

EMERGING STRONGER TOGETHER

Annual Report 2020





THANK YOU





Thank you!

Last year proved to be an arduous year due to the COVID-19 pandemic. We have had to drastically adjust our operations and innovate ourselves by exploring new business models, technologies and developments.

Amidst this landscape, Malaysia Airports continued to remain steadfast and resilient to ensure that we continually host joyful connections to guests, passengers and partners. Our commitment was recognised through various accolades, among which was that KL International Airport (IATA Code: KUL) was hailed as one of the world's top 10 airports in the Airports Council International (ACI) Airport Service Quality (ASQ) ranking.

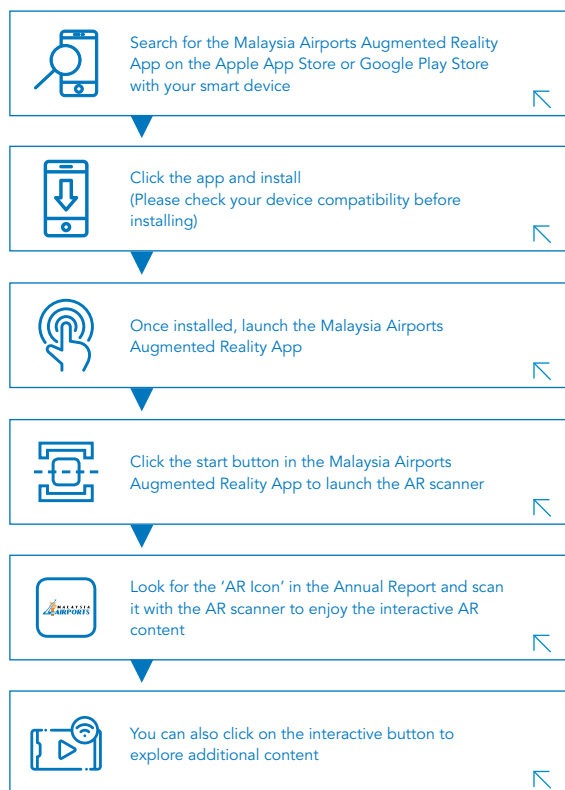
This hard-won achievement would not have been possible without the full support of the whole airport community. Everyone in the community displayed a strong spirit of collaboration and came together as one to elevate the airport service performance as we continue to serve the nation.

We are also extremely grateful to all airport frontliners who have tirelessly continued to devote their time and energy towards combating the pandemic while ensuring a seamless airport experience within the new norms. We are humbled by your immense contribution and unwavering support for the benefit of the nation.

Together, WE can!



The Malaysia Airports Annual Report 2020 is complemented by the Annual Report Microsite as well as more interactive contents via the Malaysia Airports Augmented Reality App. Enjoy the interactive contents on the app with 6 easy steps:



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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 Persiaran Korporat KLIA, 64000 KLIA
 Sepang, Selangor Darul Ehsan
 Malaysia

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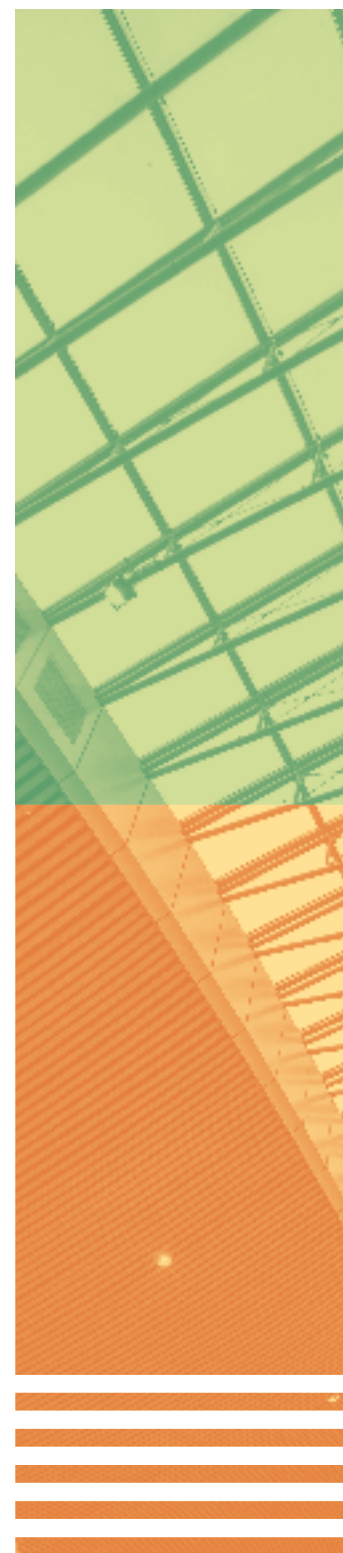
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Cover Rationale

To ensure the sustainability of Malaysia Airports’ business in a year during which the aviation industry was badly hit, we took immediate measures to strengthen our ability to ride out the challenging operating environment. Nevertheless, our business operates in an eco-system in which stakeholders are dependent on one another. By advancing strong value propositions and synergistic solutions for stakeholders, we will emerge stronger together, and ready to soar again.

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Scan to view our 2020 Annual Report Microsite

ABOUT THIS REPORT



Introduction

This is Malaysia Airports’ third year of integrated reporting. The report has been prepared with reference to the principles of the International Integrated Reporting Framework (<IR> framework) developed by the International Integrated Reporting Council (IIRC).

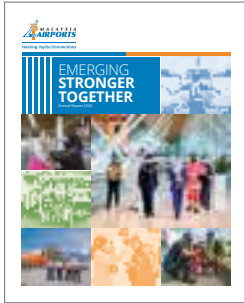
We strive to continuously improve the quality of information available to our stakeholders and reporting practices through adoption of the <IR> Framework, in consonance with the recommendations in the Malaysian Code on Corporate Governance (MCCG) 2017 on integrated reporting.

The report aims to provide our stakeholders with transparent, relevant and integrated information of our business strategy, performance, and future prospects in the context of economy, social and environment, leading to the creation of stakeholder value over the short, medium and long-term. We are guided by our vision to be 'A Global Airport Group that Champions Connectivity and Sustainability' and are resolute in our brand promise of 'Hosting Joyful Connections'.

Improvements of disclosure in Malaysia Airports’ Integrated Report for FY2020 are as follows:

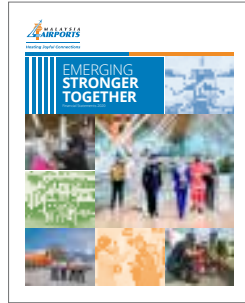
Section	FY2020 Improvements
<p>Our Value Creation Strategy</p>	<p>Operating Environment and Outlook: Whilst the market and environment outlook continues to be challenged by travel restrictions and border closures, our enhanced narrative highlights critical areas discussed with our stakeholders to position the Group towards recovery and growth prospects amidst the challenging landscape.</p>

Reporting Suite and Framework



ANNUAL REPORT

Provides a holistic assessment of our ability to create sustainable value in the short, medium and long-term



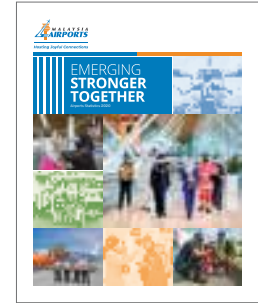
FINANCIAL STATEMENTS

Sets out the Group's full audited annual financial statements, including the report of the Group's Audit Committee



SUSTAINABILITY REPORT

Provides detailed disclosures of our management of sustainability risks and opportunities within the Economic, Environment and Social parameters



AIRPORTS STATISTICS

Contains data on the Group's total traffic movements including passenger, aircraft and cargo

Frameworks applied:

- 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
- Global Reporting Initiative (GRI) Standards for Sustainability Reporting - Core Option

The full report is also available online on our corporate website at www.malaysiaairports.com.my

Scope and Boundary

This report covers our financial and non-financial performance during the period from **1 January 2020 to 31 December 2020**.

Information presented relates to the principle activities of the Group and all its subsidiaries, unless stated otherwise. Detailed information on investments in which Malaysia Airports has no controlling interest is not included.

Through this report, we hope to give a comprehensive and holistic overview of the matters that influence our ability to create value, including market challenges, risk management, strategies, governance, initiatives and key developments.

ABOUT THIS REPORT

Concept of Value Creation and Materiality

Value Creation

Our focus on value creation is driven by championing connectivity as a global airport group and sustainability of airport communities that we serve. We relentlessly strategise on the mobilisation of our six capitals to coordinate, educate, support and collaborate with our stakeholders and monitor value creation outcomes to enhance resiliency. As we navigate ongoing transformation towards progressive recovery, our goal is to enhance interaction with stakeholders, providing material insights that consider inter-relatedness and dependencies between factors that drive our value creation journey. Our value creation model is further disclosed on pages 24 to 77.

Materiality

Malaysia Airports applies the principle of materiality to determine the content of our integrated report and defines materiality as matters that substantially affect the Group's ability to create and sustain value over the short, medium and long-term.

These matters were identified, prioritised and validated via a materiality assessment described in page 65. Our key stakeholders were engaged during this process, and this has enabled the Group to incorporate their inputs into our business perspective. Our strategic responses to these material matters are presented in pages 64 to 75.

Forward Looking Statement

This report contains forward looking statements, for example, Malaysia Airports' future direction, strategies, and potential opportunities for growth. These statements are based on various assumptions and are subject to a number of risks, uncertainties and contingencies, many of which are beyond the control of the Group. Unanticipated events and actual future events may differ materially from current expectations due to new business opportunities, changes in priorities by the Group and other factors.

Assurance

Malaysia Airports obtained independent third-party assurance for the following information:

Content	Assurance	Framework
Annual Financial Statements	Reasonable assurance	<ul style="list-style-type: none"> Companies Act 2016 Malaysian Financial Reporting Standards International Financial Reporting Standards
Statement on Risk Management and Internal Control	Limited assurance	<ul style="list-style-type: none"> Bursa Malaysia Securities Berhad Listing Requirements
Sustainability Report	Limited assurance	<ul style="list-style-type: none"> GRI Standards for Sustainability Reporting – Core Option

Information on Exclusions

Malaysia Airports' disclosure appetite guides the limitations of information available in this report. As we strive to provide a balance between positive and negative information, several requirements of the <IR> Framework have been excluded due to the unavailability of reliable information or specific legal prohibitions.

Legends

Throughout this report, the following navigation icons are used to link our six capitals, key stakeholders, strategic themes and enablers to material matters, risks, and performance.

CAPITALS

	Financial
	Manufactured
	Intellectual
	Human
	Social
	Natural

STRATEGIC THEMES

	Survivability
	Fixing the Basics
	Horizontal Expansion
	Digitalisation
	Critical Asset Replacement

STAKEHOLDERS

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

MATERIAL MATTERS

	Airport Capacity		Economic Performance
	Total Airport Experience		Integrity and Anti-Corruption
	Digitalisation		Transportation and Connectivity
	Airport Safety and Security		Regulatory Compliance

ENABLERS

	Operational Excellence and Innovation		Communications and Branding
	Governance and Process		Human Capital

CHAIRMAN'S STATEMENT



Dear Stakeholders

In an unprecedented year and amidst the most challenging business conditions that the entire aviation industry has ever faced globally, Malaysia Airports had adopted a positive mindset throughout the year. This positive mindset which has shaped our pandemic response is underpinned by four underlying factors – readiness, clarity, speed and empathy.

**Dato' Seri Diraja
Dr. Zambry Abd Kadir**
Chairman

Our approach in handling the pandemic was to be agile, decisive and methodical with the objective of finding synergistic solutions that would benefit the Group and all its stakeholders. This holds true at every level of the Group, from the Board to the Management, from frontliners to support staff in the back office.

Although this financial year was the first loss-making year in the history of Malaysia Airports, we remain heartened by the progress we had made on several fronts. In this regard, Malaysia Airports, together with our stakeholders, are on the right track towards preparing for the resumption of air travel when travel restrictions are eased. That is why we have chosen **'Emerging Stronger Together'** as the theme to encapsulate this unprecedented year.

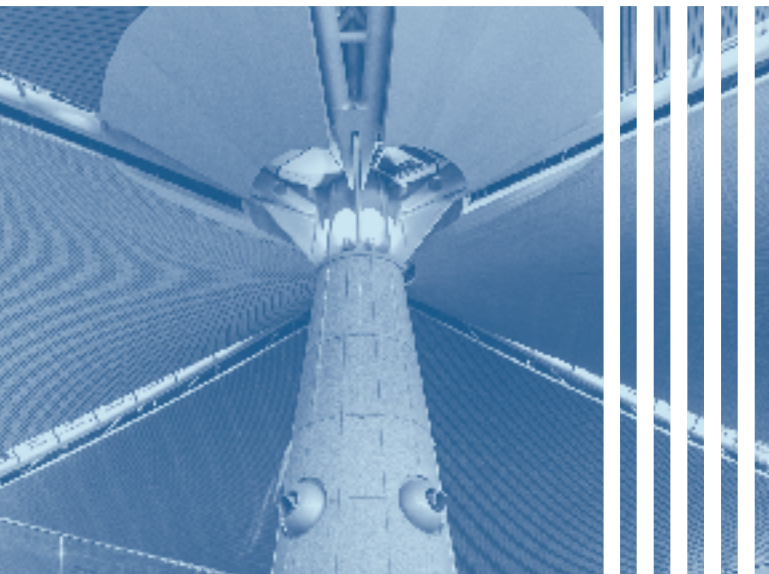
READINESS

As an airport operator, readiness is a byword in the business. We constantly strive for the highest level of preparedness, meticulously planning for any eventuality. The Airport Emergency Plans for our airports contain detailed contingency plans including responses to health threats – taking the cue from other deadly viral outbreaks such as the Severe Acute Respiratory Syndrome (SARS) in 2003 and the global H1N1 flu pandemic in 2009. We had also been on high alert for the Middle East Respiratory Syndrome (MERS) in 2013, Ebola in 2014, and Zika in 2016.



The Airport Emergency Plans are regularly tested in airport emergency exercises, which are safety exercises that involve simulations of emergency scenarios designed to assess the efficacy of the planned response, the readiness of our people and the inter-agency coordination to respond effectively in different emergency scenarios. Therefore, as early as January, we activated the Airport Emergency Plan so that operationally, we could coordinate the response to the growing spread of the COVID-19 virus.

Consequently, the KUL COVID-19 Committee was formed in January with stakeholders such as the National Disaster Management Agency (NADMA), the Ministry of Health, the Royal Malaysian Police (PDRM), the Malaysia Civil Defence Force (APM), Special Malaysia Assistance and Rescue Team (SMART), Fire and Rescue Department of Malaysia (Jabatan Bomba), The People's Volunteer Corps (RELA), The Royal Malaysian Customs and Immigration Department. The Committee met weekly to formulate, implement, review and improve operational processes in line with the Standard Operating Procedures (SOPs) prescribed by the National Security Council. This has been pivotal in maintaining a robust and dynamic response to the pandemic at the nation's gateways – ensuring the safety of passengers and the airport community while maintaining service levels at the airports and protecting the nation against imported cases of COVID-19.



CHAIRMAN'S STATEMENT

In addition, we activated the COVID-19 Corporate Crisis Management Team (CCMT) in March, chaired by the Group Chief Executive Officer and included members of the Executive Committee. The CCMT is part of our business continuity plans and its role is to provide strategic direction and communications pertaining to the recovery and sustainability of Malaysia Airports business operations, maintenance of service levels and engagement with stakeholders throughout the COVID-19 pandemic. The CCMT met weekly in 2020, a testament to the intensity of our response and the importance of a hands-on approach by the Management.

CLARITY

Our positive approach was also bolstered by the clarity we had about the threats we were facing, the solutions and the action plan.

Through extensive stress-testing and scenario-planning, it was clear to us that the most serious threat faced by Malaysia Airports were that of cash flow and liquidity. This was because the aeronautical business which was our main revenue driver was experiencing severe disruptions due to travel restrictions as globally nations closed their borders and imposed quarantine requirements to curb the spread of COVID-19.

Following that, Malaysia Airports formulated a COVID-19 Recovery Plan, a group-wide response to navigate through the crisis and mitigate its impact. The plan was presented to the Board and was approved in March, setting out three main strategies – cost containment, cash preservation and cash recovery.

The plan called for capital expenditure to be reduced by 80% through the prioritisation of maintenance capital expenditure for critical projects, while deferring other development projects. The plan also targeted to reduce operating costs by at least 20%. As a result of this, we proceeded with only several mission critical projects which required capital expenditure – the replacement of the Baggage Handling System and Aerotrain Track Transit System, runway rehabilitation, the completion of the washroom refurbishment at KUL, the Single Token Journey initiative to enable a contactless journey for passengers from check-in to boarding, and the on-going Commercial Reset.

To reduce operating costs, a series of Cost Labs were held to examine our operations, employing Lean Six Sigma approach towards containing costs while achieving operational excellence. We challenged ourselves to rethink the way we operate, to consider changing even the most entrenched ways of doing business and to embrace new ways in which we could achieve sustainable cost containment.

The plan does not only address what we foresee as our near-term outlook in the next two years i.e. the 'Survival and Recovery' phase, it also outlines a 'Growth and Transformation' phase to position and prepare Malaysia Airports for future growth. In preparing for the plan, a series of Transformation Labs were held between March and July during which High Impact Projects and Transformational initiatives were identified and presented to a Transformation Steering Committee.

The groundwork has enabled Malaysia Airports to produce 'Future F.I.T.', a 5-Year Strategy and Transformation Plan which sets out the Group's strategic direction for the next five years from 2021 to 2025. Premised on three pillars – **F**inancially sustainable, **I**mpact driven and **T**echnology focused - the roadmap comprises Phase 1 from now till 2022 which sets out the direction for survival and recovery, and Phase 2 (2023-2025) which positions Malaysia Airports for future business growth and sustainability. The Board approved Future F.I.T. in November, and it is currently being implemented.



SPEED

Speed was of the essence for the successful execution of our pandemic response. It was important for us to engage immediately with key stakeholders and to assure them that we had a solid plan in place and to seek their cooperation to execute it.

First, we needed to communicate with our people to obtain their buy-in and support for what was to be a radical departure from business as usual. In early April, a townhall was held in which our Group Chief Executive Officer addressed all employees to present to them the new reality. In doing so, he explained to our people how the pandemic would potentially impact Malaysia Airports and the immediate steps that we had to take to ensure the continued survival of the Group, and its recovery from this crisis. Most importantly, he made it clear that everyone at Malaysia Airports had a role in ensuring the survival and recovery of the Group, and that by remaining united and steadfast in our efforts, we will emerge stronger together from this crisis. As a result of this, we are heartened to see that our employees have stood united with the Group and given their wholehearted support and effort in ensuring a brighter future for Malaysia Airports and our stakeholders.

We had also conducted extensive engagements with other key stakeholders to kickstart the execution of the COVID-19 Recovery Plan. They include airport owners such as the

government of Malaysia, the Turkish Ministry of Defence and the management of Hamad International Airport (IATA Code: DOH) in Doha, Qatar as we sought payment deferrals and leeway in the terms of the operating and concession agreements.

Also included among the key stakeholders were the lenders who had provided the syndicated term loan for the Istanbul Sabiha Gökçen International Airport (IATA Code: SAW) concession, our bankers in Malaysia as well as sukuk holders of Malaysia Airports' Islamic Medium Term Notes. We also engaged with investment analysts and the rating agencies to assure them that we had a solid plan in dealing with the demands and constraints of the situation, and how we are also preparing for the Group's future growth and sustainability.

The early engagement with key stakeholders yielded crucial results. The government of Malaysia agreed to defer the payment of user fees due under the Operating Agreements (OAs) in 2020 to April 2021 and further agreed to relaxation of Marginal Cost Support (MARCS) claims for 2020. The government also expedited the payment of previous MARCS and tax refunds claimed by Malaysia Airports.

For operations in Turkey, the Turkish government had agreed to defer indefinitely the utilisation fee for SAW of EUR114.8 million originally due in January 2021. In relation to the syndicated loan, the lenders agreed to rearrange the facility, extending the loan tenure by two years to 2025, and granting a payment holiday for loan repayments due in December 2020 and June 2021. As a result, only EUR10 million is due for repayment in 2021.

Despite the challenges of the operating environment, Malaysia Airports maintained its credit ratings by Rating Agency of Malaysia (RAM) and Moody's. The strong credit ratings enabled the Group to take advantage of the prevailing low interest rate environment to redeem the existing Islamic Medium Term Notes of RM1.0 billion which carried a 4.55% annual profit rate in August, and in November to tap the Sukuk market to raise funds under the Senior Sukuk programme. We succeeded in raising RM700 million through the issuance of two tranches of new Senior Sukuk of RM480 million (7-year tenure) and RM220 million (10-year tenure) with annual distribution of 3.3% and 3.6% respectively, marking the longest ever tenure and lowest ever profit rates under the Senior Sukuk programme.



CHAIRMAN'S STATEMENT



EMPATHY

While it is important that we survive the pandemic and strengthen our capabilities and capacity for future growth, Malaysia Airports operates in an ecosystem which is both inter-connected and inter-dependent – globally, regionally and domestically. This has come into sharp focus during the pandemic, which demonstrated how dependent stakeholders are on one another. Lending a helping hand to other stakeholders who had been affected by the pandemic has been a key feature of our pandemic response.

Internally, for our employees, many of whom brave the frontlines of the pandemic, we have maintained the employment of all our people, with the only exceptions being employees leaving due to retirement and other natural attrition, and poor performance. We have also retrained our staff for other roles, particularly airport staff such as aviation security officers. As the airport business is highly specialised, the key material matters of our business such as regulatory compliance and airport safety and security make it necessary to maintain staffing for us to scale our operations as and when travel restrictions are lifted.

We have also extended assistance to commercial partners such as airport retailers and tenants. For airport retailers, we extended a six-month rental moratorium and structured a New Rental Model moving forward. This has helped them to ease their

cashflow in 2020, as well as to keep costs in line with revenue for 2021. In these initiatives, we have prioritised the small and medium enterprises as they are more vulnerable to a sudden loss of business from circumstances beyond their control.

We also reached out to our airline partners to prepare for the resumption of flights to and from our network of airports when air travel picks up. The Network Reconnecting Programme offers a win-win proposition for airlines by reducing various airport charges for those who had formally stated their intention to resume flights to and from our airports. We also extended the credit terms and worked out instalment schemes to enable airlines to make payments of sums owed to Malaysia Airports taking into consideration cash flow issues.

KEEPING THE GROWTH MOMENTUM

In addition to shaping our pandemic response, our positive mindset also ensured that the Group kept on a positive trajectory in critical business areas, achieving its goals and scoring several key wins.

Maintaining public confidence in the safety of airports

The safety of passengers, employees and the airport community is our paramount consideration to build public confidence in the safety of our airports and enable our employees and members of the airport community working on the frontlines of the pandemic to have peace of mind at work.

The new SOPs at airport terminals incorporate public health measures including physical distancing, the use of face masks, contact tracing, temperature checks at terminal entrances and the availability of hand sanitisers throughout the terminal. We also installed new safety equipment at the airports including state-of-the-art thermal scanners, security scanners as well as sneeze guards. We ensured that public areas were regularly sanitised and used ultra-violet technology to sterilise handrails at walkalators and escalators, disinfect washrooms and disinfect all arriving baggage at KUL.

In this regard, we also leveraged on Malaysia Airports' prior investments in technology and digitalisation capabilities. We were therefore able to deploy our Airports 4.0 digitalisation initiatives for a contactless experience to airport users. For example, with the introduction of the Single Token

Journey initiative, passengers are able to navigate the airport's touchpoints from check-in to boarding with a single identification verification coupled with facial recognition technology. Other contactless measures include self check-in, self bag-drop, contactless security screening, and the use of e-wallets or mobile payment services at retail and food and beverage outlets.

Top 10 global ranking for KUL

One of our proudest achievements of the year was the return of KUL to the top 10 airports in the world in the above 40 million passengers per annum (mppa) category as ranked by the Airports Council International through its Airport Service Quality (ASQ) rankings. Considering that the top 10 is traditionally dominated by newer airports, KUL at the age of 22 years making the top 10 is a testament to the hard work and outstanding effort put in by all our employees and the other members of the KUL airport community.

KUL's overall score of 4.98 out of a possible 5.0 for the full year was a big jump from 4.76 in 2019 when we ranked #17. This achievement was driven primarily by several factors - fulfilling our brand promise of 'Hosting Joyful Connections' as well the impact of the host culture transformation programme to improve service quality among frontline workers at the airport, the refurbishment of the washrooms at the airport as well as the many enhancements that have been implemented through the #1improvement1week initiative, all of which have been in progress since 2017 onwards. Over and above that in 2020 alone, we implemented new safety measures at our own cost amounting to RM15.0 million at KUL and other airports as part of the new normal in air travel and to build confidence among passengers on the safety of air travel.

Our determination and persistence in making the holistic improvements needed to stand among the top 10 airports in the world have certainly paid off, despite the additional challenges posed by the pandemic.

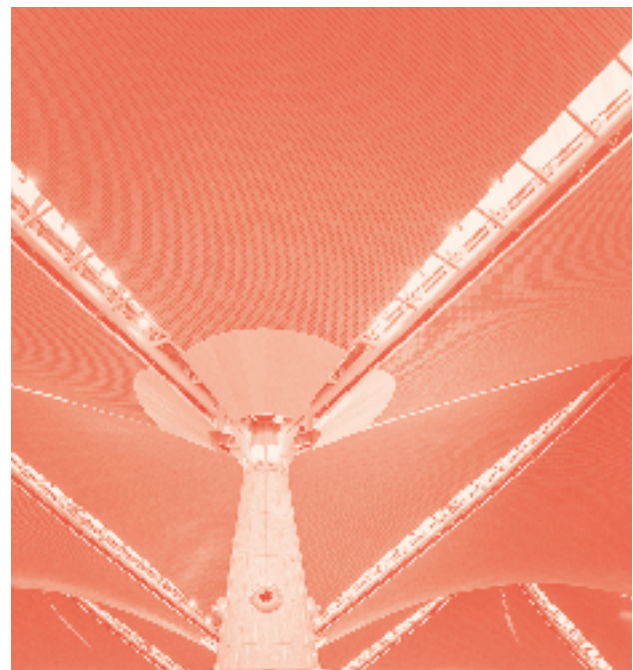
E-commerce joint venture with Alibaba takes off

It was also a proud moment for us when the Cainiao Aeropolis eWTP Hub became operational in November, covering over 100,000 sqm at KLIA Aeropolis. The facility which is a joint venture (JV) between e-commerce titan Alibaba and Malaysia

Airports, is the first e-fulfilment hub for Alibaba located outside of China. Despite disruption of works during the Movement Control Order, the eWTP hub was successfully completed on schedule. This is also a game changer for Malaysia Airports in boosting our cargo business as well as for the nation towards becoming a significant player in the fast-growing e-commerce sector.

Management contract for DOH renewed

In the project and repair maintenance business, through Malaysia Airports Consultancy Services Middle East LLC (MACS ME), we secured the extension of the contract to provide management services at Doha International Airport, Qatar (IATA Code: DOH) for another five years from December 2019 to December 2024. This is notable because we first secured the contract for an initial three years beginning December 2014, and it had previously been extended for a second term from December 2017 till December 2019. The renewal for a third term for a further five years is testament to our performance and operational excellence in delivering the contractual obligations and support services effectively at DOH, a five-star airport.



CHAIRMAN'S STATEMENT

Gold sustainability rating

In terms of Malaysia Airports' sustainability practices and initiatives as well as the impact of the Group in the environment, social and governance spheres, an independent review by RAM Sustainability resulted in the Group achieving an overall gold rating, the highest of three available ratings. Malaysia Airports also received a gold rating for the social and governance spheres as well as for positive impact. For the environment sphere, we received a silver rating.

The rating reflects Malaysia Airports' strong overall sustainability performance after taking into consideration its environment, social and governance and positive impact attributes. The rating also recognises that our sustainability performance is driven by robust governance and its positive impact on the economy and society. Among other matters, the rating report also highlights our dedication towards integrity and anti-corruption as shown by the adoption of the ISO 37001: Anti-Bribery Management Systems.

BOARD ACTIVITIES AND CORPORATE GOVERNANCE

The Board of Directors of Malaysia Airports has played a critical role in the Group's response to the pandemic. The Board members have brought their expertise and decades of experience to the table and engaged in in-depth discussions, offering multitudes of opinions and approaches so that as a collective body, we will arrive at the best solutions for the Group. The Board met 16 times this year and has worked closely with Management to strengthen the Group as we steered our way through the year's turbulence.

Regulatory compliance

In the area of Corporate Governance, the Board is pleased to note that the stakeholders of the Group in reviewing the material matters for our business has maintained 'Regulatory Compliance' at the highest band of priority. Regulatory compliance has always been a corporate governance priority for Malaysia Airports because we operate within a highly regulated industry, in which we are subject to international and national laws and regulations, including environmental, social and operational regulations. The Board monitors closely the compliance with all applicable laws and regulations to maintain the confidence of stakeholders in the integrity of the Group, the safety of operations as well as to protect against legal liability and harm to our reputation.

New and emerging risks

The Board also monitors the new and emerging risks that the Group may face. In addition to risks which came to the fore in the year such as pandemic and liquidity risks, a key development in this regard is the coming into force of the new Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (MACC Act) on 1 June which introduces corporate liability on commercial organisations in Malaysia.

The effect of Section 17A is that a company such as Malaysia Airports may be liable to legal proceedings for corruption offences committed by persons associated with the Group. The Guidelines on Adequate Procedures issued by the MACC on Section 17A of the MACC Act provides guidance in formulating and implementing procedures to prevent corrupt practices.

Consequently, we have conducted a risk assessment of our operations and addressed the vulnerabilities. Guidelines on Anti-Corruption Due Diligence have also been developed to guide the relevant companies and divisions in the Group on fulfilling the requirements of the MACC Act. To ensure wide-spread awareness on the new provisions of the law, we developed online learning modules for employees to learn about these anti-corruption provisions, with 100% of employees having completed the e-learning course in 2020.

THANK YOU

I would like to extend a warm welcome to our newest Board members, Dato' Mohamad Nasir Ab Latif who was appointed on 1 October 2020, and Puan Normah Osman who was appointed on 26 April 2021.

The Board would also like to thank our former Chairman, Tan Sri Datuk Zainun Ali, as well as two other Board members, Dato' Jana Santhiran Muniayan and Hajah Jamilah Dato' Hashim, who resigned in 2020. On behalf of the Board, I would like to record our appreciation for their contribution towards the Group.

In addition, the Board wishes to thank our employees who have put up a brave front facing the trials and tribulations of the pandemic, forming a strong and united workforce for the Group. We acknowledge their many sacrifices during this challenging year. As Malaysia Airports is categorised as a provider of essential services, many of our employees served

on the frontlines of this pandemic, risking their lives for the greater public interest. Each of our employees scaled a steep learning curve during the year and I hope, emerged stronger, for their experience.

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 and walking alongside us in facing the challenges and hurdles of 2020.

I would also like to make a special acknowledgement of the role of the government of Malaysia in advancing our discussions on the renewal of our Operating Agreements, which form the basis for Malaysia Airports' licence to operate the 39 airports in Malaysia. While the Cabinet's approval in principle had been obtained for the extension of the OAs till 2069, the details of the agreements are being finalised with the relevant government agencies.

We have made tremendous progress thanks to the spirit of mutual cooperation and understanding that has prevailed, and the willingness of government stakeholders to balance and marry the interests of Malaysia Airports and our stakeholders with government policies on the aviation industry. In this regard, we believe the formal renewal of the OAs will be the catalyst for further development and investment in the network of airports in Malaysia.

Although this year has brought tremendous challenges, our positive approach has influenced the course and direction of stakeholder engagements. With the appreciation that 'we are all in this together', we have arrived at win-win outcomes for the Group and its stakeholders. Therefore in 2020, despite the pressing concerns brought on by the pandemic, Malaysia Airports continued to make a tangible difference for stakeholders and discharged our duties as guardians of the nation's gateways.



Dato' Seri Diraja Dr. Zambrly Abd Kadir

Chairman



FY2020 KEY HIGHLIGHTS

	Scope	FY2020	FY2019	FY2018
Group Financial Performance				
Revenue (RM'mil)	Group	1,866.3	5,213.1	4,851.7
EBITDA (RM'mil)	Group	21.6	2,292.0	2,383.5
Profit for the Year (RM'mil)	Group	(1,116.2)	537.0	727.3
Total Equity (RM'mil)	Group	8,099.3	9,324.5	9,140.7
Airport Performance				
Group Passenger Movements (mil)	Group	43.0	141.2	133.2
Group Aircraft Movements	Group	600,073	1,281,000	1,232,735
Group Cargo Movements (metric tonnes)	Group	834,718	1,003,000	1,037,370
KUL ASQ rank (> 40 mppa category)	KUL	10	17	14
KUL ASQ score	KUL	4.98	4.76	4.70
Total Direct Destinations	KUL	166	166	>120
	SAW	130	>160	>160
Sustainability Performance				
Energy Consumption (kWh/passenger)	Airports in Malaysia	15.9	5.1	5.3
	SAW	3.8	2.2	2.2
Solar Power Generated (MWh)	KUL	16,949	18,763	18,284
Water Consumption (litre/passenger)	Airports in Malaysia	365.5	104.7	127.3
	SAW	12.8	10.2	10.1
Total Waste Generated (kg/passenger)	KUL	0.36	0.23	0.27
	SAW	0.27	0.14	0.13
Recycling Rate (%)	KUL	8.3	13.8	5.7
	SAW	33.3	50.5	47.1
Total Employees	Group	10,333	10,724	10,799
Percentage of Female Employees (%)	Group	34.2	34.6	33.4
Community Investment (RM)	Group	417,839	1,066,847	1,373,919

AT A GLANCE

Globally, Malaysia Airports is one of the world's largest airport operator groups, based on the total number of passengers handled, managing in total 39 airports throughout Malaysia (five international airports, 16 domestic and 18 STOLports). The Group also owns and manages one international airport in Istanbul, Turkey.

Our Malaysia operations comprises five key business activities which are airport services, duty free and non-dutiable goods, hotel, project and repair maintenance and agriculture and horticulture. For overseas operations, in addition to ownership and management of Istanbul Sabiha Gökçen International Airport (IATA Code: SAW) in Istanbul, Turkey, we also provide services for operations and maintenance of airports and airport-related services.

Listed on the Main Market of Bursa Malaysia since November 1999, at the end of 2020, Malaysia Airports' market capitalisation stood at RM9.8 billion.

We are a constituent of the FTSE4Good Bursa Malaysia Index and as a signatory to the Aviation Industry Commitment to Action on Climate Change, we strive to create a pathway to carbon-neutral growth and a carbon-free future. Malaysia Airports also holds memberships in the Airports Council International (ACI) and the ACI Asia Pacific Regional Environmental Committee.

Competitive advantage

- Malaysia is located in a strategic location – in the heart of ASEAN, surrounded by high growth markets such as China and India.
- Competitive aeronautical and passenger charges - one of the lowest in the world.
- Well-equipped airports with safety standards certified by global bodies such as ISO, British Standards Institution, and Airports Council International.
- Our flagship, KUL, is ranked within the Top 10 airports globally for >40 mppa under ACI's Airport Service Quality rankings.
- KUL's two terminals have a combined capacity of 75 mppa.
- KUL's three independent runway system facilitates efficient flight operations
- 100km² land bank surrounding KUL allows for aviation-related and commercial development.
- SAW's strong hub position with the region, evidenced by its consistent ranking as one of Europe's busiest airports.

Post COVID-19 pandemic, Malaysia Airports is well-positioned to benefit from the recovery of the aviation industry through the strong hub advantage of leading low-cost carriers while also leveraging on the connectivity and network of home-based full-service carriers for both its operations in Malaysia and Turkey.



OUR VISION

A Global Airport Group that Champions Connectivity and Sustainability



BRAND PROMISE

Hosting Joyful Connections



CORE VALUES

Integrity
Customer-Centricity
Accountability
New Ideas

HIGHLIGHTS BY KEY BUSINESS ACTIVITIES



> AIRPORT SERVICES

Manage, operate and maintain airports, and provide airport-related services to ensure that airports operate efficiently, safely and securely and maintaining high service levels



Financial

EQUITY INVESTED

FY2020 : RM4,419.3 mil

FY2019 : RM4,419.3 mil

FY2018 : RM4,419.3 mil

TOTAL REVENUE

FY2020 : RM1,741.9 mil

FY2019 : RM4,458.3 mil

FY2018 : RM4,096.0 mil



> DUTY FREE AND NON-DUTIABLE GOODS

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



Financial

EQUITY INVESTED

FY2020 : RM16.5 mil

FY2019 : RM16.5 mil

FY2018 : RM16.5 mil

TOTAL REVENUE

FY2020 : RM155.4 mil

FY2019 : RM854.5 mil

FY2018 : RM834.2 mil



> HOTEL

Manage and operate hotels



Financial

EQUITY INVESTED

FY2020 : RM92.7 mil

FY2019 : RM92.7 mil

FY2018 : RM92.7 mil

TOTAL REVENUE

FY2020 : RM43.7 mil

FY2019 : RM93.3 mil

FY2018 : RM92.5 mil



> PROJECT AND REPAIR MAINTENANCE

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



Financial

EQUITY INVESTED

FY2020 : RM7.5 mil

FY2019 : RM7.5 mil

FY2018 : RM7.5 mil

TOTAL REVENUE

FY2020 : RM211.8 mil

FY2019 : RM287.1 mil

FY2018 : RM240.3 mil



> AGRICULTURE AND HORTICULTURE

Cultivate and manage oil palm and other agricultural products, in addition to undertaking horticulture activities, mainly landscaping services and products



Financial

EQUITY INVESTED

FY2020 : RM9.0 mil

FY2019 : RM9.0 mil

FY2018 : RM9.0 mil

TOTAL REVENUE

FY2020 : RM42.4 mil

FY2019 : RM33.9 mil

FY2018 : RM36.9 mil

EBITDA**FY2020 : RM109.8 mil**

FY2019 : RM2,195.4 mil

FY2018 : RM1,974.9 mil

**Manufactured****GROUP PASSENGER TRAFFIC MOVEMENTS****FY2020 : 43.0 mil**

FY2019 : 141.2 mil

FY2018 : 133.2 mil

**Intellectual****NUMBER OF AIRPORTS OPERATED****FY2020 : 40**

FY2019 : 40

FY2018 : 40

**Social and Relationship****NUMBER OF EMPLOYEES****FY2020 : 8,577**

FY2019 : 8,664

FY2018 : 9,058

EBITDA**FY2020 : RM-89.2 mil**

FY2019 : RM53.2 mil

FY2018 : RM75.5 mil

**Manufactured****NUMBER OF RETAIL OUTLETS*****FY2020 : 52**

FY2019 : 54

FY2018 : 51

* Data is in reference to MA(Niaga)

RETAIL AREA* (SQM)**FY2020 : 13,112**

FY2019 : 13,745

FY2018 : 14,045

**Social and Relationship****NUMBER OF EMPLOYEES****FY2020 : 775**

FY2019 : 982

FY2018 : 979

EBITDA**FY2020 : RM2.8 mil**

FY2019 : RM32.3 mil

FY2018 : RM24.0 mil

**Manufactured****NUMBER OF HOTELS****FY2020 : 4**

FY2019 : 4

FY2018 : 4

NUMBER OF ROOMS**FY2020 : 720**

FY2019 : 720

FY2018 : 442

**Social and Relationship****NUMBER OF EMPLOYEES****FY2020 : 413**

FY2019 : 398

FY2018 : 405

EBITDA**FY2020 : RM40.3 mil**

FY2019 : RM70.0 mil

FY2018 : RM40.3 mil

**Social and Relationship****NUMBER OF EMPLOYEES****FY2020 : 591**

FY2019 : 646

FY2018 : 323

**Natural****OIL-PALM PLANTED AREA (HA)****FY2020 : 6,632.1**

FY2019 : 6,646.3

FY2018 : 6,646.3

FRESH FRUIT BUNCHES (MT)**FY2020 : 60,444.0**

FY2019 : 62,967.6

FY2018 : 65,917.1

**Social and Relationship****NUMBER OF EMPLOYEES****FY2020 : 28**

FY2019 : 34

FY2018 : 34

EBITDA**FY2020 : RM10.3 mil**

FY2019 : RM5.0 mil

FY2018 : RM8.1 mil

WHERE WE OPERATE



AIRPORT SERVICES

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)
- Sibiu 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)



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)
- Sultan Abdul Aziz Shah Airport, Subang (SZB)
- Istanbul Sabiha Gökçen International Airport (SAW)

AGRICULTURE AND HORTICULTURE

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

HOTEL

Four locations in and around KUL and SAW:

- KLIA1 landside
- KLIA1 airside
- klia2 airside
- SAW landside

PROJECT AND REPAIR MAINTENANCE

AIRPORTS

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

PORT

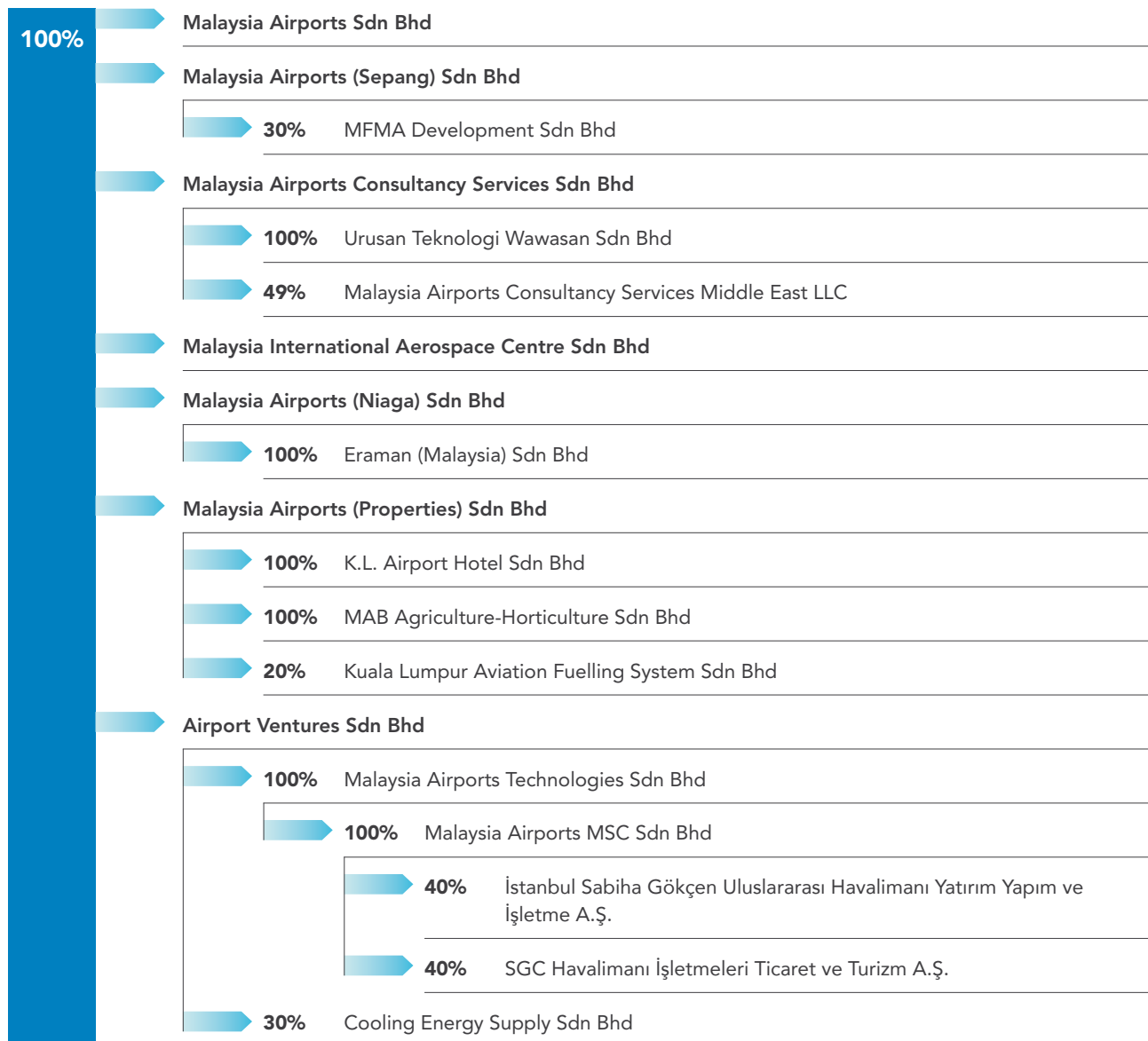
- Port of Tg Pelepas

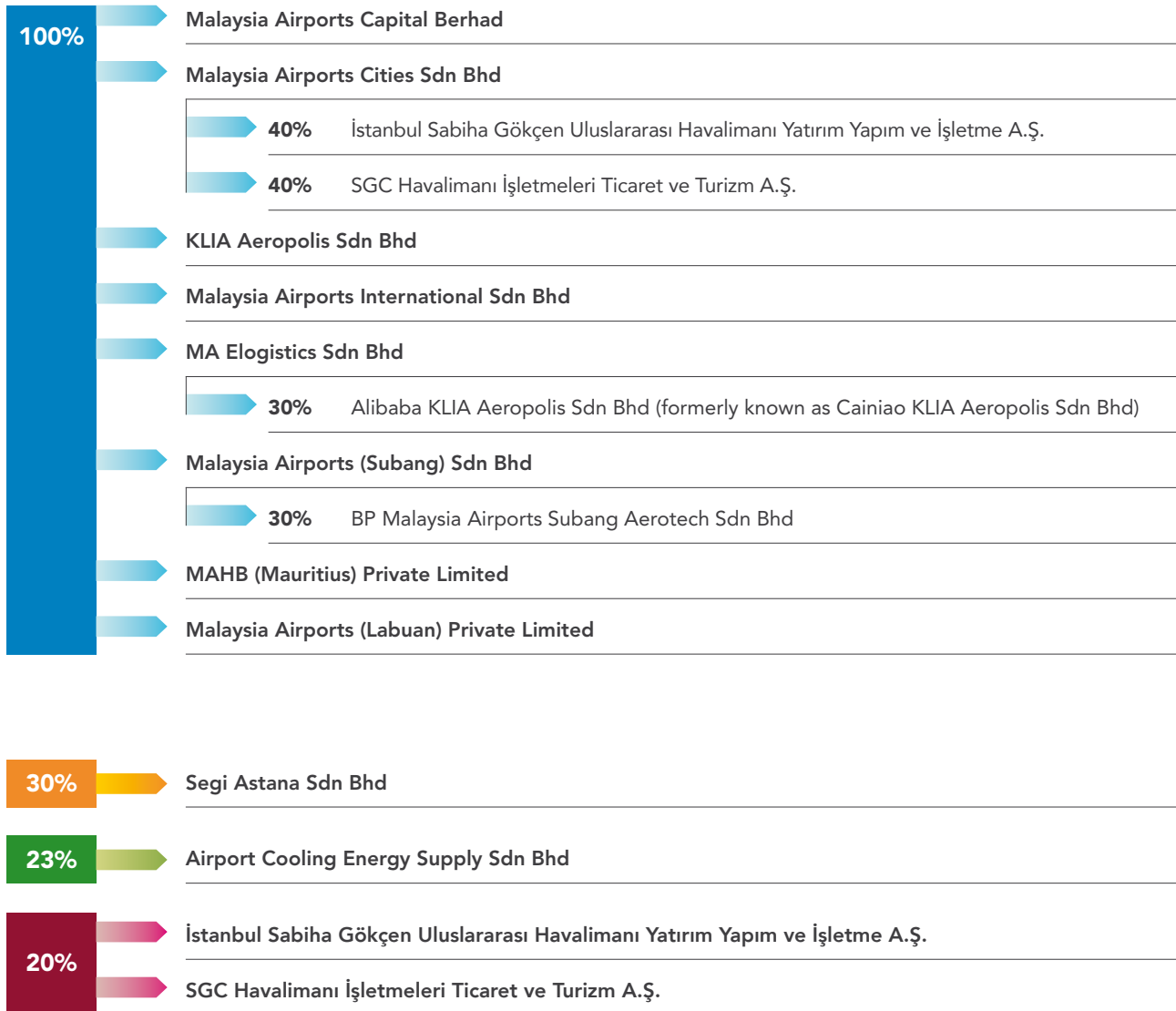
COMMERCIAL BUILDINGS

- Airbus Helicopters Malaysia
- Cainiao Aeropolis eWTP Hub
- Exxon Mobil
- Masjid As-Syakirin KLCC
- Maxis Tower
- Novugen Pharma (Malaysia)
- Persada PLUS
- Petronas Tower 3
- Sepang International Circuit
- SPIRIT Aerosystems Malaysia

CORPORATE STRUCTURE

MALAYSIA AIRPORTS HOLDINGS BERHAD





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 Istanbul Sabiha Gökçen International Airport (IATA Code: SAW) in Turkey.

In 2019, the government of Malaysia approved the extension of the Operating Agreements to operate and manage the 39 airports until 2069.



1992

Establishment of Malaysia Airports



1998

Opening of KLIA



2015

- Graduation from GLC Transformation Programme
- Opening of Mitsui Outlet Park KLIA Sepang



2015

Full Acquisition of Istanbul Sabiha Gökçen International Airport in Turkey



2016

- Launch of KLIA Aeropolis



2017

Ground Breaking of KLIA Aeropolis DFTZ Park



2018

- Ground Breaking of Subang Aerotech Park
- Expansion of Langkawi International Airport





1999

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



2004

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



2006

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



2014

Opening of KUL's second terminal, klia2



2013

Launching of Sama-Sama Hotel



2010

klia2 Ground Breaking Ceremony



2019

Extension of Malaysia Airports' Operating Agreements



2019

Brand refresh for Eraman



2020

- Launch of shopMYairports e-commerce platform
- Operationalisation of Cainiao Aeropolis eWTP Hub



VALUE CREATION MODEL

OUR POSITION IN THE AIRPORT VALUE CHAIN

Malaysia Airports is responsible for the operational safety and security, management and maintenance of the airports. The services and facilities provided are divided into two main sections known as the landside (terminal, carpark and any other public areas on airport land) and the airside (aprons, runways, and taxiways).

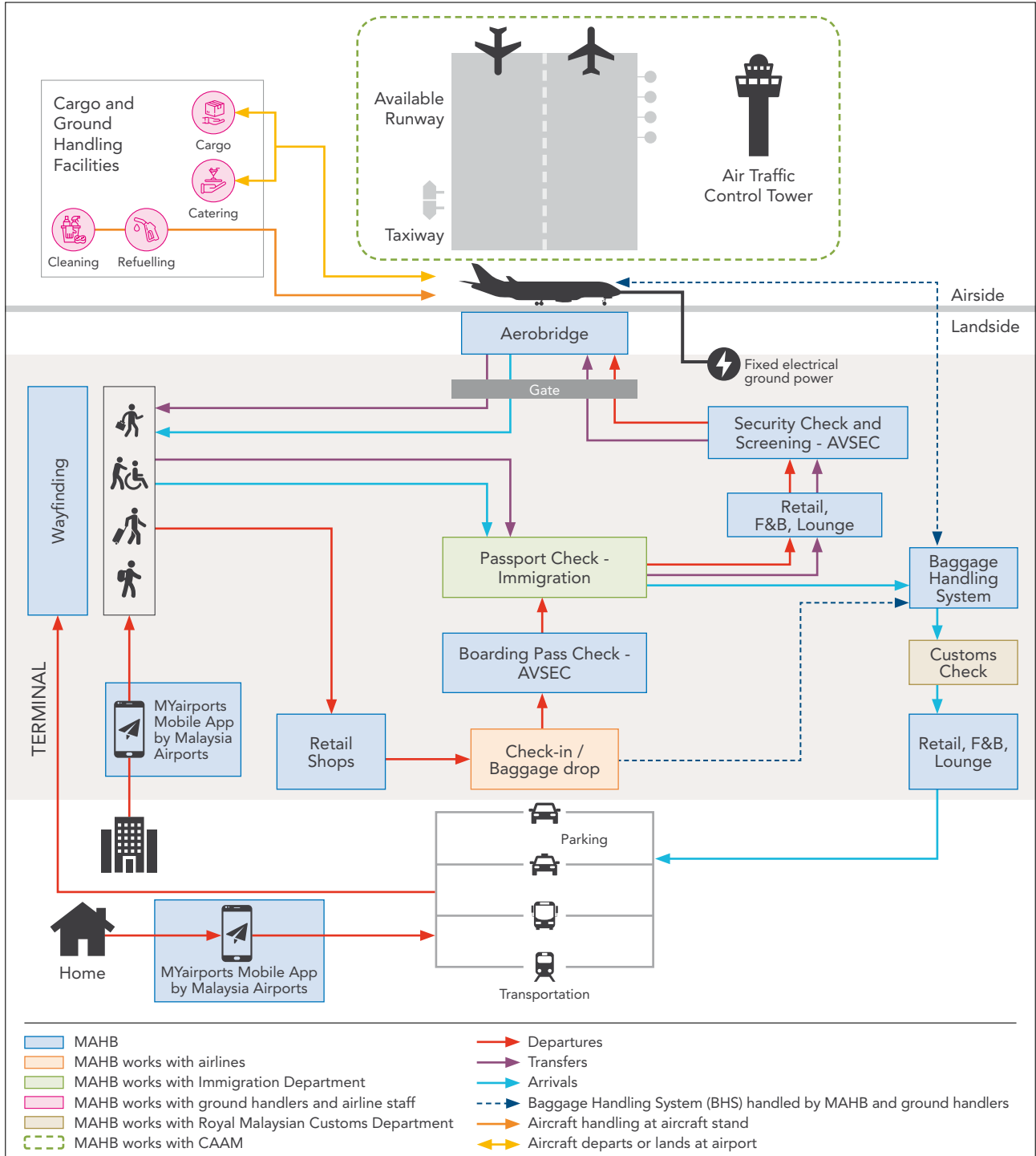
Malaysia Airports works with key agencies such as the Civil Aviation Authority of Malaysia (CAAM) to ensure the safety and security of airport operations, particularly at the airside through regulations, oversight and monitoring of the technical and safety standards. The Air Traffic Control under CAAM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

In ensuring effective and efficient management at our airports, Malaysia Airports collaborates with a range of partners, for instance, 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. Malaysia Airports works closely with these parties in key areas at checkpoints such as check-in, immigration, customs checks, and baggage and ground handling.

We provide a seamless end-to-end journey for passengers throughout our airports from the onset of their journeys as they arrive by car, bus and train up until the boarding gates. We also offer a wide range of retail and food and beverages outlets, operated by Malaysia Airports and its business partners, for passengers, meeters and greeters.

In addressing the COVID-19 pandemic, we have given full support to the Ministry of Health (MOH) in implementing health and safety measures at our airports. These include the placement of thermal scanners at the airport and physical distancing markers as well as the implementation of COVID-19 screening by MOH personnel for all passengers at the departing and arriving touchpoints at our airports.





Note: The illustration above reflects Malaysia Airports' operations in Malaysia only, representing the majority of the airports operated by the Group.

VALUE CREATION MODEL





At Malaysia Airports, our vision is to be a global airport group that champions connectivity and sustainability and we seek to create value for our key stakeholders in a positive and sustainable way.

Our value creation model takes inputs from our capitals – financial, manufactured, intellectual, human, social and natural capitals – and transforms them through our business activities and interactions to produce outputs and outcomes that over time have the potential to create value for our business, our key stakeholders and the environment in which we operate.

The operating environment, feedback from stakeholder engagements, risks and opportunities are taken into consideration in formulating our strategies and action plans towards achieving overall long term goals and objectives.

In embedding sustainability in our business, Malaysia Airports is guided by its Sustainability Policy and Sustainability Framework. The Sustainability Framework comprises five pillars which encompass the Material Matters of our business. The Framework is also aligned with relevant provisions of the United Nations Sustainable Development Goals (SDGs).

VALUE CREATION MODEL

HOW WE CREATE VALUE FOR OUR KEY STAKEHOLDERS





INPUT	OUTPUT
<ul style="list-style-type: none"> Share capital of RM5,114.3 mil Borrowings of RM4,644.7 mil Cash and cash equivalents at beginning of year RM973.7 mil 	<ul style="list-style-type: none"> Total Revenue of RM1,866.3 mil Total EBITDA of RM21.6 mil Cash and cash equivalents of RM1,453.1 mil Quoted unit trust and bond investments of RM1,777.7 mil
<ul style="list-style-type: none"> Terminals, technical facilities, car parks, hotels Aprons, taxiways, runways Number of retail outlets 670 Total Investment for property, plant and equipment RM1,129.4 mil 	<ul style="list-style-type: none"> No. of airlines (passenger and cargo): 123 Aircraft movements: 585,264 Passenger traffic movement 43.0 mil Cargo handled (tonnes): 833,939 Retail occupancy rate: <ul style="list-style-type: none"> With MA (Niaga): 77% Without MA (Niaga): 70%
<ul style="list-style-type: none"> Concession rights to operate airports IT infrastructure Big Data Analytics Commercial development Employee skills and technical expertise Stakeholder relationships 	<ul style="list-style-type: none"> Efficient business operations Safety and security of airports Contactless airport technology Improved passenger experience shopMYairports and shop@SAW e-commerce platforms
<ul style="list-style-type: none"> Number of employees 10,333 Customer-centric culture Total investment for employee training and development RM2.9 mil Occupational safety and health 	<ul style="list-style-type: none"> Diversified workforce Overall retention rate Total spent on employee benefits RM742.6 mil Retention rate: 92.9%
<ul style="list-style-type: none"> Proactive engagement and dialogue with stakeholders through a wide range of channels Collaborations with stakeholders and government bodies Public-private partnerships with government 	<ul style="list-style-type: none"> Total user fees and taxes contributed to the government RM203.0 mil Commercial partners to benefit from rebates, rental reduction, new retail rental model of RM212.4 mil Brand sentiment score of 0.47
<ul style="list-style-type: none"> Sustainability Policy Energy management Renewable energy Waste management Noise management Biodiversity protection 	<ul style="list-style-type: none"> Carbon emissions Electricity consumption Solar power generated Waste generated and recycled Water consumption

OUTCOME FOR OUR STAKEHOLDERS
<p>INVESTORS</p> <ul style="list-style-type: none"> Enhancing shareholder value Sustainable growth and earnings
<p>AIRLINES AND PASSENGERS</p> <ul style="list-style-type: none"> High airport connectivity Airport Service Quality (ASQ) rank and score Enhanced operational efficiency and service levels Improved safety and security for enhanced passenger experience Enhanced brand equity
<p>EMPLOYEES</p> <ul style="list-style-type: none"> Highly engaged workforce Accountable leaders Health, safety and well being of employees
<p>TENANTS, VENDORS AND LOCAL COMMUNITIES</p> <ul style="list-style-type: none"> Provide affordable transportation connectivity to remote parts of Malaysia Contribution to the local economy of where we operate Provide local employment Develop local SME businesses in airports
<p>REGULATORS AND GOVERNMENT</p> <ul style="list-style-type: none"> Contribution to the GDP of the country Enhanced health and safety through collaboration with Ministry of Health KUL obtained Level 3 Airport Carbon Certification accreditation Carbon emission reduction from renewable energy Malaysia Sustainable Palm Oil (MSPO) certification for MAAH

SDGs
(Link to Sustainability Pillars)

Practising Sensible Economics

Environmental Consciousness

Creating An Inspiring Workplace

Community-Friendly Organisation

Memorable Airport Experience

OPERATING ENVIRONMENT AND OUTLOOK

UNDERSTANDING OUR OPERATING ENVIRONMENT

The external operating setting impacts our profitability and business continuity, risk management and the decisions we make on our strategy. It also informs our prioritisation of material matters. We continuously monitor changes in our operating environment that have a material impact on our business model, which in turn determine our strategy on mitigating emerging risks and capturing new opportunities.



THE COVID-19 PANDEMIC

Description

Due to the COVID-19 pandemic, countries globally have closed international borders and imposed strict travel restrictions (including quarantine requirements) to curb the spread of the virus.

The aviation industry has been brought to a standstill due to flight suspensions and cancellations, impacting the industry's profitability, ability to generate cash and preserve liquidity.

At the same time, airport operators globally have been working closely with governments to facilitate COVID-19 screening measures at airports to ensure the latest health and safety requirements are adhered to.

Our Response

Our response in addressing the impact of the COVID-19 pandemic include the following:

- Establishment of the KUL COVID-19 Committee, comprising airport management, government agencies and related stakeholders.
- Collaboration with the Ministry of Health and other relevant agencies and airlines to ensure public health and safety at our airports.

- Implementation of measures to strengthen financial position and manage liquidity risk.
- Expedite the implementation of contactless technology to provide passengers with an enhanced, safe and contactless airport experience.
- Introduction of the Malaysia Airports' Future F.I.T. Plan focusing on survival and recovery in light of the COVID-19 pandemic and positioning ourselves for long-term business growth and sustainability.

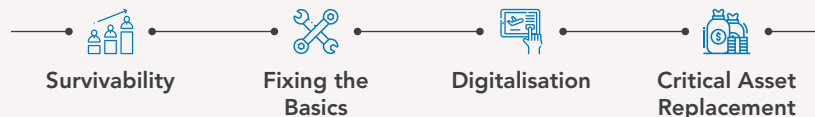
For more information on Our Response, please refer to the Strategy section on page 54 to page 63 of this <IR>

Outlook

The COVID-19 vaccine roll-out had begun worldwide in December 2020 with the aim of expediting global herd immunity.

The successful roll-out and effectiveness of COVID-19 vaccines will expedite the recovery of the global economy and return to normalcy.

Strategic Themes:





ECONOMIC CONTEXT

Description

Global supply and demand shocks, lockdowns and travel restrictions due to COVID-19 had resulted in a contraction of global GDP by 3.3% in 2020 according to the International Monetary Fund (IMF).

The Malaysian economy for 2020 contracted by 5.6% (IMF) due to the restrictions on mobility, especially on inter-district and inter-state travel which weighed heavily on economic activity.

Our Response

The Future F.I.T. outlines the strategies for recovery and growth which include the following:

- Enhance safety and health measures - ensure airport operational readiness focusing on hygiene, safety and health of passengers, the public and airport community to restore travel confidence.
- Effective cost containment measures, on top of the deferment of non-critical capital expenditure projects to continuously sustain operations across Malaysia and Turkey in light of the COVID-19 economic impact.
- Optimise operating costs through digital transformation and process automation.
- Adapt latest technological innovations including digital services and contactless touchpoints.
- Undertaking of critical maintenance CAPEX projects including network upgrade, washroom refurbishments and runway rehabilitation to ensure readiness in anticipation of a recovery in air travel in the future.
- Tap new opportunities and unlock additional revenue streams.
- Grow non-aero revenue and improve business performance.

Other measures include:

- Ensuring the continuous operations of all airports within the Group to maintain domestic and international air connectivity for travel and trade despite the slowdown in economic activity.
- Provided airline and retail partners with incentives, rebates and other relief packages to preserve their operations and ensure business sustainability in anticipation of air traffic recovery and future growth.

For more information on Our Response, please refer to the Strategy section on page 54 to page 63 of this <IR>

Outlook

The IMF has projected that the global economy will grow 6.0% in 2021 supported by the following:

- Effective vaccine roll-out to strengthen economic activity.
- Additional policy support in key large economies.

The Malaysian economy is expected to recover in 2021 with a 6.5% (IMF) GDP growth, supported by:

- Effective vaccine roll-out which will help restore business confidence and stimulate economic activity.
- Turnaround in public and private sector expenditure.
- Continued policy support by the Government such as PENJANA, KITA PRIHATIN and i-Sinar.

While near-term growth in 2021 will be affected by the re-introduction of stricter containment measures, the impact, however, will be less severe than that experienced in 2020. The growth trajectory is projected to improve from the second quarter onwards.

Strategic Themes:



Survivability



Fixing the Basics



Horizontal Expansion



Digitalisation



Critical Asset Replacement

OPERATING ENVIRONMENT AND OUTLOOK



AIR TRANSPORT SECTOR

Description

The aviation industry had been brought to a standstill in 2020 due to flight suspensions and cancellations caused by COVID-19, resulting in worldwide declines in capacity and passenger demand.

As a result, airlines and airports worldwide experienced reductions in revenue and deep losses. To remain afloat and operational, cost-cutting measures were implemented, with some Governments having to provide financial aid to further support and boost the industry.

Our Response

Our response in overcoming the challenges faced in the sector:

- Ensure the continuous operations of all airports within the Group to maintain domestic and international air connectivity for travel and trade.
- Assure passengers of health and safety measures in place at airports to travel safely and comfortably in order to instil and restore confidence in air travel.
- Active engagement with airlines and key stakeholders through programmes and collaborations to induce the recovery of domestic and international travel.
- Provide airline and retail partners with incentives, rebates and other relief packages to preserve their operations and ensure business sustainability in anticipation of air traffic recovery and future growth.
- Continuing discussions to secure new passenger airlines and freighter operators.

For more information on Our Response, please refer to the Strategy section on page 54 to page 63 of this <IR>

Outlook

The availability of vaccines in 2021 is anticipated to be a turning point for the aviation industry, but the recovery will be gradual due to the phased distribution of the vaccines.

The vaccine roll-out and effectiveness is key for traffic recovery and restoring travel confidence, supported by other critical measures, such as:

- Unified travel pass system (i.e vaccine passport, digital health certificates etc).
- Standard reciprocal travel regulations and guidelines between countries on health and safety of passengers.
- Health and safety measures at airports and airline facilities and contactless touchpoints.

In addition, the return of passenger demand will depend on the efficient coordination among countries and gradual network reopening.

The International Air Transport Association (IATA) has forecasted that global demand for air travel will improve by 26% year-on-year in 2021 following 2020's steep decline.

The domestic sector is expected to lead traffic recovery while international sector recovery is expected to gradually improve once borders are open with more reciprocal arrangements such as green lanes and travel bubbles.

Strategic Themes:

