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 105.2 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 2019. 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

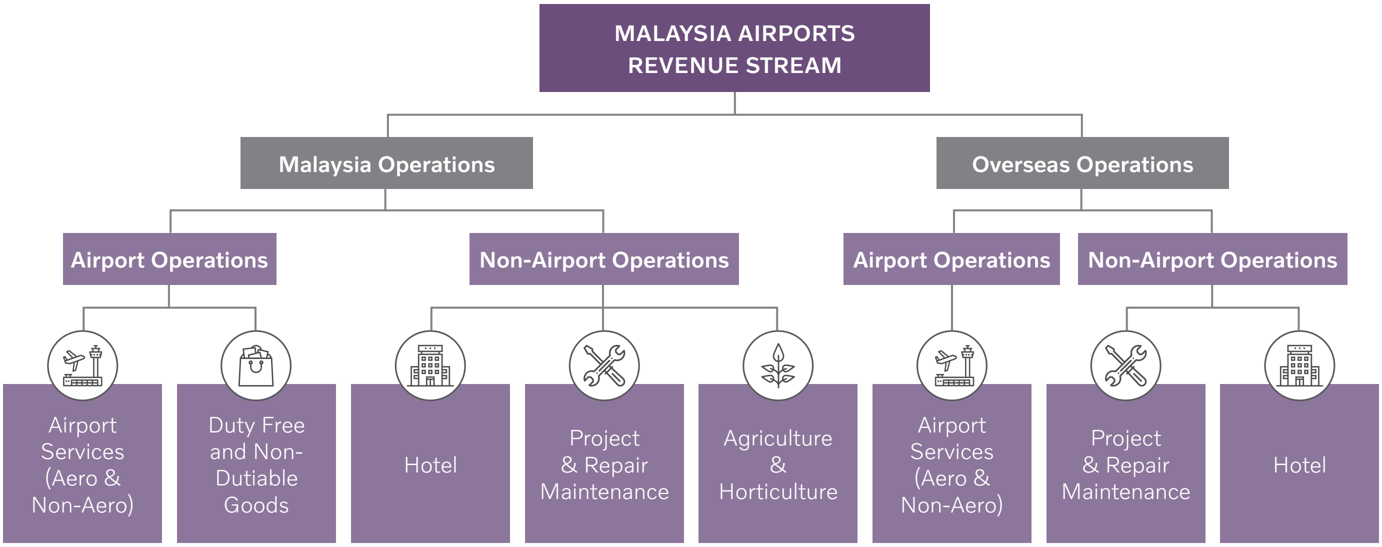
Cash Balances, Bank Borrowings and Liquidity

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 105.2 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 21.8 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.

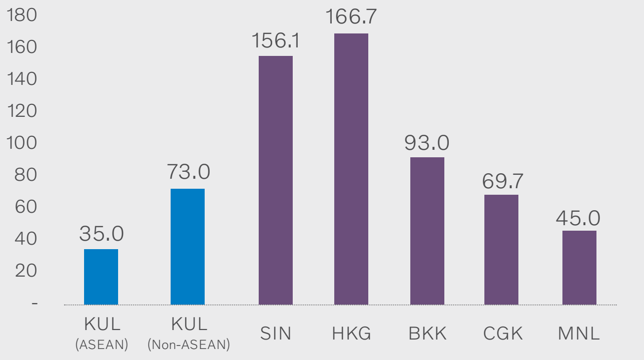
In this regard, the efforts are multipronged. First, we are able to provide a competitive cost base for airline operations. Secondly, targeted marketing efforts are focused on assisting airlines which choose our airports for their new routes. Thirdly, we continue to upgrade our infrastructure and facilities 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)



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.

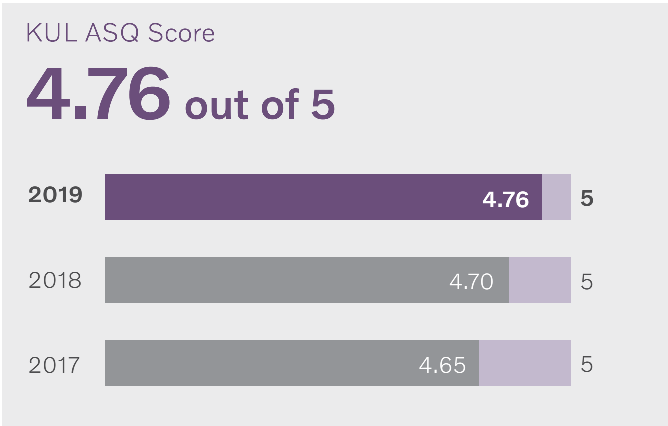
In September 2019 and January 2020, Malaysia Airports' subsidiary, Malaysia Airports (Sepang) Sdn Bhd was fined RM1.18 million for Q1 2019 and RM856,875 for Q2 2019 by MAVCOM for QoS failures. Mitigation plans have been put into motion including rectifying shortcomings and closer communications with 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.



Management Discussion and Analysis

AIRPORT OPERATIONS – NON-AERONAUTICAL REVENUES

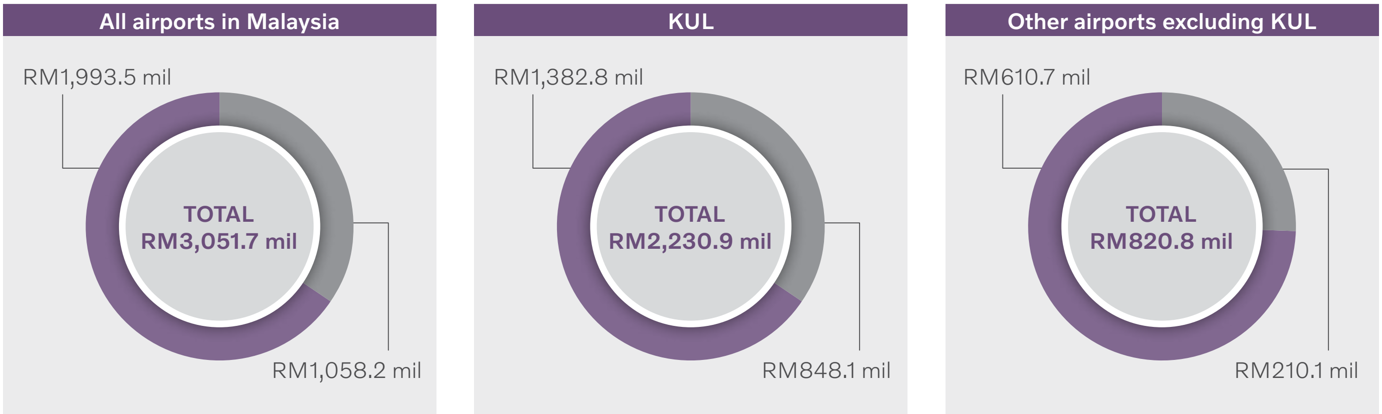
One of the key focus areas under our business plan is 'Strengthening Non-Aero Business', and by that to increase non-aeronautical revenues which are derived from the following revenue streams:

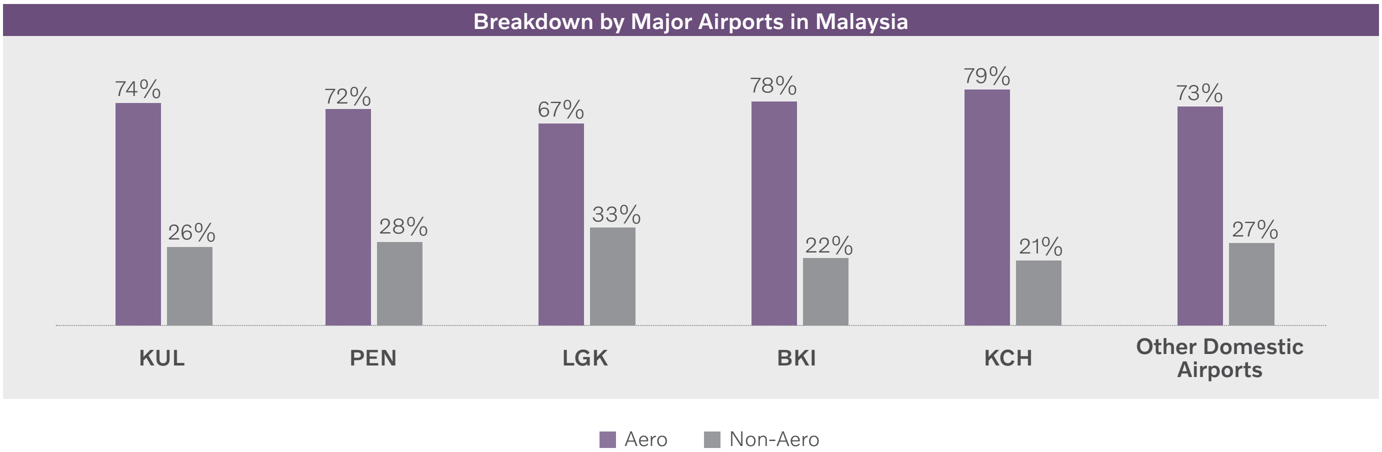
1. Airport Services - Non-aeronautical Business – rental from leasing airport space and other commercial activities.
2. Duty-Free and Non-Dutiable Goods – receipts from sales of goods by our subsidiary Malaysia Airports (Niaga) or better known by its brand name Eraman.

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





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

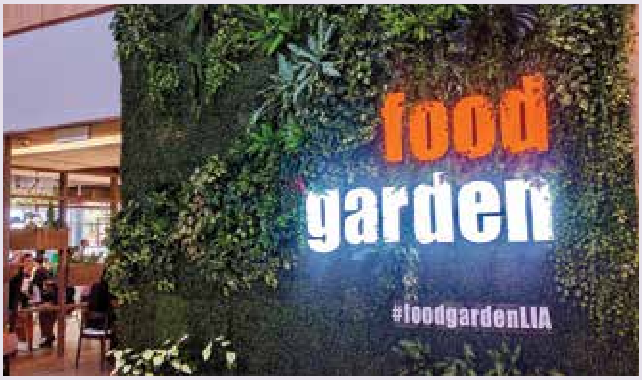
Impact of the commercial reset at LGK after a year

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

ERAMAN™
MALAYSIA
A Promise of Excitement

New Logo

eraman
DUTY FREE

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.

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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 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.

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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

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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

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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

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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