautical and non-aeronautical revenue.

2. **Non-airport operations**
   (a) Project and repair maintenance services: The segment recorded a PBT of RM5.9 million as compared to a PBT of RM17.0 million in the previous year due to lower revenue generated by MACS ME.

DIVIDENDS

A single-tier interim dividend of 5.0 sen per ordinary share in respect of the financial year ended 31 December 2019 amounting to RM82.9 million was paid in 1st October 2019.

The Board has declared a final dividend in respect of the financial year ended 31 December 2019 of 10 sen per ordinary share, amounting to RM165.9 million on 28 February 2020. The total dividend declared translates into a payout of 52.0% of total adjusted PAT, surpassing the Group's Dividend Policy of a minimum 50% payout ratio.

Board of Directors' Profile

TAN SRI DATUK ZAINUN ALI

Non-Independent
Non-Executive Chairman

Date of Appointment
18 January 2019

Gender
Female

Age
68

Nationality
Malaysian

Academic/ Professional Qualification(s)
- Bachelor of Law (LLB), University of Malaya
- Master of Law, University of Cambridge, United Kingdom

Present Directorship(s)
Listed Issuer:
- Malaysia Airports Holdings Berhad

Other Public Company:
- Permodalan Nasional Berhad

Membership of Board Committee (s)
- None

Present Appointment(s)
- Member of Board of Advisory of Faculty of Law, University of Malaya
- Member of Board of Studies at Ahmad Ibrahim Kuliyyah of Law, International Islamic University
- Member of Judicial & Legal Services Association (JALSOA)
- Member of the Advisory Board of the United Nations Global Judiciary Integrity Network

Past Experience
- Served various positions in the Legal and Judicial Service of Malaysia throughout her career since 1976
- Appointed as the Registrar of Companies in October 1990 and the Chief Registrar of the Federal Court of Malaysia in November 1994
- Appointed as the Judicial Commissioner of the High Court of Malaya, Kuala Lumpur in August 1996 and elevated to the Court of Appeal Bench in July 2007

- Appointed to the Federal Court Bench in April 2012 as a judge in the apex court and contributed immensely to Malaysian Jurisprudence in several landmark judgments

Number of Board Meetings Attended for the Year Under Review
- 17 out of 17 (100%)

Board of Directors' Profile

DATO' ZAMZURI ABDUL AZIZ

Non-Independent
Non-Executive Director

Date of Appointment
10 February 2020

Gender
Male

Age	Nationality
50	Malaysian

Academic/ Professional Qualification(s)
- Bachelor in Economics (Business Administration) (Hons.), University of Malaya
- Masters in Economics (Islamic Finance), National University of Malaysia
- Postgraduate Diploma in Public Management, National Institute of Public Administration (INTAN)
- Advanced Management Programme, Harvard Business School, Boston, USA
- Advanced Leadership & Management Programme, INTAN

Present Directorship(s)
Listed Issuer:
- Malaysia Airports Holdings Berhad

Other Public Company:
- Syarikat Perumahan Negara Berhad

Membership of Board Committee (s)
- Member of Board Procurement Committee
- Member of Board Finance & Investment Committee

Present Appointment(s)
- Under Secretary, Government Procurement Division, Ministry of Finance (MOF), Malaysia
- Board Member of Suruhanjaya Koperasi Malaysia
- Commission Member of Companies Commission of Malaysia (CCM)
- Board Member of SPNB Mesra Sdn Bhd
- Member of Supervision and Monitoring Committee of Syarikat Jaminan Pembiayaan Perniagaan Berhad (JPPB)

Past Experience
- Started career as an Assistant Director at the Malaysian Investment Development Authority (MIDA) in 1995
- Joined the Administrative & Diplomatic Service and later appointed as Assistant Secretary at the Ministry of Domestic Trade & Consumer Affairs
- Joined MOF in 1998 as the Assistant Secretary in the Administration Division and was thereafter promoted to Principal Assistant Director in the Budget Management Division in 2003
- Promoted to several positions throughout his service in the Budget Management Division under MOF
- Served MOF as Deputy Director, General Service Unit, National Budget Office from August 2010 until November 2018

Number of Board Meetings Attended for the Year Under Review
- N/A

Board of Directors' Profile

DATO' JANA SANTHIRAN MUNIAYAN

Non-Independent
Non-Executive Director

Date of Appointment
14 June 2019

Gender
Male

Age
53

Nationality
Malaysian

Academic/ Professional Qualification(s)
- Bachelor of Arts (Honours), University of Malaya
- Master of Management, University of Malaya
- Diploma in Public Administration, National Institute of Public Administration (INTAN)

Present Directorship(s)
Listed Issuer:
- Malaysia Airports Holdings Berhad

Other Public Company:
- Keretapi Tanah Melayu Berhad

Membership of Board Committee (s)
- Member of Board Risk Management Committee

Present Appointment(s)
- Deputy Secretary General (Management), Ministry of Transport (MOT)
- Board Member of Lembaga Pelabuhan Johor
- Board Member of Lembaga Pelabuhan Tanjung Pelepas

Past Experience
- Joined the Malaysian public service as an Assistant Director of the Ministry of Rural Development in 1995
- Joined the Ministry of Education (MOE) in 1996 as the Assistant Secretary in the Development Division and promoted to the position of Principal Assistant Secretary in 2003. While in service with the MOE, served as the Project Manager for education projects in Malaysia under the Asian Development Bank and World Bank
- Joined the Policy and Strategic Planning Unit, Ministry of Housing and Local Government as the Principal Assistant Secretary and promoted as the Secretary of Tribunal for Homebuyer Claims in September 2007
- In 2008, promoted as Director of Abandoned Projects Rehabilitation Division, Ministry of Housing and Local Government
- In December 2014, promoted as the Under Secretary, Administration and Finance Division, MOT

- Served the Ministry of Finance (MOF) as Senior Deputy Director, National Strategic Unit from May 2016 until September 2018

Number of Board Meetings Attended for the Year Under Review
- 8 out of 10 (80%)

Board of Directors' Profile

WONG SHU HSIEN

Non-Independent
Non-Executive Director

Date of Appointment

7 March 2019

Gender

Female

Age

47

Nationality

Malaysian

Academic/ Professional Qualification(s)
- Degree in Economics, Cambridge University, United Kingdom
- Master in Economics, London School of Economics and Political Science
- Chartered Financial Analyst

Present Directorship(s)
Listed Issuer:
- Malaysia Airports Holdings Berhad
Other Public Company:
- PLUS Malaysia Berhad
- Projek Lebuhraya Usahasama Berhad

Membership of Board Committee (s)
- Member of Board Audit Committee
- Member of Board Nomination & Remuneration Committee
- Member of Board Finance & Investment Committee

Present Appointment(s)
- Director of Investments, Khazanah Nasional Berhad

Past Experience
- Attached to BinaFikir Sdn Bhd prior to joining Khazanah Nasional Berhad in 2005
- Principal Adviser to AIG Infrastructure Fund II
- Served in a private equity firm, Emerging Market Partnership

Number of Board Meetings Attended for the Year Under Review
- 15 out of 15 (100%)

Board of Directors' Profile

HAJAH JAMILAH DATO' HASHIM

Non-Independent
Non-Executive Director

Date of Appointment

1 June 2017

Gender

Female

Age | **Nationality**
62 | Malaysian

Academic/ Professional Qualification(s)
- Bachelor of Science (Chemistry), California State University, USA
- Master in Science (Physical Chemistry), University of Denver, USA
- Attended several Executive Education programmes at Penn State University, USA, MINDA, Razak School of Government, London Business School and IMD (Lausanne, Switzerland)

Present Directorship(s)
Listed Issuer:
- Malaysia Airports Holdings Berhad
Other Public Company:
- None

Membership of Board Committee (s)
- Chairman of Board Risk Management Committee
- Member of Board Procurement Committee
- Member of Board IT Oversight Committee

Present Appointment(s)
- Chairman of MAB Agriculture-Horticulture Sdn Bhd
- Board Member of Malaysia Airports Sdn Bhd
- Board Member of Malaysia Airports (Sepang) Sdn Bhd

Past Experience
- Started her career as a researcher in Solar Energy Research Institute, USA
- Joined Goodyear Malaysia in 1985 and served for 21 years in various capacities including as a Chief Chemist, Manufacturing Director and Regional Business Process Improvement Director for Asia Pacific
- Served as a Board Member of Goodyear Malaysia Berhad from 2003 to 2005 whilst being the President of Women-In-Leadership in Asia Pacific movement
- Led the design implementation of Lean Six Sigma in 11 Goodyear companies in addition to training and developing 20 Lean Six Sigma specialists throughout the region

- Joined Khazanah Nasional Berhad (Khazanah) in 2006 before leaving to serve as Director of Strategic Management and Transformation Division, Boustead Heavy Industries Corporation Berhad in 2009.
- Re-joined Khazanah in 2011 and established Khazanah Local and Foreign Offices, Business Continuity Infra and Corporate Development Unit to support start-ups and Khazanah-linked companies

Number of Board Meetings Attended for the Year Under Review
- 17 out of 18 (94%)

Board of Directors' Profile

DATUK SERI YAM KONG CHOY

Senior Independent
Non-Executive Director

Date of Appointment
1 December 2013

Gender
Male

Age
67

Nationality
Malaysian

Academic/ Professional Qualification(s)
• Post-Grad Diploma in Building and Management Studies, University of Westminster, United Kingdom
• Fellow of Royal Institution of Chartered Surveyors
• Fellow of Chartered Institute of Building

Present Directorship(s)
Listed Issuer:
• Malaysia Airports Holdings Berhad
• Paramount Corporation Berhad
• Cahya Mata Sarawak Berhad

Other Public Company:
• Standard Chartered Saadiq Berhad

Membership of Board Committee (s)
• Chairman of Board Finance & Investment Committee
• Member of Board Nomination & Remuneration Committee

Present Appointment(s)
• Chairman of Malaysia Airports (Niaga) Sdn Bhd
• Chairman of K.L. Airport Hotel Sdn Bhd

• Board Member of KLIA Aeropolis Sdn Bhd
• Chairman of InvestKL Corporation
• Chairman of Triterra Sdn Bhd
• Chairman of Metropolitan Lake Development Sdn Bhd
• Board of Trustees of Standard Chartered Foundation
• Board Member of Kwasa Land Sdn Bhd
• Board Member of Impetus Alliance Advisors Sdn Bhd

Past Experience
• Served as a building engineer in the United Kingdom with various companies and the British Civil Service
• Past President and Patron of the Real Estate and Housing Developers' Association of Malaysia
• Served more than 35 years in the construction, real estate and corporate sectors with the last 12 years until 2008, helming two different public listed property companies as Chief Executive Officer and Managing Director

• Served in various large companies, such as Landmarks Berhad, Peremba Malaysia, Country Heights Holdings Berhad and Sunrise Berhad in the development of hotels, resorts, shopping malls, golf courses, international schools, residential and mixed developments in Malaysia, Australia, United Kingdom, Mauritius and South Africa

Number of Board Meetings Attended for the Year Under Review
• 18 out of 18 (100%)

Board of Directors' Profile

DATUK ZALEKHA HASSAN

Independent
Non-Executive Director

Date of Appointment
1 January 2014

Gender
Female

Age
67

Nationality
Malaysian

Academic/ Professional Qualification(s)
- Bachelor of Arts (Honours), University of Malaya
- Advance Management Programme, Harvard Business School, Harvard University, USA
- Attended several Leadership and Management programs in South Africa, Japan and Korea between 1997 and 2001

Present Directorship(s)
Listed Issuer:
- Malaysia Airports Holdings Berhad
- Telekom Malaysia Berhad

Other Public Company:
- None

Membership of Board Committee (s)
- Chairman of Board Procurement Committee
- Member of Board Nomination & Remuneration Committee
- Member of Board Risk Management Committee

Present Appointment(s)
- Chairman of Malaysia Airports (Sepang) Sdn Bhd
- Chairman of Malaysia Airports Consultancy Services Sdn Bhd
- Chairman of Menara Kuala Lumpur Sdn Bhd

Past Experience
- Started her career in the Malaysian civil service in 1977 as an Assistant Director in the Training and Career Development Division, Public Service Department
- Served the Malaysian Government in several ministries including the Ministry of Health, Ministry of Social Welfare and Ministry of National Unity and Social Development
- Served the Ministry of Finance (MOF) in 1997 as Senior Assistant Director of the Budget Division and continued to serve in various capacities including in the Government Procurement Division until retirement in May 2011 as Deputy Secretary-General (Operations) of MOF.
- Appointed as Government Procurement Advisor, MOF, from June 2011 until June 2013.

Number of Board Meetings Attended for the Year Under Review
- 18 out of 18 (100%)

Board of Directors' Profile

ROSLI ABDULLAH

Independent
Non-Executive Director

Date of Appointment

1 January 2014

Gender

Male

Age

67

Nationality

Malaysian

Academic/ Professional Qualification(s)
- Bachelor of Economics (Honours), University of Malaya
- Post-Graduate Diploma in Accounting, University of Malaya
- Master in Business Administration, Universiti Kebangsaan Malaysia.
- Chartered Accountant, Malaysian Institute of Accountants (MIA)

Present Directorship(s)
Listed Issuer:
- Malaysia Airports Holdings Berhad
- Capitaland Malaysia Mall REIT Management Sdn Bhd
- Dagang NeXchange Berhad

Other Public Company:
- None

Membership of Board Committee(s)
- Chairman of Board Audit Committee
- Member of Board Risk Management Committee

Present Appointment(s)
- Chairman of KLIA Aeropolis Sdn Bhd
- Board Member of Malaysia Airports Consultancy Services Sdn Bhd
- Board Member of Istanbul Sabiha Gökçen International Airport Investment Development and Operation Inc.
- Board Member of LGM Airport Operations Trade and Tourism Inc.

Past Experience
- Held various positions in the public and private sectors such as the Accountant General's office at the State and Federal Treasury Departments, Ministry of Finance, Chief Accountant in the Ministry of Works and Ministry of Education
- Attached to the Public Services Department and was the Chief Accountant at the Government's Pension Department and Secretary to the Teachers Provident Fund from 1989 to 1991
- Appointed as Bursar of Universiti Putra Malaysia from 1991 to 1993
- Director of Corporate Services at the Accountant General's Department from 1993 to 1994
- Financial Controller/ General Manager of Finance at Kuala Lumpur International Airport Berhad from 1994 to 1996
- Senior General Manager of Putrajaya Holdings Sdn Bhd from 1996 to 2008
- Adviser for Economic Planning Unit, Prime Minister's Department from 2008 to 2009
- Served as Council Member, Chief Executive Officer and Registrar of MIA
- Board Member and Chairman of the Audit Committee of Bank Pembangunan Malaysia Berhad and Keretapi Tanah Melayu Berhad
- Chairman of i-VCAP Management Sdn Bhd

Number of Board Meetings Attended for the Year Under Review
- 18 out of 18 (100%)

Board of Directors' Profile

DATO' IR MOHAMAD HUSIN
Independent
Non-Executive Director

Date of Appointment
15 August 2016

Gender
Male

Age	Nationality
66	Malaysian

Academic/ Professional Qualification(s)
- Bachelor of Science (Honours) in Civil Engineering, University of Southampton, United Kingdom
- Master of Science in Civil Engineering, University of Pittsburgh, USA
- Professional Engineer, Board of Engineers Malaysia

Present Directorship(s)
Listed Issuer:
- Malaysia Airports Holdings Berhad

Other Public Company:
- None

Membership of Board Committee (s)
- Member of Board Audit Committee
- Member of Board Procurement Committee
- Member of Board IT Oversight Committee

Present Appointment(s)
- Chairman of Malaysia Airports Sdn Bhd
- Chairman of Urusan Teknologi Wawasan Sdn Bhd
- Board Member of Johawaki Holdings Sdn Bhd and related companies
- Board Member of Bridgex Sdn Bhd and related companies

Past Experience
- Started career as Water Engineer in Public Works Department (PWD), Ministry of Works and served PWD for 35 years in various capacities including as a District Engineer, Assistant Director, State and Branch Director
- Held position as Director of Roads before being promoted to the post of Deputy Director General in 2007 until his retirement in 2013
- In the Government service, involved in the construction of development projects and maintenance of government facilities, mainly relating to roads, buildings, ports and airports

Number of Board Meetings Attended for the Year Under Review
- 17 out of 18 (94%)

Board of Directors' Profile

DATUK AZAILIZA MOHD AHAD

Independent
Non-Executive Director

Date of Appointment
8 November 2016

Gender
Female

Age
59

Nationality
Malaysian

Academic/ Professional Qualification(s)
• Bachelor of Laws, University of Malaya

Present Directorship(s)
Listed Issuer:
• Malaysia Airports Holdings Berhad
Other Public Company:
• None

Membership of Board Committee (s)
• Chairman of Board Nomination & Remuneration Committee
• Member of Board Audit Committee
• Member of Board Finance & Investment Committee

Present Appointment(s)
• Partner with Messrs Gani Patail Chambers
• Chairman of Malaysia Airports International Sdn Bhd
• Board Member of KLIA Aeropolis Sdn Bhd
• Chairman of Whistleblowing Independent Committee of MAHB

Past Experience
• Undertook legal advisory work relating to domestic and international matters over a period of 30 years
• Held various roles as a Judicial and Legal officer with the Courts and the Attorney General's Chambers of Malaysia. Among others, served as a Magistrate, Senior Assistant Registrar, legal advisor to the Economic Planning Unit, Prime Minister's Department, as a Senior Federal Counsel with the Advisory and International Division, as the Head of the International Affairs Division, the Deputy Solicitor General I and Solicitor General of Malaysia

Number of Board Meetings Attended for the Year Under Review
• 18 out of 18 (100%)

Board of Directors' Profile

RAMANATHAN SATHIAMUTTY

Independent
Non-Executive Director

Date of Appointment
1 January 2019

Gender
Male

Age
56

Nationality
Malaysian

Academic/ Professional Qualification(s)
- Bachelor of Engineering (Electrical & Electronic) (Honours), Universiti Kebangsaan Malaysia
- Master of Business Administration, Universiti Putra Malaysia
- Executive Management Programme, Harvard Business School and INSEAD

Present Directorship(s)
Listed Issuer:
- Malaysia Airports Holdings Berhad
- Prestariang Berhad

Other Public Company:
- None

Membership of Board Committee (s)
- Member of Board Risk Management Committee
- Member of Board Procurement Committee
- Chairman of Board IT Oversight Committee

Present Appointment(s)
- Chairman of Istanbul Sabiha Gökçen International Airport Investment Development and Operation Inc.
- Chairman of LGM Airport Operations Trade and Tourism Inc.
- Board Member of Malaysia Airports (Sepang) Sdn Bhd
- Board Member of Urusan Teknologi Wawasan Sdn Bhd

Past Experience
- Prior to present appointment, served as Chief Transformation Officer at Celcom Axiata Berhad from 2016 and a former Advisor to Chief Executive Officer of Celcom Axiata Berhad.
- Started career as a system engineer at IBM Corporation Malaysia. Served IBM Group for 24 years in various roles involving telecommunications, utilities, media and entertainment sectors and appointed as Managing Director of IBM Malaysia in January 2010.
- During his tenure with IBM Group, he held various roles in many countries such as Japan, Korea, India, Singapore and USA.

Number of Board Meetings Attended for the Year Under Review
- 17 out of 18 (94%)

Board of Directors' Profile

DATO' DR. AMIRUDDIN MUHAMED

Alternate Director To
Dato' Zamzuri Abdul Aziz

Non-Independent
Non-Executive Director

Date of Appointment

1 January 2019

Gender

Male

Age | **Nationality**
48 | Malaysian

Academic/ Professional Qualification(s)
- Bachelor of Accounting (Hon.), Universiti Kebangsaan Malaysia
- Master of Economics (Economic Development), Universiti Kebangsaan Malaysia
- Doctor of Philosophy in Accounting and Finance, Durham University, United Kingdom

Present Directorship(s)
Listed Issuer:
- Malaysia Airports Holdings Berhad
Other Public Company:
- Export-Import Bank of Malaysia Berhad

Membership of Board Committee (s)
- None

Present Appointment(s)
- Deputy Under Secretary (Strategic and General) of the Government Investment Division of the Ministry of Finance (MOF)
- Board Member of MRT Corporation Sdn Bhd
- Board Member of Inno Bio Ventures Sdn Bhd

- Board Member of SRC International Sdn Bhd
- Board Member of Suria Strategic Energy Resources Sdn Bhd
- Board Member of My Power (Company Limited by Guarantee)
- Board Member of Transit Acquirer Sdn Bhd

Past Experience
- Served as Chief Executive Officer of Majlis Agama Islam dan Adat Melayu Perak (MAIPk)
- Appointed as Assistant Director in Accountant General Department, MOF
- Served as Senior Principal Assistant Secretary in Investment, MKD (Inc) and Privatisation Division, MOF to manage the corporatisation and privatisation activities of agencies under the jurisdiction of specific Ministries
- Later joined the Strategic Investment Division under MOF

Number of Board Meetings Attended for the Year Under Review
- N/A

Declaration by the Board of Directors:
- No family relationship with any other Director and/or major shareholder of MAHB.
- No conflict of interests with MAHB.
- No conviction for offences other than traffic offences for the past five (5) years.
- No public sanction or penalty imposed by any regulatory bodies during the financial year ended 31 December 2019.
- Does not hold more than five (5) directorships in listed issuers.

Group Senior Management

Key Senior Management

DATO' MOHD SHUKRIE MOHD SALLEH
Group Chief Executive Officer
Date of appointment: 2 March 2020
Male, 46, Malaysian*

MOHAMED RASTAM SHAHROM
Group Chief Financial Officer
Date of appointment: 1 January 2020
Male, 49, Malaysian*

AZMAN SHAH MOHAMED
Chief Human Capital Officer
Date of appointment: 1 September 2017
Male, 55, Malaysian*

MOHAMMAD NAZLI ABDUL AZIZ
Senior General Manager Commercial Services
Date of appointment: 4 January 2016
Male, 53, Malaysian*

KARINA DATO' MOHAMMAD NOR
Senior General Manager Planning
Date of appointment: 15 May 2019
Female, 45, Malaysian*

MOHD ARIF JAAFAR
Acting Senior General Manager MA Sepang
Date of appointment: 18 Feb 2020
Male, 55, Malaysian*

KAMARUZZAMAN RAZALI
General Manager MASB
Date of appointment: 1 April 2019
Male, 56, Malaysian*

*   *Gender, age, nationality*

Additional Information of Key Senior Management:
Unless stated in their profiles, none of the Management has:

- Any directorship of public companies and listed issuers;
- Any family relationship with any director and or/ substantial shareholder of the listed issuer;
- Any conflict of interest that he has with the listed issuer;
- Any list of convictions for offences within the past 5 years other than traffic offences; and
- Any particulars of sanctions and penalty imposed by relevant regulatory bodies.

Group Senior Management

DATO' MOHD SHUKRIE MOHD SALLEH

Date of appointment: 2 March 2020

Group Chief Executive Officer		
Male	46	Malaysian

Academic/Professional Qualifications
- Bachelor's Degree in Business Studies from the University of North London, UK
- Chartered Accountant with the Malaysian Institute of Accountants

Experience
Dato' Mohd Shukrie joined Malaysia Airports in 2019 as Chief Operating Officer and was appointed as Group Chief Executive Officer in 2020.

Prior to that, Dato' Mohd Shukrie had led AirAsia's Redbox Logistics as its Chief Executive Officer and was later appointed as Chief Operating Officer for AirAsia Malaysia.

He has vast experience in the logistics business. He helmed Pos Malaysia Berhad as Group Chief Executive Officer and was previously its Group Chief Operating Officer. He was also Group Chief Executive Officer of Konsortium Logistik Berhad.

Dato' Mohd Shukrie also had an illustrious career at DRB-HICOM Berhad. His leadership roles include Chief Executive Officer of KL Airport Services Sdn. Bhd., and was also Chief Executive Officer, Principal Controller, Chief Financial Officer, Chief Operating Officer of entities within the DRB-HICOM Group.

MOHAMED RASTAM SHAHROM

Date of appointment: 1 January 2020

Group Chief Financial Officer		
Male	49	Malaysian

Academic/Professional Qualifications
- BSc (Honours) in Accounting and Finance from University of Wales, Aberystwyth, UK
- Chartered Accountant with the Malaysian Institute of Accountants
- Fellow of the Association of Chartered Certified Accountants, UK

Experience
Prior to joining Malaysia Airports, Mohamed was the Chief Financial Officer of UEM Sunrise Berhad. He has over 20 years of experience in the field of finance, investment appraisal, fundraising, financial analysis and planning, finance operations, international JVs and statutory reporting.

Group Senior Management

AZMAN SHAH MOHAMED

Date of appointment: 1 September 2017

Chief Human Capital Officer		
⚲ Male	🗓 55	⚑ Malaysian

Academic/Professional Qualifications
- Masters in Business Administration, Central Michigan University, USA

Experience

Azman joined Malaysia Airports in 2017. Prior to his appointment, he held senior management positions in Group Human Capital at Telekom Malaysia Berhad.

Azman is a senior and experienced HR professional with 16 years of extensive exposure in various disciplines of human resources, ranging from Strategic HR, Industrial Relations to Remuneration and Performance Management. He has led various HR transformation programmes including compensation and benefit structure and the formulation of a long term incentive plan for the company.

LEE YIANG MING

Date of appointment: 1 March 2019

Chief Information Officer		
⚲ Male	🗓 50	⚑ Malaysian

Academic/Professional Qualifications
- Degree in Business Computing from the University of Winnipeg, Canada

Experience

Lee joined Malaysia Airports in 2019. Prior to this appointment, he served as Executive Director with UOB Singapore.

He possesses more than 25 years of IT experience and has assumed various management roles across industries including telecommunication and banking. Throughout his career, he has built specialisation in the areas of transformation, software quality, and process engineering. Among his notable projects are establishing one of the largest software testing units in Malaysia with Scope International, as well as driving the establishment of Maybank's Shared Services in 2013.

Group Senior Management

IR SURADINI ABDUL GHANI

Date of appointment: 5 June 2017

Head of Guest Advocacy

Female | 60 | Malaysian

Academic/Professional Qualifications
- Bachelor of Science Degree in Electrical & Electronics Engineering, University of Nottingham, UK
- Postgraduate Diploma in Airport Engineering, Nanyang Technological University, Singapore
- Masters in Business Administration, Universiti Teknologi MARA
- Professional Electrical Engineer, member of the Institute of Engineers Malaysia, Board of Engineers Malaysia, and Malaysian Institute of Human Resource Management

Experience
Ir. Suradini was appointed as Head of Guest Advocacy of Malaysia Airports in 2017. Over the past 26 years, she had headed various divisions in Malaysia Airports including as the Head of Engineering at KUL, General Manager of Malaysia Airports Consultancy Services Sdn Bhd, Senior General Manager of Human Resource Services and Senior General Manager of Non-Aviation Business.

She started her career as an Electrical Engineer with the Public Works Department in 1983 and later joined the Department of Civil Aviation Malaysia (now known as CAAM), before joining Malaysia Airports.

Her experience covers engineering design and supervision, operation and maintenance of airport facilities, airport planning, project and contract management, airport consultancy and operation and management of airports abroad.

MOHAMMAD NAZLI ABDUL AZIZ

Date of appointment: 4 January 2016

Senior General Manager, Commercial Services

Male | 53 | Malaysian

Academic/Professional Qualifications
- Bachelor of Building, University of New South Wales, Australia
- Chartered Building Professional

Experience
Nazli joined Malaysia Airports as Senior General Manager, Commercial Services in 2016. Prior to that, he was Senior General Manager of Commercial and Chief Operating Officer at KLCC Property Holdings Berhad, where he managed top-end commercial real estate and was in charge of the operations for various development components within the KLCC precinct.

Nazli started his career in quantity surveying and project management in the property sector. He was also instrumental in the initial planning, marketing and sales of the award-winning 2,300-acre Bukit Jelutong mixed development project – Kumpulan Guthrie Berhad's maiden foray into property development. Nazli was later attached to TDM Berhad, a listed vehicle of the Terengganu State Government, overseeing their business expansion into property, F&B and healthcare industries both in Malaysia and in Southeast Asia.

Group Senior Management

MOHAMMAD SUHAIMI ABDUL MUBIN

Date of appointment: 18 February 2020

Senior General Manager, Group CEO Office

| ⚥ Male | 📅 53 | 🚩 Malaysian |

Academic/Professional Qualifications
- Bachelor's degree in Economics, University of Malaya
- Post Graduate Diploma in Aviation and Airport Management, National University of Singapore
- An accredited International Airport Professional under the ACI-ICAO Airport Management Professional Accreditation Program

Experience
Suhaimi started his career with the Department of Civil Aviation (now known as CAAM) at Subang International Airport in 1990 and continued to bring his aviation-related expertise and experience to Malaysia Airports after its corporatisation in 1992.

Suhaimi has approximately 30 years of aviation experience and has been in a variety of management positions managing domestic and international airports across Malaysia. Under his leadership, Malaysia Airports has received many accolades including local and international awards for energy efficiency.

He is also currently a member of the board of directors of Malaysia Airports (Properties) Sdn Bhd.

KARINA DATO' MOHAMMAD NOR

Date of appointment: 15 May 2019

Senior General Manager, Planning

| ⚥ Female | 📅 45 | 🚩 Malaysian |

Academic/Professional Qualifications
- BCom (Hon) Business Studies & Accounting, University of Edinburgh, UK
- MSc in Islamic Finance, International Centre for Education in Islamic Finance
- Diploma in Digital Marketing from Chartered Institute of Marketing, UK
- Diplôme d'Études en Langue Française, France
- Fellow of the Institute of Chartered Accountants in England and Wales, member of the Malaysian Institute of Accountants, ASEAN Chartered Professional Accountant and Asian Institute of Chartered Bankers

Experience
Karina joined Malaysia Airports in 2019 and she has over 20 years of experience in both public and private sectors in policy development, regulations and public financial management, strategic planning, change and transformation management.

As SGM Planning of Malaysia Airports, Karina's areas of responsibilities include Corporate Planning, Research & Planning, Corporate Quality Management, Business Ventures Division and Innovation Division.

Group Senior Management

MOHAMED SALLAUDDIN MOHAMED SHAH

Date of appointment: 1 February 2008

General Manager, Aviation Marketing & Development

Male | 57 | Malaysian

Academic/Professional Qualifications
- Bachelor of Science in Accountancy and Computer Science, Northern Illinois University, USA
- Master in Business Administration (Strategic Management), International Business School, Universiti Teknologi Malaysia
- Certified Professional Marketer conferred by Asia Marketing Federation in collaboration with Institute of Marketing Malaysia

Experience
Mohamed Sallauddin joined Malaysia Airports in 2001, and was appointed to his current role in 2008.

His professional career has predominantly been in the aviation and aerospace industries where he had served the national carrier, Malaysia Airlines, and Malaysia's first aircraft manufacturing company, Composite Technology Research Malaysia, before joining Malaysia Airports. Notably, he led Malaysia Airports in hosting Asia's first World Route Development Forum in Kuala Lumpur in 2008.

Mohamed Sallauddin currently serves as a Council Member of the Institute of Marketing Malaysia and is also the Board Member of the Pacific Asia Travel Association (PATA) and an Executive Committee Member of PATA Malaysia Chapter.

NASREIN FAZAL SULTAN

Date of appointment: 1 January 2019

General Manager, Risk Management and Compliance

Female | 56 | Malaysian

Academic/Professional Qualifications
- Bachelor of Accounting (Hons), Universiti Kebangsaan Malaysia
- Chartered Accountant registered with the Malaysian Institute of Accountants
- Chartered Member of The Institute of Internal Auditors Malaysia with Certification in Risk Management Assurance

Experience
Nasrein joined Malaysia Airports in 1998 and was appointed to her current position in 2019. Prior to this, she had headed the Internal Audit Division since 1998.

Before joining Malaysia Airports, she held the position of Finance Manager within a subsidiary of Sime Darby Group. She also held several senior positions in the Finance division at SIRIM.

Nasrein is currently an elected member of the Board of Governors for The Institute of Internal Auditors Malaysia.

Group Senior Management

IR KHAIRIAH SALLEH

Date of appointment: 1 February 2008

General Manager, Engineering

Female | 55 | Malaysian

Academic/Professional Qualifications
- Bachelor of Science Degree in Civil Engineering, Old Dominion University, USA
- Professional Engineer with the Board of Engineers Malaysia
- Member of the Institute of Engineers Malaysia

Experience
Ir. Khairiah was appointed as General Manager, Engineering of Malaysia Airports in 2008.

She promotes reliability engineering and localised total productive maintenance in efforts to ensure world-class maintenance at KUL and other airports in the Group. She is also known for her knowledge in energy efficiency, energy management and asset management. Her diversified expertise covers almost all of professional engineering services, such as engineering study and analysis, as well as planning, design, construction, commissioning, operation, maintenance and management of engineering works and projects.

She was highly involved with the operational readiness and airport transfers for klia2, in addition to her current portfolio of Engineering Operations and Maintenance of airport systems and facilities for Malaysia Airports.

Ir. Khairiah is the current Chair of the Airports Council International (ACI) Asia Pacific Regional Environment Committee.

NIK ANIS NIK ZAKARIA

Date of appointment: 1 June 2009

General Manager, Corporate Communications

Female | 56 | Malaysian

Academic/Professional Qualifications
- Bachelor of Science Degree in Economics from Northern Illinois University, USA

Experience
Nik Anis joined Malaysia Airports as the General Manager of Corporate Communications in 2009.

Before that, Nik Anis was attached to Mesiniaga Berhad, a public-listed IT company. She has close to 30 years of working experience in various capacities including managing sales and marketing, customer service and operations, and corporate communications.

Since joining Malaysia Airports, she has developed and implemented strategies and action plans to align the corporate communications direction with the organisation's vision and objectives, including spearheading the digital communication platforms, and establishing a dominant presence and branding for Malaysia Airports on social media.

Group Senior Management

NORNAJIHAH ISMAIL

Date of appointment: 1 January 2018

General Manager, Finance Business Partner		
Female	50	Malaysian

Academic/Professional Qualifications
- Diploma in Accounting, Universiti Teknologi Mara (UiTM), Malaysia
- Degree in Accounting and Finance, South Bank University, London, UK
- Master in Business Administration with a concentration in Airport Management, UiTM
- Received the Vice Chancellor Award upon graduation from UiTM
- Registered Chartered Accountant with the Malaysian Institute of Accountants
- Fellow member of the Association of Chartered Certified Accountants, UK

Experience

Nornajihah joined Malaysia Airports in 2006 as Senior Manager, Finance and was appointed to her current role in 2018.

Nornajihah was the General Manager, Finance for Malaysia Airports from 2010 to 2017 and was also entrusted to cover the role and responsibilities of the Chief Financial Officer from September 2015 to January 2016.

She was selected for the Khazanah GLC Talent Exchange Programme in 2008 and was seconded to Tenaga Nasional Berhad. Prior to Malaysia Airports, she was the Head of Group Accounts in Padiberas Nasional Berhad.

ABD MALIK MOHD YUNUS

Date of appointment: 7 May 2012

General Manager, Airport Fire & Rescue Services		
Male	59	Malaysian

Academic/Professional Qualifications
- Diploma in Mechanical Engineering, Universiti Teknologi MARA
- Master of Science in Emergency Response and Planning, Universiti Putra Malaysia
- Graduate Diploma in Airport Management, National University of Singapore

Experience

Abd Malik was appointed to his current position in 2012. Prior to that, he was General Manager of Airport Rescue and Fire Fighting at the Ibrahim Nasir International Airport, Maldives. Abd Malik had joined the Airport Fire and Rescue Service (AFRS) of the Department of Civil Aviation and had headed the AFRS at PEN and KUL. He was directly involved in the establishment of the AFRS at KUL during the construction of the airport.

He is a certified Green Book Safety Officer from the Department of Occupational Safety and Health and was involved in achieving OHSAS certification for MA (Sepang) Sdn Bhd during his tenure as a Safety Officer.

Group Senior Management

▬
DATUK ABDULLAH KADIR BACHA

Date of appointment: 15 January 2016

General Manager, Stakeholder Relations & Regulatory Affairs		
⊛ Male	▦ 67	⚐ Malaysian

Academic/Professional Qualifications
• Master's Degree (MSc) in Information Science from Loughborough University, UK

Experience
Datuk Abdullah joined Malaysia Airports in 2016 as General Manager, Stakeholder Relations & Regulatory Affairs. He served the Government for 33 years, including a five-year stint as an aide in the private office of the Prime Minister of Malaysia.

Datuk Abdullah's experience also covers the private sector, particularly in information technology, and the field of academics where he worked with Universiti Utara Malaysia and International Islamic University Malaysia.

In the field of information technology, Datuk Abdullah founded Altel, a 4G broadband company, and was instrumental in setting up MyTV Broadcasting Company, pioneering digital TV Broadcasting for Radio Televisyen Malaysia. Datuk Abdullah also served as Executive Director of Puncak Semangat Sdn. Bhd., IT advisor at AlBukhary Group of Companies as well as Chief Knowledge Officer and Vice President, Multilateral Government Engagement at Multimedia Development Corporation.

▬
IBRAHIM CHANG BOON TECK

Date of appointment: 4 October 2016

General Manager, Procurement and Contract		
⊛ Male	▦ 54	⚐ Malaysian

Academic/Professional Qualifications
• Degree in Econometrics from Universiti Kebangsaan Malaysia

Experience
Ibrahim joined Malaysia Airports and was appointed as General Manager Procurement and Contract in 2016.

Prior to this, he held numerous supply chain leadership roles in leading companies such as Shell, F&N, Coca Cola, Warner Lambert, Sapura Crest Petroleum and Perisai Petroleum. From his 29-year journey and exposure in multiple industries ranging from oil and gas to fast moving consumer goods, he had gained a vast and rich body of knowledge, perspective and experience in procurement operations, contract management, cost optimisation, value engineering, project procurement and logistics.

Group Senior Management

HANI EZRA HUSSIN

Date of appointment: 7 November 2016

General Manager, Commercial Business

Female | 45 | Malaysian

Academic/Professional Qualifications
- Masters in Business Administration, University of Dubuque, USA
- Chartered Institute of Marketing, UK

Experience

Hani Ezra joined Malaysia Airports in 2016 as General Manager Commercial Business.

Hani Ezra has more than 20 years of experience in marketing, branding and retail. She began her marketing career in fast moving consumer goods with F&N Dairies in 1997 before moving to Danone where she was responsible for all aspects of marketing for Danone's most trusted UK brand.

In the retail business, Hani Ezra led the Marketing Division, Customer Service and Retail Relations for Suria KLCC, Kuala Lumpur's leading shopping mall. She managed over 300 stores, refreshed marketing approaches and delivered an unparalleled shopping experience which contributed to the growth of retail sales and the evolution of the retail industry in Malaysia.

LEE AI VIN

Date of appointment: 20 December 2019

General Manager, Corporate Finance and Treasury

Female | 44 | Malaysian

Academic/Professional Qualifications
- Bachelor of Business in Accountancy, RMIT, Australia
- Member of the Institute of Chartered Accountants of England and Wales, the CPA Australia (Certified Practising Accountant) and the Malaysian Institute of Accountants

Experience

Ai Vin joined Malaysia Airports in 2015 and was appointed as General Manager of Corporate Finance, Investor Relations and Treasury in 2017.

Prior to joining Malaysia Airports, Ai Vin worked in Transaction Advisory Services of Ernst & Young PLT London. She has also worked in banking and financial advisory sectors in Malaysia and KPMG Singapore. She has over 20 years of experience in financial and corporate transaction advisory in Asia and Europe covering business valuation, corporate restructuring, capital market fundraising, financial due diligence, loan portfolio review, merger and acquisition.

Group Senior Management

AHMAD RIZAL OMAR

Date of appointment: 2 January 2018

General Manager, Financial Planning and Shared Service		
℞ Male	📅 44	🏳 Malaysian

Academic/Professional Qualifications

- Master of Finance, St Edmund's College, University of Cambridge, UK
- Chartered Accountant with the Malaysian Institute of Accountants and The Chartered Accountants of Australia and New Zealand

Experience

Ahmad Rizal joined Malaysia Airports in 2018 as General Manager, Financial Planning and Shared Service. Prior to his appointment, he was the Senior Vice President Investments at Khazanah Nasional Berhad.

Ahmad Rizal has 19 years of working experience in investments evaluation and management, corporate finance and chartered accountancy experience in Asia Pacific region with Axiata Group, Ernst & Young PLT and Telekom Malaysia.

MEGAT ARDIAN WIRA MOHD AMINUDDIN

Date of appointment: 9 March 2020

General Manager, Corporate Planning and Transformation		
℞ Male	📅 48	🏳 Malaysian

Academic/Professional Qualifications

- Bachelor of Business Administration in Marketing, Western Michigan University, USA
- Master's Degree in Aviation from the Embry-Riddle Aeronautical University

Experience

Megat joined Malaysia Airports in 2018 as the General Manager of Corporate Planning, focusing on the Group's strategic planning, growth as well as sustainability initiatives.

His career in the aviation industry started with AirAsia in 2004 where he managed the Government Relations and Special Projects portfolio. Megat was also part of the Transformation Management Team of Malaysia Airlines Berhad (MAS) to facilitate MAS' turnaround campaign. He was also Chief Commercial Officer at Flynas, a low-cost carrier based in Riyadh, Saudi Arabia. Megat also provided consulting and training for the International Air Transport Association and airlines on commercial strategy and transformation initiatives.

Outside of the aviation industry, Megat was Market Development Director for Malaysia and Brunei for General Electric. He was also Chief Marketing Officer of Malaysia Healthcare Travel Council, an agency under the Ministry of Health Malaysia.

Group Senior Management

▬
LINDAYANI TAJUDIN

Date of appointment: 5 July 2018

General Manager, Overseas Ventures		
⚥ Female	📅 48	🏴 Malaysian

Academic/Professional Qualifications
- Bachelor of Science (Economics) (Hons) – Accounting and Finance, London School of Economics and Political Science, UK
- Fellow of the ACCA and member of the Malaysian Institute of Accountants

Experience

Lindayani joined Malaysia Airports in 2018 as General Manager, Overseas Ventures.

Prior to this appointment, she was the Head/Vice President, Corporate Finance & Strategy for Malakoff Corporation Berhad, where she amassed a wealth of experience and exposure in the field of Corporate Finance Among her accomplishments was leading one of the largest initial public offering exercises on Bursa Malaysia for Malakoff Corporation Berhad.

Her corporate finance experience, particularly in mergers and acquisitions, had involved financial assessment, due diligence, fundraising, and high stake negotiations from a multitude of international projects from South East Asia, Middle East and Australia.

▬
HAIRUZZAMAN SAGI

Date of appointment: 1 January 2019

General Manager, HR Business Partner		
⚥ Male	📅 50	🏴 Malaysian

Academic/Professional Qualifications
- Master's Degree in Human Resource Management from University Utara Malaysia

Experience

Hairuzzaman joined Malaysia Airports as General Manager of Human Resources Business Partner in 2019.

Prior to joining Malaysia Airports, he held senior positions in human resources at Sime Darby Plantation Berhad, notably Head of HR Downstream and Head, HR Upstream Malaysia. He has assumed various HR roles across different industries such as semiconductor manufacturing, oil and gas, engineering, retail and plantation, covering South East Asia, Africa and Europe.

He was a member of the Malaysian Employers Federation Industrial Relations Panel, Malaysian Agricultural Producers Association Council, NHRS Committee, Panel Member of the Industrial Relations Court and Panel Member of SOCSO Appellate Board. Currently he serves as a member of Elite 20 Outreach Club under the Malaysia Human Resource Development Fund.

Group Senior Management

ANIFRUZAIDI AB. RAHIM

Date of appointment: 1 March 2019

General Manager, Project Management Office		
⊗ Male	📅 51	⚑ Malaysian

Academic/Professional Qualifications
- Bachelor of Engineering (Hons), University of Liverpool, UK

Experience

Anifruzaidi joined Malaysia Airports in 2019. He has more than 25 years of experience in construction, airport development consultancy and airport operations. His work experience spans leading companies in these fields including Ranhill, Malaysian Japanese Airport Consortium, Deutsche AeroConsult GmbH, Frankfurt Airport GmbH, Leading Edge Aviation Planning Professional, Hill International and Landrum & Brown.

He has been involved in major international airport projects in the fields of project management, Operational Readiness and Transfer (ORAT), and facility management. He was engaged by the International Civil Aviation Organization (ICAO) as an ORAT coordinator, facilitating and coordinating efforts in the operation readiness programme at Suvarnabhumi Airport, Thailand. He was also appointed by Landrum & Brown USA as the Senior Managing Consultant for the Airport Operation Readiness programme at King Abdulaziz International Airport, Saudi Arabia.

MOHAMMAD AZMEL HARUN RASHEED

Date of appointment: 9 March 2020

General Manager, Operational Excellence & Innovation		
⊗ Male	📅 44	⚑ Malaysian

Academic/Professional Qualifications
- B.Sc. Industrial Engineering, University of Toledo, Ohio, USA
- Professional Certificate in Management, University of Melbourne, Australia

Experience

Azmel was appointed to his current position in 2020. He has over 19 years of experience both in local and international companies such as PETRONAS, Goodyear and Schlumberger Business Consulting. He has six years of experience in operations and 13 years in strategic change and transformation roles, with proven methodologies to drive business transformation such as Lean Six Sigma, performance improvement and design thinking.

Prior to Malaysia Airports, he was employed by Malaysia Petroleum Resources Corporation as Vice President of Innovation and Technology to catalyse the development and commercialisation of Malaysian Oil and Gas technologies and innovations, working closely with industry players and government agencies to enable indigenous innovation into the market.

Group Senior Management

AZRINA ABDUL SAMAT

Date of appointment: 4 September 2019

General Manager, Regulatory Asset Base

Female   47   Malaysian

Academic/Professional Qualifications
- Bachelor of Science in Computation, University of Manchester Institute of Science and Technology, UK
- Master of Science in Engineering Management, University of Warwick, UK

Experience

Azrina joined Malaysia Airports in 2019. Prior to joining Malaysia Airports, Azrina held senior positions at Gas Malaysia Berhad and Tenaga Nasional Berhad. There, Azrina led the transition of the two utility companies to incentive-based tariff frameworks which share fundamental similarities with the Regulated Asset Base framework proposed for Malaysia Airports.

Her 20 years' experience in the energy sector particularly in energy procurement management, implementation of macro policies for the sector and key stakeholder engagement to manage regulatory changes complements Malaysia Airports with the necessary capacity and capability in order to engage various key stakeholders in an environment of increasing regulatory complexity.

Her 18-year stint at Tenaga Nasional Berhad also showcased her capability in the area of fuel procurement management primarily in power sector's fuel macro policies for natural gas, coal and LNG.

KHOR SOON KHENG

Date of appointment: 1 November 2019

General Manager, IT Architecture & Strategy

Male   54   Malaysian

Academic/Professional Qualifications
- Degree in Computer Science and Master of Arts, University of Dublin, Trinity College, Ireland
- Chartered Engineer, Engineers Ireland

Experience

Khor is an Airport System Specialist with extensive experience in project management and systems engineering, having worked on large and complex airport projects and multi-agency software architecture projects.

Prior to joining Malaysia Airports, Khor was the Airport Systems and Operations Advisor for the Taoyuan International Airport Terminal 3 Project in Taipei, Taiwan. He was responsible for the development of a comprehensive strategy and implementation of the Airport Collaborative Decision Making system, Airport Operational Database, Resource Management System, IATA Fast Track Initiative, and flights operations related to the ICT system implementation including the flight information display system and baggage handling system.

He was also part of the team that designed and implemented the Total Airport Management System for KUL, a world's first, and a multi-agency software architecture project for the Government of Malaysia.

Group Senior Management

NABILLAH ZOLIFAH ZOLKIFLI

Date of appointment: 14 January 2020

General Manager, Commercial Operations		
Female	47	Malaysian

Academic/Professional Qualifications
- Bachelor of Business Administration (Hons.), International Islamic University Malaysia
- Corporate Diploma in Airport Management (Commercial Services), Universiti Teknologi MARA
- Participated in MAHB Navigators Programme by INSEAD Business School, Singapore

Experience
Nabillah joined Malaysia Airports in 1998. Prior to that she served in various departments within Commercial Services in Malaysia Airports including Senior Manager of Retail Relations, Head of Contract Management in klia2, and several management positions for Commercial Project & Change, Commercial Business Development and Corporate Marketing for Sepang International Circuit Sdn Bhd.

Her experience covers retail commercial planning, project and contract management, commercial management, operation and performance of airports across Malaysia, and liaison management with key players in the travel retail industry.

She started her career as a Marketing Executive with Hong Leong Assurance Berhad, and later joined Arab-Malaysian Finance Berhad, before joining Malaysia Airports.

VIJAY KUMAR DAYINDE

Date of appointment: 1 December 2019

General Manager, IT Delivery		
Male	41	Indian

Academic/Professional Qualifications
- Bachelor of Science – Computer, Nagarjuna University, India
- Master of Business Administration, Sikkim Manipal University, India
- Master of Computer Applications, Manipal University, India
- Master of Science – Mathematics, Osmania University, India

Experience
Vijay joined Malaysia Airports as General Manager, IT Delivery in 2019. Prior to joining Malaysia Airports, Vijay was the Head of Data Science & Solutions, and former Head of IT Development of Celcom Axiata Bhd, Malaysia.

Vijay is a telecom IT planning, implementation, and operation specialist with over 19 years of experience. He has served globally across multiple organisations including both system integrators and service providers. He also worked across various technologies for fixed and wireless networks and has been at the epicentre of every technological shake-up experienced by the communication services industry over the last two decades from the Americas to the Far East.

Group Senior Management

ZULKIFLI BASHIR

Date of appointment: 16 March 2020

General Manager, Aviation Security

Male	62	Malaysian

Academic/Professional Qualifications
- Diploma in Police Science, Universiti Kebangsaan Malaysia
- Certified International Crime Prevention Specialist
- Member of the International Crime Prevention Society

Experience
Zulkifli joined Malaysia Airports in 2010 as Senior Manager of Aviation Security (Intelligence/Investigation/Liaison). He was appointed as General Manager of Aviation Security in 2020. Prior to his appointment, he was the Covering General Manger of Aviation Security.

Zulkifli has more than 30 years of law enforcement experience in his illustrious career with the Royal Malaysia Police which includes serving as the Police Chief of KLIA from 2000 to 2003.

NOR AIDA OTHMAN

Date of appointment: 1 April 2020

General Manager, Legal

Female	51	Malaysian

Academic/Professional Qualifications
- Bachelor of Laws (LL.B Hons) from International Islamic University Malaysia
- Advocate & Solicitor of the High Court of Malaya

Experience
Aida joined Malaysia Airports as Senior Manager, Legal in 2012. She was previously seconded to Malaysia Airports from Malaysia Airlines from 2010 to 2011 under the Khazanah Cross Assignment Programme.

Within Malaysia Airports, in March 2019, she was seconded to Malaysia Airports Consultancy Services (MACS) Middle East, Doha, Qatar as the Senior Manager, Legal to support its business expansion. She was also part of team which was instrumental in the setting up of MACS Middle East in Doha.

Aida has over 25 years' experience as an in-house legal counsel, serving in Government-Owned and Government-Linked Companies, as well as public listed companies, namely, Keretapi Tanah Melayu Berhad, Celcom Malaysia Berhad, Technology Resources Industries Berhad and Malaysia Airlines.

Group Senior Management

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AINON MAHAT

Date of appointment: 1 January 2019

Acting General Manager, Internal Audit

⊛ Female	🗓 48	⚑ Malaysian

Academic/Professional Qualifications
- Bachelor of Science in Business Administration majoring in Computer Business Information Systems, University of Arkansas, Fayetteville, USA
- Executive MBA with concentration in Airport Management, Universiti Teknologi Mara
- Graduate Diploma in Business Administration (Airport Management), National University of Singapore
- Executive Navigators Program, INSEAD, Singapore
- Certified Internal Auditor
- Chartered Member of The Institute of Internal Auditors

Experience
Ainon joined Malaysia Airports in 2001 and was appointed to her current position in 2019. Prior to this, she held the position of Senior Manager, Internal Audit with Malaysia Airports.

Ainon has 23 years of experience in the areas of governance, risk and compliance in the public and private sectors. Prior to joining Malaysia Airports, she had started her career with MIMOS and had subsequently joined Infopro Sdn Bhd as Quality Assurance Manager.

Additional Information of the Group Senior Management:
Unless stated in their profiles, none of the Management has:

- Any directorship of public companies and listed issuers;
- Any family relationship with any director and or/ substantial shareholder of the listed issuer;
- Any conflict of interest that he has with the listed issuer;
- Any convictions for offences within the past 5 years other than traffic offences; and
- Any particulars of sanctions and penalty imposed by relevant regulatory bodies.

Subsidiaries Senior Management

MA (Sepang) Sdn. Bhd.

MOHD ARIF JAAFAR

Date of appointment: 18 February 2020

Acting Senior General Manager, MA (Sepang) Sdn. Bhd.

Male	55	Malaysian

Academic/Professional Qualifications
- Bachelor's degree of Science in Human Resource Development, Universiti Putra Malaysia
- Graduate Diploma in Aviation and Airport Management, National University of Singapore
- Accredited International Airport Professional, ACI-ICAO Airport Management Professional Accreditation Program

Experience

Mohd Arif joined Malaysia Airports in 1994 and was appointed to his current role on 18 February 2020.

He has 26 years' experience with Malaysia Airports, and has held senior roles within the Group. This includes Senior Manager of PEN and Terminal Manager of KUL. He was also Airport Manager for KBR and IPH, and Head of Security at PEN and AOR.

Mohd Arif has also undergone anti-terrorism assistance training programme conducted by the Federal Aviation Administration of the United States of America in Oklahoma.

MA (Sepang) Sdn. Bhd.

BIBI SABRENA SAKANDAR KHAN

Date of appointment: 1 February 2020

Acting General Manager, MA (Sepang) Sdn. Bhd.

Female	42	Malaysian

Academic/Professional Qualifications
- Bachelor's Degree in Engineering (Civil), Universiti Teknologi MARA (UiTM)
- Master's Degree in Facility Management, UiTM
- Corporate Diploma in Airport Management

Experience

Bibi Sabrena joined Malaysia Airports in 2006 and was appointed to her current role in 2020. She began her career with Malaysia Airports as an Engineer at MA (Sepang) Sdn Bhd, and was also Senior Manager, Engineering Business Intelligence at Malaysia Airports' Engineering Division.

Subsidiaries Senior Management

Malaysia Airports Sdn. Bhd.

KAMARUZZAMAN RAZALI

Date of appointment: 1 April 2019

General Manager, Malaysia Airports Sdn. Bhd.
⊕ Male   🗓 56   ⚑ Malaysian

Academic/Professional Qualifications
- Degree in Business Administration, MARA University of Technology
- Diploma in Airport Management, National University of Singapore
- Accredited International Airport Professional, International Civil Aviation Organisation

Experience

Kamaruzzaman joined Malaysia Airports in 2000 as Operations Executive at KUL. He was appointed to his current position in 2019. Prior to this, he held the position of Senior Manager of Operations for Malaysia Airports Sdn Bhd, overseeing the operations of all airports in Malaysia except for KUL. He was previously the Senior Airport Manager for BKI and also Airport Manager for MYY, KBR and TGG.

Kamaruzzaman started his career with the Department of Civil Aviation (now known as CAAM) in 1984, working with the Engineering Division at the then Sultan Ismail Airport, Johor Bahru.

SAW & LGM

DATO' AZMI MURAD

Date of appointment: 2 September 2015

Executive Director, SAW & LGM
⊕ Male   🗓 68   ⚑ Malaysian

Academic/Professional Qualifications
- Chartered Fellow of The Chartered Institute of Logistics and Transport

Experience

Dato' Azmi started his aviation career in 1970 with the Department of Civil Aviation (now known as CAAM) as an air traffic controller and subsequently joined Malaysia Airports when it was incorporated in 1992.

Since then, his career within the Malaysia Airports group has been wide-ranging, including stints as airport managers in several domestic and international airports. Some of his senior roles also include as General Manager (GM) of Sepang International Circuit, GM of Corporate Communications and Air Traffic Services, GM of MA (Sepang) Sdn Bhd, and Senior GM of Operation Services.

Dato' Azmi was the Chairman of the Airports Council International World Facilitation and Services Standing Committee.

Note: Dato' Azmi holds 8,123 shares in Malaysia Airports Holdings Berhad.

Subsidiaries Senior Management

SAW & LGM

ERSEL GÖRAL

Date of appointment: 5 September 2017

Chief Executive Officer, SAW & LGM		
Male	48	Turkish

Academic/Professional Qualifications
- Business Administration School (English), Istanbul University, Turkey

Experience

Ersel joining SAW as the Group Chief Executive Officer in 2017. Prior to that, he served in several senior management positions in airports in Turkey. He was Chief Integration Officer at Istanbul Grand Airport, General Manager of ICF Airport, the operator of Antalya Airport and Deputy General Manager at TAV Istanbul Ataturk Airport. He started his career as Operations Supervisor at Celebi Ground Services in 1993.

Ersel also worked outside Turkey serving as General Manager at TAV Georgia, the operator of Tbilisi International Airport, and subsequently as General Manager at TAV Tunisia which operates Monastir Habib Bourguiba and Enfidha-Hammamet international airports.

Malaysia Airports Consultancy Services Middle East LLC (MACS ME)

AHMAD TARMIZI MOHD HASHIM

Date of appointment: 1 February 2016

Executive Director, Malaysia Airports Consultancy Services Middle East LLC (MACS ME)		
Male	60	Malaysian

Academic/Professional Qualifications
- Master of Business Administration, Keele University, UK
- Postgraduate Diploma in Airport Management, International Aviation Management Training Institute, Canada

Experience

Ahmad Tarmizi joined Malaysia Airports in 1992 and was appointed to his current position in 2016. Prior to that he held several senior positions within Malaysia Airports including Technical Director, Senior Airport Consultant and the General Manager of Malaysia Airports Consulting Services.

Ahmad Tarmizi started his career as an Air Traffic Controller with the Department Civil of Aviation (now known as CAAM). He joined Malaysia Airports Berhad upon incorporation and was instrumental in ensuring smooth operations of KUL when it opened for commercial operations in 1998. He has over 30 years of experience in the aviation industry in North and South America, the Caribbean, Africa, the Middle East and Asia Pacific. This includes a stint with the International Air Transport Association (IATA) as Head of Airport Development and Design.

Subsidiaries Senior Management

KLIA Aeropolis Sdn. Bhd.

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RANDHILL SINGH

Date of appointment: 1 January 2020

General Manager, KLIA Aeropolis Sdn. Bhd.		
⚥ Male	📅 43	🚩 Malaysian

Academic/Professional Qualifications
- Bachelor's Degree in Civil Engineering , University of Malaya
- Master of Business Administration, University of Malaya
- Certified International Airport Professional

Experience

Randhill joined Malaysia Airports in January 2008 and was appointed to his current role in 2020, overseeing KLIA Aeropolis' development and real estate development across airports in Malaysia including the Subang Airport Regeneration initiative. He has been responsible for the execution of Malaysia Airports' cross-border joint ventures related to real estate and non-airport development within Malaysia.

Prior to that, he had also undertaken various roles in Malaysia Airports including Transformation Management, Malaysia International Aerospace Centre and Group Corporate Planning. Randhill has been instrumental in crafting the Runway to Success 2020, a transformative five-year business direction which drove the Group's expansion and diversification into airport city development and international airport investments.

Malaysia Airports (Niaga) Sdn. Bhd.

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ZULHIKAM AHMAD

Date of appointment: 15 January 2015

General Manager, Malaysia Airports (Niaga) Sdn. Bhd.		
⚥ Male	📅 48	🚩 Singaporean

Academic/Professional Qualifications
- Bachelor's Degree (Hons) in Accountancy, Nanyang Technological University, Singapore
- Certified Public Accountant

Experience

Zulhikam joined Malaysia Airports as General Manager, Malaysia Airports (Niaga) Sdn Bhd in 2015.

Prior to Malaysia Airports, he was General Manager of Sales and Operations for 7-Eleven in Malaysia, where he had transformed their operations and business process across more than 2,000 convenience stores. He had also previously turned around a leading international hypermarket chain in the Klang Valley.

Zulhikam started his journey as a graduate trainee with a leading oil and gas company. In the 12 years with the organisation, he gained experience through a wide range of roles and responsibilities including Finance, Retail Operations, Health, Safety, Security and Environment (HSSE), and Learning Development across the Asia Pacific, Middle East, and Africa regions.

Subsidiaries Senior Management

Urusan Teknologi Wawasan Sdn. Bhd.

NURSHUHAILA MOHD AMIN

Date of appointment: 1 November 2018

General Manager, Urusan Teknologi Wawasan Sdn. Bhd.

Female	46	Malaysian

Academic/Professional Qualifications
- Diploma in Computer Science, Universiti Teknologi Mara, Malaysia
- Degree in Computer Studies, University of Glamorgan, Wales, UK
- Master Degree in Business Administration from Open University of Malaysia
- Registered Graduate Technologist with the Malaysia Board of Technologists

Experience

Nurshuhaila was appointed to her current role in 2018. She has 15 years of experience in the Facility Management industry.

Nurshuhaila is an appointed committee member of the Malaysian Association of Facility Management. She has also participated in various Facility Management working committees as the industry representative.

Sama-Sama Hotels

SUNDRALINGAM KULENDRA

Date of appointment: 16 April 2019

General Manager, Sama-Sama Hotels

Male	56	Malaysian

Academic/Professional Qualifications
- Diploma in Hotel Management, Ecole Hotelier Les Roches, Switzerland
- Master's Degree in Hotel Management, Université de Toulouse-Le-Mirail, France

Experience

Sundra was appointed to his current role in 2019. He had previously joined the Pan Pacific Hotel in 2011 as Executive Assistant Manager and was involved in the hotel's rebranding to Sama-Sama Hotel KL International Airport. In 2018, he had been appointed to lead the hotel as Acting General Manager.

Sundra had studied worked professionally in Switzerland for 12 years in various hotels and resorts. He returned to Malaysia in 1996 and served in a few local hotels before joining the Pan Pacific Hotel. His experience spans a wide range of the hospitality industry including business operations, development of new products and services, and process improvement.

Subsidiaries Senior Management

MAB Agriculture-Horticulture Sdn. Bhd.

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AZHAR ARSHAD

Date of appointment: 1 June 2018

General Manager, MAB Agriculture-Horticulture Sdn. Bhd.

⚲ Male	📅 53	🏳 Malaysian

Academic/Professional Qualifications
- Masters of Business Administration, University of Victoria, Australia
- Member, Incorporated Society of Planters

Experience

Azhar joined Malaysia Airports as Manager, MAB Agriculture-Horticulture Sdn Bhd (MAAH) in 1998 and was appointed to his current position in 2018. Prior to this, he was Senior Manager as well as Acting General Manager at MAAH.

Prior to joining Malaysia Airports, he had started his career at Sime Darby Plantations in 1988 where he held several positions in Sime Darby Plantations. He also gained hands-on experience when he posted to estates in Peninsula Malaysia focussing on oil palm and rubber plantations.

Additional Information of the Subsidiaries Senior Management:
Unless stated in their profiles, none of the Management has:

- Any directorship of public companies and listed issuers;
- Any family relationship with any director and or/ substantial shareholder of the listed issuer;
- Any conflict of interest that he has with the listed issuer;
- Any convictions for offences within the past 5 years other than traffic offences; and
- Any particulars of sanctions and penalty imposed by relevant regulatory bodies.