

2020

INTEGRATED REPORT

Run Airports | Develop Airports | Grow Footprint



AIRPORTS COMPANY
SOUTH AFRICA

ABBREVIATIONS

ACI	Airports Council International
ACSA	Airports Company South Africa SOC Ltd
AMSIS	Airport Management Share Incentive Scheme
APEX	Airport excellence in safety
ASQ	Airport Service Quality
B-BBEE	Broad-based black economic empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Companies Act	Companies Act, No. 71 of 2008
COO	Chief Operating Officer
DFI	Development Finance Institution
EBITDA	Earnings before interest, tax, depreciation and amortisation
ESAT	Employee satisfaction survey
GDP	Gross domestic product
GRU	Guarulhos International Airport
GruPar	Guarulhos Participações S.A
IAR	Integrated Annual Report
IATA	International Airlines Transport Association
ICAO	International Civil Aviation Organisation
ICT	Information, communication and technology
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
ISO	International Standards Organisation
IT	Information technology
King IV	King Code of Governance for South Africa 2016™
KPI	Key performance indicator
LTI	Long-term incentive

MIAL	Mumbai International Airport Private Limited
NEHAWU	National Education, Health and Allied Workers Union
NICD	National Institute of Communicable Diseases
NUMSA	National Union of Metalworkers of South Africa
PFMA	Public Finance Management Act, No. 1 of 1999
PIC	Public Investment Corporation
PPE	Personal protective equipment
(Pty) Ltd	Proprietary Limited
ROCE	Return on capital employed
ROE	Return on equity
SAA	South African Airways
SACAA	South African Civil Aviation Authority
SANDA	South African National Deaf Association
SANS	South African National Standards
SAPS	South African Police Service
SED	Socio-economic development
SMMEs	Small, medium and micro enterprises
SOC	State-owned company
SPE	Special purpose entity
STI	Short-term incentive
TSA	USA Department of Homeland Security's Transportation Security Administration
AIRPORTS	
CTIA	Cape Town International Airport
KSIA	King Shaka International Airport
ORTIA	O.R. Tambo International Airport
PLZ	Port Elizabeth International Airport

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Sustainability Framework

 Our business

 Our people and society

 Our environment

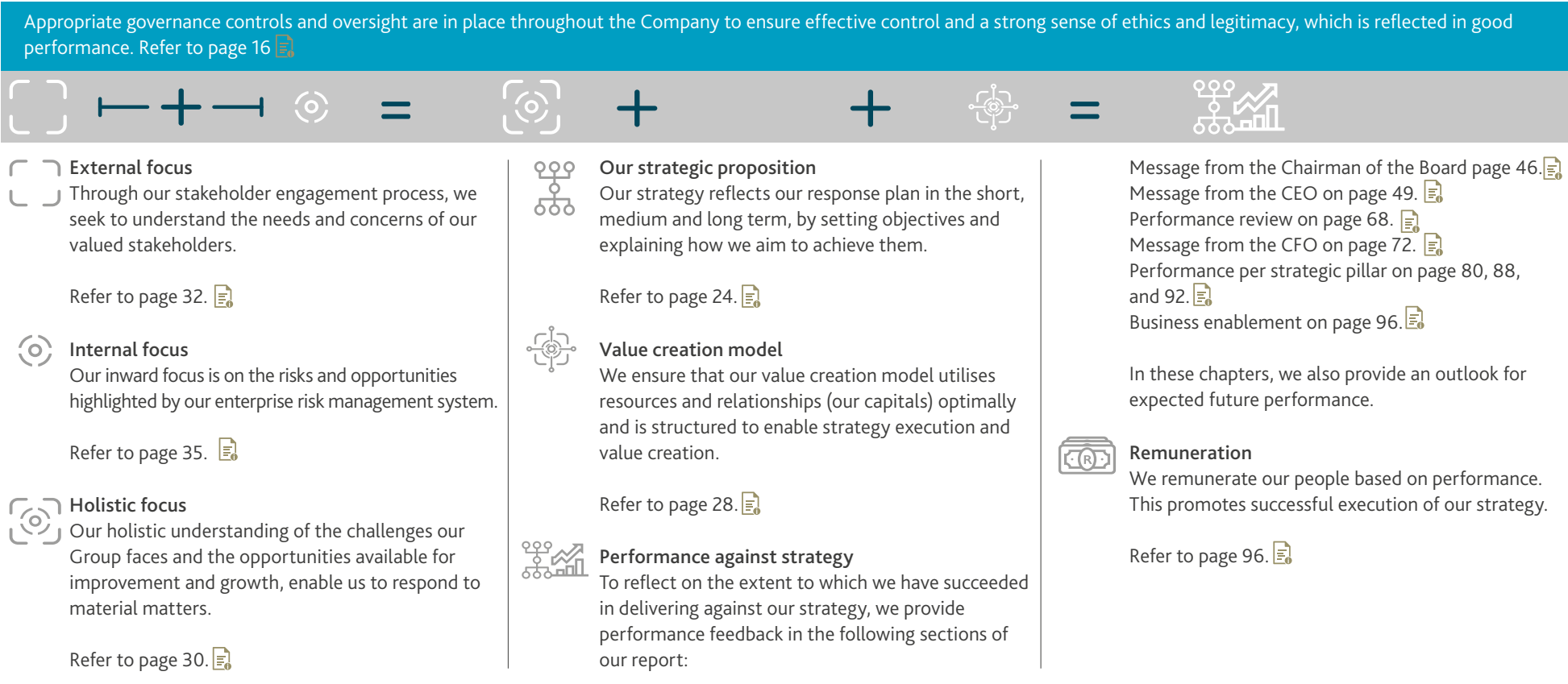
 Online information

 Page reference

HOW WE INTEGRATE

Airports Company South Africa SOC Ltd (the Company) owns and manages nine South African airports. We also participate in equity investments abroad as well as provide technical advisory and consultancy services to other airports globally. The Company and its subsidiaries constitute the Group. Our majority shareholder, with a 74.6% stake, is the South African Government. In line with the government’s developmental objectives, we aim to create sustainable value over the short, medium and long term which will positively impact not only our business, but our people, the society in which we operate and our environment. This is achieved by managing Airports Company South Africa in an integrated manner.

The diagram below illustrates how our business processes interact to develop our integrated strategy and approach to reporting.



Our commitment to our stakeholders

To build purposeful and responsive relationships with our stakeholders so as to achieve agreed outcomes that support sustainable value creation. Through our business review process, we gain an understanding of changing global trends and how these impact our operating environment.

Our pledge to our customers

- To embed a culture of service excellence
- To build an efficient customer-focused business, while contributing to socio-economic development



ABOUT OUR INTEGRATED ANNUAL REPORT

OUR REPORTING PHILOSOPHY


We seek to provide investors and other stakeholders with the relevant material information they may require about our performance, strategy and future prospects. We strive to improve the quality and disclosure of our reporting by aligning with relevant frameworks and best practice.

OUR REPORTING SUITE

A digital version of this Integrated Annual Report (IAR) and the documents listed below can be found at www.airports.co.za. 



Integrated Annual Report and Governance and Remuneration Report

Purpose and framework	Scope and boundary	Assurance
<p>Airports Company South Africa's FY2019/20 IAR is a report to all our stakeholders. It sets out our short-, medium- and long-term views on value creation.</p> <p>The Governance and Remuneration Report provides further details of our governance structure and performance as well as our remuneration practices.</p> <p>These reports are built on the following frameworks and standards:</p> <ul style="list-style-type: none"> • International Integrated Reporting Council's (IIRC) International Integrated Reporting <IR> Framework • IFRS (International Financial Reporting Standards) • Companies Act, No. 71 of 2008 (Companies Act) • Public Finance Management Act, No. 1 of 1999 (PFMA) • King Code of Governance for South Africa 2016™ (King IV) • ISO/ South African National Standards (SANS) 31000 	<p>The IAR and Governance and Remuneration Report contain material information on the Group's performance for the financial year 1 April 2019 to 31 March 2020 (the financial year under review).</p> <p>Our method for determining materiality is defined and explained on page 29. </p> <p>We disclose all relevant internal and external factors that substantially influence our business, where applicable.</p> <p>There were no restatements to comparatives unless otherwise stated.</p> <p>The financial reporting boundary was determined in accordance with IFRS.</p>	<ul style="list-style-type: none"> • Management and governance oversight. • The strategic objectives and key performance indicators were internally and externally assured and were audited both internally and by the Auditor-General of South Africa as per the Public Audit Act of South Africa, No. 25 of 2004. • The National Treasury's Framework for Managing Programme Performance Information confirms that performance information is useful if indicators and targets are well defined, verifiable, attainable, specific, measurable, time-bound and relevant. We consider these elements in finalising the information presented in this IAR. The external audit opinion on the Consolidated Annual Financial Statements for FY2019/20 includes a summary of the work performed.

Consolidated Annual Financial Statements

Purpose and framework	Scope and boundary	Assurance
<p>This report focuses on the current and prior year's financial results contain the following:</p> <ul style="list-style-type: none"> • Audit and Risk Committee Report • Directors' responsibilities and approval • Company Secretary's certificate • Auditor General Report • Directors' report • Consolidated Annual Financial Statements <p>The report was developed using the following frameworks and standards:</p> <ul style="list-style-type: none"> • IFRS • Companies Act • PFMA • King IV Report 	<p>The Annual Financial Statements contain consolidated financial results for the Group for the financial year ending 31 March 2020.</p> <p>The financial reporting boundary was determined in accordance with IFRS.</p>	<ul style="list-style-type: none"> • Internal controls • Management and governance oversight • Executive committee • Internal audit • Board subcommittees • Board • External audit opinion

Our integrated reporting process has been elevated over the last seven years through the inclusion of quarterly CEO reports presented to the Board. This management approach embeds the process of managing, measuring and reporting on our business, our people and society, as well as the context of environmental concerns, in line with our sustainability framework.


Supplementary information

Results presentation

Provides our stakeholders with a high-level summary of the following:

- Operational performance
- Financial performance
- Short-, medium- and long-term strategy

Board and executive curricula vitae

A comprehensive overview of the skills and competencies of our Board and Executive Committee members. (Refer to pages 18 and 20 respectively) 

Feedback

If you wish to contribute to the improvement of our IAR through comments, suggestions or queries on the information, data and/or presentation thereof, email Refentse Shinnars, Group Executive: Corporate Affairs at refentse.shinnars@airports.co.za.

All these reports can be found at www.airports.co.za

FORWARD-LOOKING STATEMENTS

The forward-looking statements in this report, or oral statements that may be made by officers or directors, prescribed officers or employees acting on the Group's behalf, constitute or are based on various or certain assumptions which may change or be subject to revision. These statements involve risk and uncertainty as they relate to events or circumstances that may or may not occur. Factors which could cause actual future results to differ materially from those in the forward-looking statements include, but are not limited to:

- The COVID-19 pandemic
- Global and domestic economic conditions
- The nature of the aviation sector and specifically the performance of airline operators
- Changes in passenger profiles and choices
- Retail offerings at our airports
- Interest rates
- Credit and associated risks of borrowing and funding
- Rating agencies' statements and determinations
- Gross and operating margins
- Capital management
- Competitive and economic regulatory factors

Airports Company South Africa does not undertake to update or otherwise revise any of these forward-looking statements publicly, whether reflecting on new information or future events or otherwise. The forward-looking statements have not been reviewed or reported on by the Group's external auditor.

BOARD APPROVAL

The Board acknowledges responsibility for overseeing the integrity and completeness of this IAR and exercises this responsibility with the support of various sub-committees. The Board approved the reporting frameworks and materiality determination process applied in the report. The Board confirms that, after applying its collective mind to the preparation and presentation of the IAR and reviewing the content herein, it considers this report to be accurate, reliable and complete in presenting information and material matters. The Board concludes that this report is presented as per the <IR> Framework and approved the FY2019/20 IAR on 28 September 2020.



Adv. Sandile Nogxina
Chairman of the Board



Mpumi Z Mpofu
CEO



Siphamandla Mthethwa
CFO

GROUP OVERVIEW

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Our mandate guides everything we do. We are consistently recognised as a leading global airports operator providing access to air travel in South Africa and beyond.

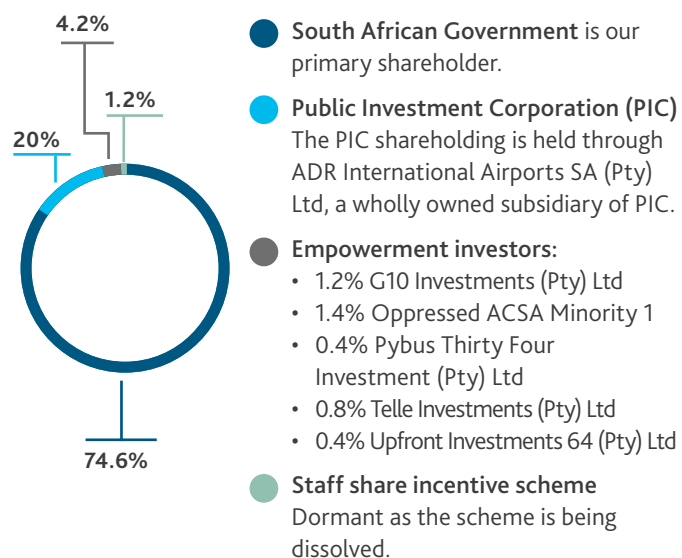
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OUR MANDATE

Airports Company South Africa's mandate is derived from the Airports Company Act, No. 44 of 1993, as amended. Our main objectives, in line with requirements of our shareholders, are to undertake the acquisition, establishment, development, provision, maintenance, management, operation and control of any airport, any part of any airport, or any facility or service at any airport normally related to an airport function.

OUR SHAREHOLDING

Airports Company South Africa is registered as a Schedule 2 public entity in terms of the PFMA and operates as a State-owned company within the legal framework outlined in the Companies Act.



OUR GEOGRAPHICAL FOOTPRINT

Airports Company South Africa maintains the following equity investment or technical advisory and consultancy services internationally:



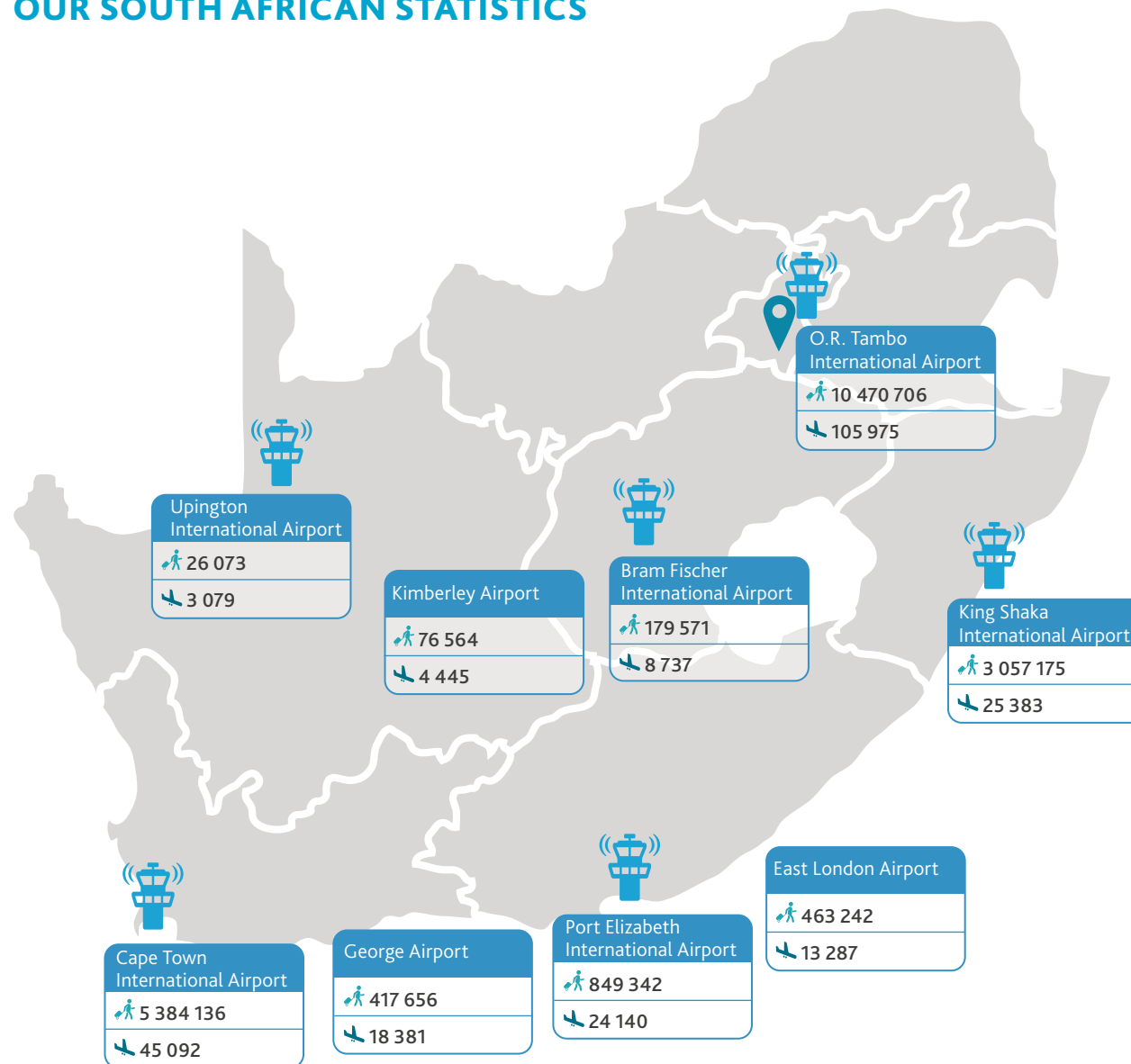
Airport concessions

- BRAZIL**
Guarulhos International Airport in São Paulo is an equity investment.
- INDIA**
Chhatrapati Shivaji International Airport in Mumbai is an equity investment.

Airport technical, advisory and consultancy services

- LIBERIA**
We provide consultancy services and are preparing the new terminal building and associated infrastructure for operations, on behalf of the Liberian Airports Authority.
- ZAMBIA**
We provide consultancy services for operational readiness and managed a transfer for the new terminal building at Kenneth Kaunda International Airport in Lusaka.
- RWANDA**
As part of the technical team in partnership with Aurecon, we provide technical services to the Bugesera Airports Company at Bugesera International Airport in Kigali.
- SOUTH AFRICA**
At Oribi Airport in Pietermaritzburg, we provide services inclusive of development of aerodrome manuals and identification of commercial and operational areas of improvement.

OUR SOUTH AFRICAN STATISTICS



Aircraft landings



FY2019/20
248 519

FY2018/19
259 169

FY2017/18
264 451

Departing passengers



FY2019/20
20 924 465

FY2018/19
21 118 264

FY2017/18
20 836 846

Legend



Corporate and regional office



International Airport



Total annual departing passengers



Aircraft landings

OUR LEGAL STRUCTURE

Airports Company South Africa derives value from aeronautical and non-aeronautical operations, including local and international investments. This is structured as follows:

Name	100%-owned subsidiaries ¹				Special purpose entities (SPE) ²		
	ACSA Global Ltd	Airports Consultancy and Advisory Services SOC Ltd	JIA Piazza Park (Pty) Ltd	Precinct 2a SOC Ltd	Lexshell 342 Investment Holdings (Pty) Ltd	Airport Management Share Incentive Scheme (Pty) Ltd	Sakhisizwe Community Programme
Purpose of existence	The investment holding company through which Airports Company South Africa holds its 10% interest in the Mumbai International Airport Private Limited (refer to investments in associates on page 94).	The provision of airport consultancy and advisory services to airports in South Africa and internationally. This subsidiary will be leveraged to provide services for future prospects.	The holding company through which we operate the InterContinental Hotel at O.R. Tambo International Airport.	A company through which we own approximately 250 hectares of land adjacent to O.R. Tambo International Airport. The strategy is to redevelop property for aeronautical and non-aeronautical purposes to grow revenue.	An employee share option entity, wholly owned by the Airports Company South Africa Kagano Trust. ³	Employee share incentive scheme that holds investments (specifically Group ordinary shares). ⁴	Sakhisizwe is a special purpose entity that seeks to transform the aviation industry by providing study bursaries to financially and academically deserving students from previously disadvantaged backgrounds.
Year of inception	2006	2016	1998	1998	1999	1999	1996
Airports Company South Africa shareholding	100%	100%	100%	100%	SPE	SPE	SPE
Other shareholders and their respective shareholdings	N/A	N/A	N/A	N/A	Airports Company South Africa Kagano Trust ³	Airports Company Management Share Incentive Scheme Trust	N/A
Equity injections	R100	Nil	R100	R100	Nil	Nil	Nil
Net asset value at 2020/03/31	R106 million	Nil	(R93 million)	R106 million	(R3 million)	R17 million	R1 million

¹ Subsidiaries are all entities including SPEs over which the Group has the power to govern the financial and operating policies, generally with a shareholding of more than half of the voting rights

² An SPE is a ring-fenced subsidiary of the Group that isolates financial risk to the holding company

³ The Airports Company South Africa Kagano Trust was formed under the Trust Property Control Act to administer the staff share scheme (until they were paid out in 2013) and to be a holding company with its two subsidiaries: Lexshell 342 and Lexshell 343. Lexshell 343, currently dormant, was specifically formed to hold Group share options should Airports Company South Africa list on the JSE. We intend repurchasing our ordinary shares from Lexshell 342 and possibly winding up the Kagano Trust, Lexshell 342 and Lexshell 343. The Kagano Trust is dormant and has no beneficiaries

	Investments in joint ventures ⁵	Investments in associates ⁶		
Name	Airport Logistics Property Holdings (Pty) Ltd	La Mercy JV Property Investments	Mumbai International Airport Private Limited	Guarulhos International Airport Private Limited
Purpose of existence	A property holding company with the Bidvest Group that owns three distribution warehouses at O.R. Tambo International Airport and Cape Town International Airport.	A land development and property investment company in collaboration with Dube Trade Port Corporation. Our strategy is to build an investment property portfolio at King Shaka International Airport – Dube Trade Port – through land-lease agreements.	Private Limited – a company through which we hold a 30-year concession (with the option to renew for another 30 years) to develop, operate and maintain the Mumbai Airport. We have received an offer for our 10% shareholding from a third-party buyer and are currently going through the pre-emptive process with the existing majority shareholder, GVK.	Private Limited – a company in which we hold a 20-year concession to develop, operate and maintain the Guarulhos International Airport in São Paulo. We also provided technical advisory and consultancy services for the first five years of the concession. The Technical Services Agreement terminated in 2017, due to effluxion of time.
Year of inception	2003	2009	2006	2012
Airports Company South Africa shareholding	50%	40%	10%	10.2%
Other shareholders and their respective shareholdings	Bidvest Holdings Ltd (50%)	Dube Trade Port Corporation (60%)	GVK (50.5%), Bidvest (13.5%), Airports Authority of India (26%)	A joint venture between Investimentos e Participações em Infraestrutura S.A (Invepar) (80%) and Airports Company South Africa (20%), which together hold 51% of Guarulhos Participações S.A (GRUPar). The other 49% is held by State-owned airport authority Infraero.
Equity injections	Nil	R38 million	R347 million	R1.2 billion
Net asset value at 2020/03/31	R77 million	R163 million	R4 billion	(R926 million)

⁴ Airport Management Share Incentive Scheme (AMSIS) exists only as a special purpose vehicle for the Management Trust and holds ordinary shares in Airports Company South Africa as an investment on behalf of its holding company, the Management Trust. The Management Trust is dormant and has no beneficiaries, as all beneficiary shares were bought back during 2009. We intend repurchasing our ordinary shares from AMSIS and thereafter possibly winding up the Management Trust and AMSIS

⁵ Joint ventures are entities over which the Group has joint control over the economic activity through a contractual planning arrangement. The Group recognises its interests in the joint venture using equity accounting

⁶ Associates are all entities over which Airports Company South Africa has significant influence but not control, generally with a shareholding of between 20% and 50% of the voting rights. Investments in associations are accounted for using the equity method of accounting and are initially recognised at cost

AREAS OF RECOGNITION

Airports Company South Africa is consistently recognised as a leading global airports operator and we have garnered the following recognition for our achievements in FY2019/20:



Leader in African travel, tourism and hospitality

Benchmarking authority

World Travel Awards, an independently assessed travel accolade, voted by industry professionals and consumers worldwide.

Achievements

Africa and Indian Ocean, Africa's Leading Airport

Placement

- Cape Town International Airport won Africa's Leading Airport for the third consecutive year.



World's Top 100 airports

Benchmarking authority

Skytrax World Airport Awards are based on a customer satisfaction survey across over 500 airports globally.

Achievements

Two of our airports were recognised in the top 35 airports in the world.

Placement

- Cape Town International Airport was declared Best Airport in Africa.
- King Shaka International Airport the Best Regional Airport in Africa.
- King Shaka International Airport also won accolades for the Best Airport Staff in Africa (5–10 million passengers).



Customer experience

Benchmarking authority

Airports Council International (ACI) Airport Service Quality (ASQ)

Achievements

Four of our airports scooped awards in the Airports Customer Experience ASQ departure awards.

Placement

- Best airport by size and region, Africa, 5–15 million passengers:
- King Shaka International Airport
- Best airport by size and region, Africa, under two million passengers:
- 1st – George Airport
 - 2nd – Kimberley Airport
 - 3rd – Upington International Airport



Safety

Benchmarking authority

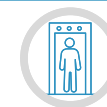
ACI Africa Airport Excellence in Safety (APEX) Award

Achievements

Recognition of the best African airports in terms of airport safety, which is considered as main pillar of the air transport industry.

Placement

- King Shaka International Airport – first place winner, in the Safety Award 2019: Best airport in Africa category over 20 000 Air Traffic Movements.
- Port Elizabeth International Airport – third place winner in the Safety Award 2019: Best airport in Africa category over 20 000 Air Traffic Movements.
- East London Airport – first place winner in the Safety Award 2019: Best airport in Africa category between 10 000 – 20 000 Air Traffic Movements.



Security

Benchmarking authority

South African Civil Aviation Authority (SACAA) Civil Aviation Industry Awards 2019

Achievements

Our airports took the top honours in the Aviation Safety category.

Placement

- Cape Town International Airport was the winner
- King Shaka International Airport was the first runner-up



Innovation

Benchmarking authority
SACAA Civil Aviation Industry Awards 2019

Achievements

One of our airports was recognised in the Aviation Innovation category, which acknowledges the development or implementation of an innovative approach, product or service.

Placement

- O.R. Tambo International was the second runner up



Environment and sustainability

Benchmarking authority
SACAA Civil Aviation Industry Awards 2019

Achievements

Two of our airports were recognised and Aviation Sustainability and Environment category.

Placement

- O.R. Tambo International was the winner
- King Shaka International Airport was the first runner up



Carbon and environmental management

Benchmarking authority
ACI Airport Carbon Accreditation programme

Achievements

Four of our airports received a Level 2 certification and two of our airports received a Level 1 certification.

Placement

- O.R. Tambo International Airport and Cape Town International Airport for a second consecutive year, and King Shaka International Airport and Port Elizabeth International Airport for the first time.
- George Airport and Bram Fischer International Airport obtained Level 1 certification, the latter for the first time.

All nine airports have achieved ISO 14001 Environmental Management System Certification (ISO 14001:2004) in accordance with the 2015 version of the standard.



Employee satisfaction

Benchmarking authority
Top Employers Institute

Achievements

Airports Company South Africa recognised as a certified "Top Employer" in the Public Sector category.

Placement

Airports Company South Africa recognised as a Top Employer for the 10th consecutive year.

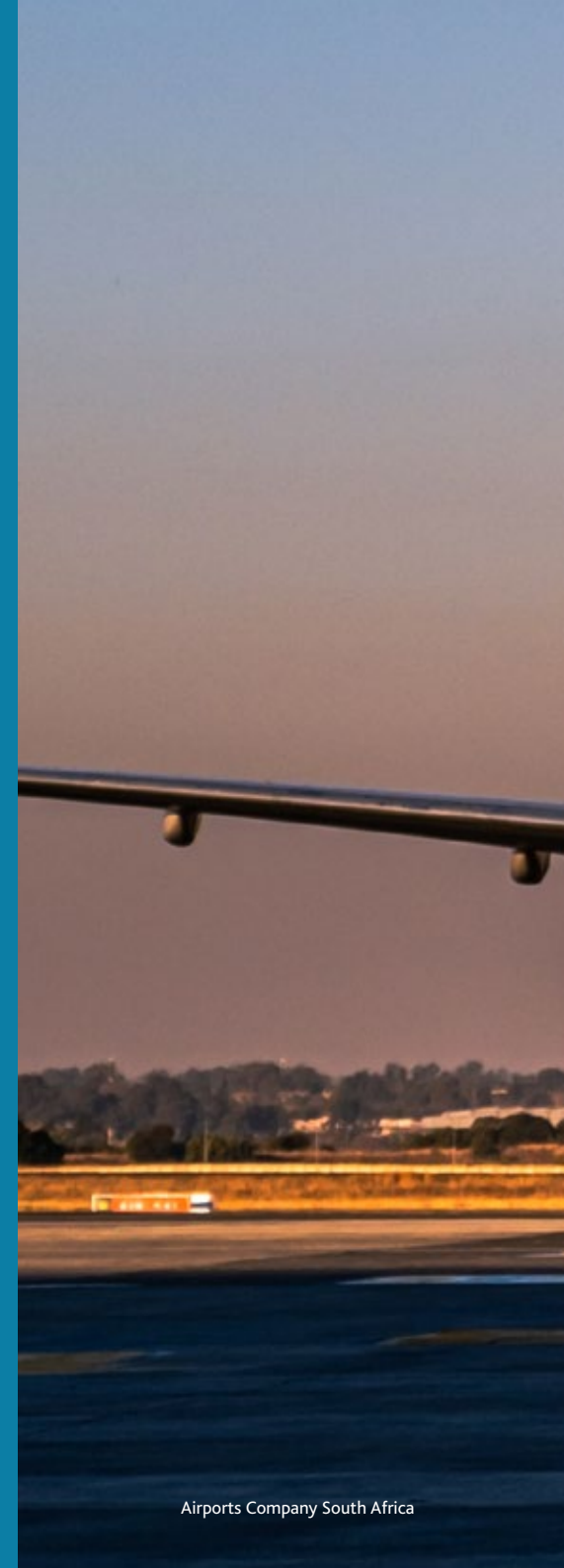
This prestigious certification is benchmarked against other top companies in the country with regard to all human resources policies and practices, including but not limited to reward and benefits, talent acquisition, learning and development.

HOW GOOD GOVERNANCE PRESERVES VALUE CREATION

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Our Board's approach to corporate governance is to ensure it contributes to improved operational decision-making, drives the long-term sustainability of the Group and advances transformation in the air transport sector.

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GOVERNANCE APPROACH

The Board's governance oversight is guided by its commitment to its responsibilities and governance objectives. The objectives provide a mechanism to evaluate performance in applying the King IV principles and outcomes.

Leadership, ethics and corporate citizenship

Our Board sets the tone and leads the Group ethically, effectively and responsibly. The Board is accountable for ensuring management actively cultivates a culture of ethical conduct that is adhered to by all employees of the Group. (See Effective and ethical leadership on page 4 of our Governance and Remuneration Report) 

As a State-owned company, an inherent part of our role is responsible stewardship of strategic assets. In these unprecedented times, that requires agile, decisive and ethical leadership to steer the business. Sound financial principles, underpinned by a strong corporate governance culture have, over the years, seen us through difficult economic conditions and have seen the Group being able to sustain itself. Our Board strives to ensure we play a key role in society by promoting transformation, economic advancement, growth and development of our country. (See Responsible corporate citizenship on page 5 of our Governance and Remuneration Report and Transformation on page 52) 


We are committed to continually enhancing our corporate governance processes in line with best practice in a manner that facilitates the development and management of world-class airports and creates value.

Strategy, performance and reporting

Our Board takes accountability for the performance of the Group. In so doing, the Board supports us in setting our purpose and achieving our strategic objectives. Our Board continuously monitors the macro environment, risks and opportunities and stakeholder needs, which inform our strategy.

We continuously strive to improve reporting standards through disclosure and alignment to relevant reporting frameworks and best practice. We seek to provide investors and other stakeholders with all relevant and material information.

Governing structures and delegation

Our Board is the focal point of and custodian for corporate governance. The members of the Board include ten Non-executive Directors and two Executive Directors, who as a group, have an appropriate balance of knowledge, skills, experience, diversity and independence. (See page 9 of our Governance and Remuneration Report)  This allows our Board to discharge its governance role and responsibilities objectively and effectively. All Board members are suitably qualified for their roles as Directors and have extensive business experience and specialist skills across a range of sectors, including aviation, governance, human resources, remuneration, information and communication technology, accounting and finance, legal, transport and logistics. Open and honest dialogue that tests decisions, brings consensus and necessitates responsibility is encouraged.


The role and responsibilities of the Independent Non-executive Chairman and the CEO have been clearly defined and are distinct to ensure checks and balances in decision-making. The Non-executive Directors draw on their experience, skills and business acumen to ensure impartial and objective viewpoints in decision-making processes and standards of conduct. There is a clear balance of power and authority at Board level to ensure that no one Director has unfettered powers of decision-making.

The Board delegates certain functions to six well-structured committees without abdicating its own responsibilities. Each committee's Terms of Reference define the composition of the committee and set out its duties, responsibilities and the scope of authority.


Board performance

The Board reflected on its performance through an internal self-assessment, facilitated by the Company Secretary. The areas which have been rated as requiring improvement pertain to the monitoring of the Group's strategy and management of stakeholder relationships. This is more pertinent in light of the impact of COVID-19 on our business and the aviation sector at large.

Responsible and fair remuneration

We are committed to ensuring we remunerate fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term. Our remuneration philosophy supports sustainable value creation by rewarding our people for their contribution to achieving our strategic objectives. We offer competitive total rewards that promote a high-performance culture, which enables the execution of our Vision 2025 objectives. (See Remuneration on page 32 of our Governance and Remuneration Report) 

Stakeholder relationships

Our Board ensures a stakeholder-inclusive approach. A stakeholder engagement report is presented by management to the Board quarterly through the Social and Ethics Committee. Our stakeholder management activities support our vision and strategic objectives of helping build coherent partnerships that are mutually beneficial for the Group and our stakeholders. (See Stakeholder Engagement on page 33) 

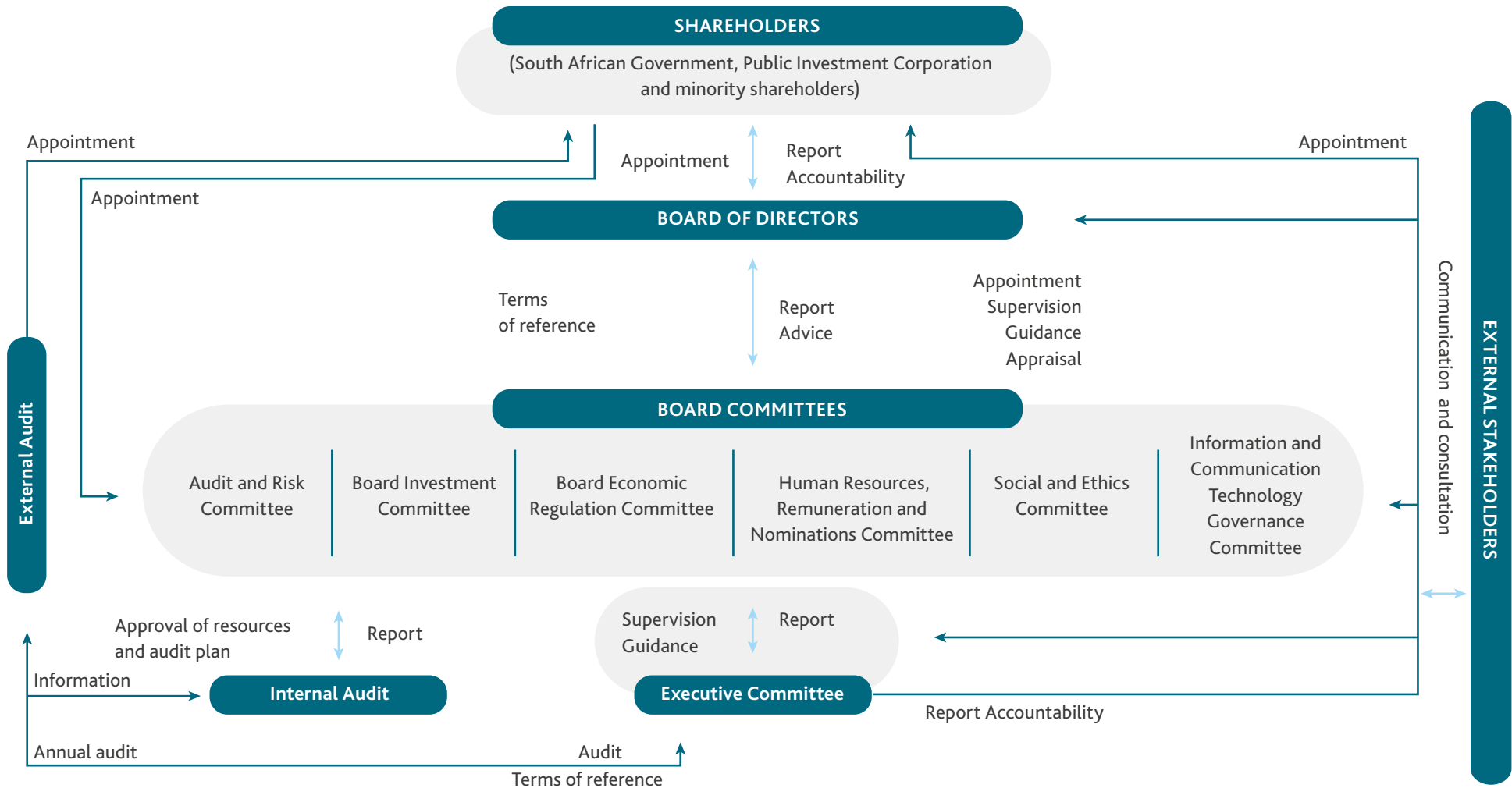
Our value creation activities

During the year, the Board undertook the following activities, among others:

- Approved new areas of business growth
- Approved the Transformation Strategy underpinning our future growth
- Considered the offer for purchase of Airports Company South Africa shares in Mumbai International Airport

GOVERNANCE STRUCTURE

Our Board is responsible for strategic direction and oversight of the Group. The Executive Committee, under the leadership of the CEO, is responsible for the day-to-day management of the Group.



BOARD OF DIRECTORS



Sandile Nogxina (61)

Chairman of the Board

Effective date of appointment:

9 November 2018

- Advocate of the High Court
- Bachelor of Law
- Post Graduate Diploma: Management
- Higher Diploma: Tax Law
- Masters of Law: Law Development



Nosizwe Nokwe-Macamo (58)

Lead Independent Director

Effective date of appointment:

1 September 2018

- MSc Chemical Engineering
- Diploma: Chemical Engineering



Kemira Esterhuizen (31)

Effective date of appointment:

19 December 2019

- CA (SA)
- BCom Accounting
- Certificate in the Theory of Accounting
- Qualification Examination 1 (QE 1)
- Advanced Certificate in Auditing
- Public Practice Examination
- South African Institute of Chartered Accountants Assessor



Pascal Mokupo (51)

Effective date of appointment:

1 September 2018

- CA (L)



Dr. Kgabo Badimo (60)

Effective date of appointment:

8 August 2020

- PhD Information Systems Knowledge Management
- MSc Data Engineering
- BSc Computer Science
- Executive Leadership Programme
- Graduate Studies Programme
- Diploma in Business Administration
- Diploma in French Language



Dudu Hlatshwayo (56)*

Effective date of re-appointment:

8 August 2020

- BSocSc
- MBA
- Executive Leadership Development Programme Diploma
- Marketing Management Certificate in Product Strategy and Brand Management

* Term ended on 3 September 2019 by PIC, appointed by the Minister on 8 August 2020



Kate Matlou (49)*

Effective date of appointment:

1 March 2015

- NDip Road transport, administration and stock
- NQF 6 Certificate Public relations, dispute handling, SHEP, computing

*Term expired on 30 April 2019



Bonang Mohale (58) *

Effective date of appointment:

1 September 2018

- Chartered Marketer

*Mr Mohale resigned effective 1 July 2019



Deon Botha (50)*

Effective date of appointment:

1 August 2013

- BCom Law
- BCom Hons Business Sciences

*Term expired on 31 July 2019



The full curriculum vitae of each Board Director is available online: <https://www.airports.co.za/about-us/executive-management/board-of-directors>



Irvin Phenyane (51)

Effective date of appointment:
1 September 2018

- BSc
- Masters: Public Management
- Postgraduate Diploma in Project Management
- Postgraduate Diploma in Management



Yershen Pillay (36)

Effective date of appointment:
1 September 2018

- BSocSc Politics and Economics
- Post Graduate Diploma in Business Administration
- Certificate in Cyber Security



Graeme Alvan Victor (65)

Effective date of appointment:

- 15 December 2019
- CA(SA)
 - BSc Civil Engineering
 - MSc Construction Engineering and Project Management
 - MEng Construction Engineering and Project Management
 - BCom Hons



Ntombifuthi Zikalala Mvelase (55)

Effective date of appointment:
1 September 2018

- BProc
- LLB
- Attorney of the High Court of South Africa

Board member information at 31 March 2020 (Current year - FY2020/21)

Age:

60years+	50years+	40years+	30years+
2(3)	5(6)	1(1)	2(2)

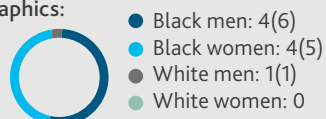
Directorship:



Gender diversity:



Demographics:



Executive Directors



Mpumi Z Mpofu (54)

CEO

Effective date of appointment:
1 February 2020

- Postgraduate Degree of Town Planning Coventry University
- BA Honours Urban and Regional Planning



Siphamandla Mthethwa (45)

CFO

Effective date of appointment:
1 May 2020

- CA (SA)
- Postgraduate Diploma in Accounting/CTA
- BCompt Hons
- BCom Accounting
- Advanced Management Programme

Appointed post year end

Company Secretary



Fefekazi Sefara (47)

Effective date of appointment:
1 July 2018

- LLM
- LLB
- BLuris
- Postgraduate Diploma in Interpretation and Drafting of Contracts
- Admitted Attorney of the High Court

GOVERNANCE OF FUNCTIONAL AREAS

Board and Board Committees

The Board strives to fulfil the primary governing roles and responsibilities recommended in the King IV Report of setting and steering strategic direction; approving policy and planning; providing oversight and monitoring; and ensure accountability. The Board committees assist the Board in the discharge of its duties and responsibilities. Each Board committee has formal written terms of reference that are reviewed annually.

Audit and Risk Committee

Chairman: Pascal Mokupo

The committee's key functions are, among others:

- Oversight of the integrity of the Company's financial statements, reporting process, risks and compliance
- Managing the relationship with the Company's external auditor and assesses their independence and effectiveness.
- Promoting communication between management, the external auditor and Chief Audit Executive.
- Oversight of the Company's internal controls and assurance processes

The committee makes recommendations to the Board for consideration and approval.

Board Investment Committee

Chairman: Nosizwe Nokwe-Macamo

The Committee assists the Board by monitoring:

- Investment, commercial and treasury activities
- Major capital projects
- Infrastructure and property development activities
- Business development activities

Board Economic Regulation Committee

Chairman: Sandile Nogxina

The Committee oversees:

- Development and implementation of the economic regulatory strategy

- Compliance with all economic regulatory legislation and/or requirements
- Strategic approach to the permission application for submission to the Regulating Committee

Human Resources, Nominations and Remuneration Committee

Chairman: Ntombifuthi Zikalala Mvelase

The Committee oversees:

- Matters related to people management
- Appropriate composition of the Board
- Nomination of members to be appointed to Board Committees
- Nomination of directors to be appointed to subsidiary Boards

Information and Communication Technology Governance Committee

Chairman: Yershen Pillay

The committee oversees:

- Implementation of the Board approved IT strategy
- Alignment of the IT Strategy with the Company's overall strategy
- Management of IT risks and implementation of the cybersecurity strategy

Social and Ethics Committee

Chairman: Irvin Phenyane

The committee oversees the Group's activities on socio-economic development, good corporate citizenship, environment, health and public safety, stakeholder relationships, labour and employment, ethics, transformation and enterprise security.

Executive Committee (Exco)

Exco assists the CEO to guide and control the overall direction of the Company and deals with the day-to-day activities of the business.

EXECUTIVE COMMITTEE



Mpumi Z Mpofu (54)

CEO

Effective date of appointment:
1 February 2020

- Postgraduate Degree of Town Planning (Coventry University)
- BA Honours, Urban and Regional Planning



Fundi Sithebe (41)

COO

- BBA
- Post Graduate Diploma in Management



Badisa Matshego (43)

Group Executive:
Infrastructure Asset Management

- B.Sc Civil Engineering
- Executive Development Programme



Mthoko Mncwabe (43)

Chief Information Officer

- BSc Computer Science, Mathematics
- BSc Hons Computer Science
- MBA
- Executive Development Programme



Siphamandla Mthethwa (45)

CFO

Effective date of appointed: 1 May 2020

- CA (SA)
- Postgraduate Diploma in Accounting/CTA
- BCompt Hons
- BCom Accounting
- Advanced Management Programme



Lindani Mukhudwani (37)

Acting CFO

- CA (SA)
- Certificate in the Theory of Accounting
- BCom Hons Accounting
- BCom Financial Accounting



Charles Shilowa (48)

Group Executive: Business Development

- BSc Chemistry
- BSc Chemical Engineering
- MBA
- Higher Diploma (HDip) (Tax)
- Postgraduate Certificate Mechanics of Project Finance
- Postgraduate Certificate Mechanics of Corporate Finance
- Advanced Management Programme



Girish Gopal (56)

Group Executive:
Technical Services and Solutions

- BSc Electrical Engineering
- MSc Electrical Engineering
- MBA



Jabulani Khambule (47)

Acting Group Executive:
Commercial

- National Diploma Retail Management
- Executive Development Program
- Certificate in Shopping Centre Leadership
- MBA (In progress)

This position was introduced in December 2019



Bongive Mbomvu (53)

Group Executive:
Governance and Assurance

- BSocSci
- LLB
- LLM
- Admitted Attorney of the High Court



Daily Ramasia (41)

Acting Group Executive:
Human Resources

- BTech Human Resources
- People Management Excellence Certificate
- MBA (In-Progress)
- Chartered HR Practitioner with SABPP
- Chartered Reward Specialist with SARA



Refentse Shinnars (43)

Group Executive:
Corporate Affairs

- BTech Public Relations Management
- National Diploma Public Relations Management
- Management Development Programme



Sithembiso Ngwenya (38)

Chief Audit Executive

- CA (SA)
- BCom Hons Accounting



Andre Vermeulen (49)

Group Executive
Airports Management

- BEng Mechanical Engineering

Resigned: December 2019
This position has since been abolished

HOW OUR STRATEGY CREATES VALUE

Follow this chevron process throughout this chapter to understand how we create value

Our strategic intent

Our value creation process

Our materiality process

Our value creation outcomes

“

We create value in the short, medium and long term through the implementation of our strategy for the benefit of all our stakeholders. We achieve this by continuously assessing our value creation process and the material issues affecting value creation.

2020
INTEGRATED REPORT

OUR STRATEGIC INTENT

Our strategic intent

Our value creation process

Our materiality process

Our value creation outcomes



Our mission

To develop and manage world-class airport businesses for the benefit of all stakeholders.



Our vision

To be a world-leading airport business.



Vision 2025

To be the most sought-after partner in the world for the provision of sustainable airport management solutions by the year 2025.



Our values

Our values are defined by the acronym PRIDE: Passion, Results, Integrity, Diversity and Excellence.

Long-term horizons



Our strategy is implemented over three time horizons to create value over the short, medium and long term.

Horizon 1

By 2020:
Extend and defend our business.

Horizon 2


By 2025:
Build associated emerging businesses and drive medium-term growth.

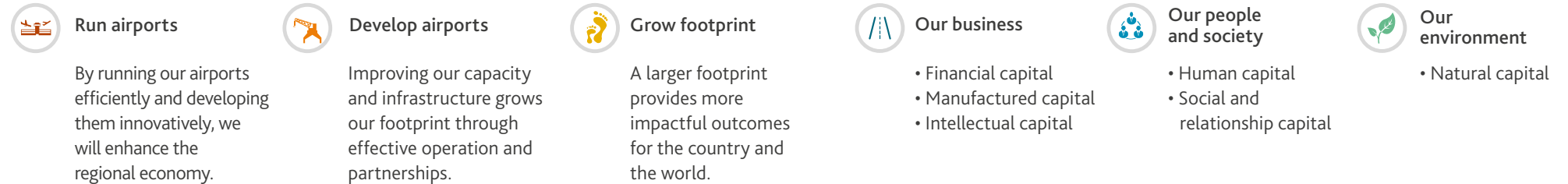
Horizon 3

Beyond 2025:
Create viable business options to ensure our success in the long term.

Three-pillar strategy

Airports Company South Africa's core three-pillar business strategy forms the basis of all strategic endeavours. Our strategy is implemented and its performance measured

against a set of strategic objectives and associated key performance indicators (KPI). See page 70  for more information on our strategic objectives and KPIs.



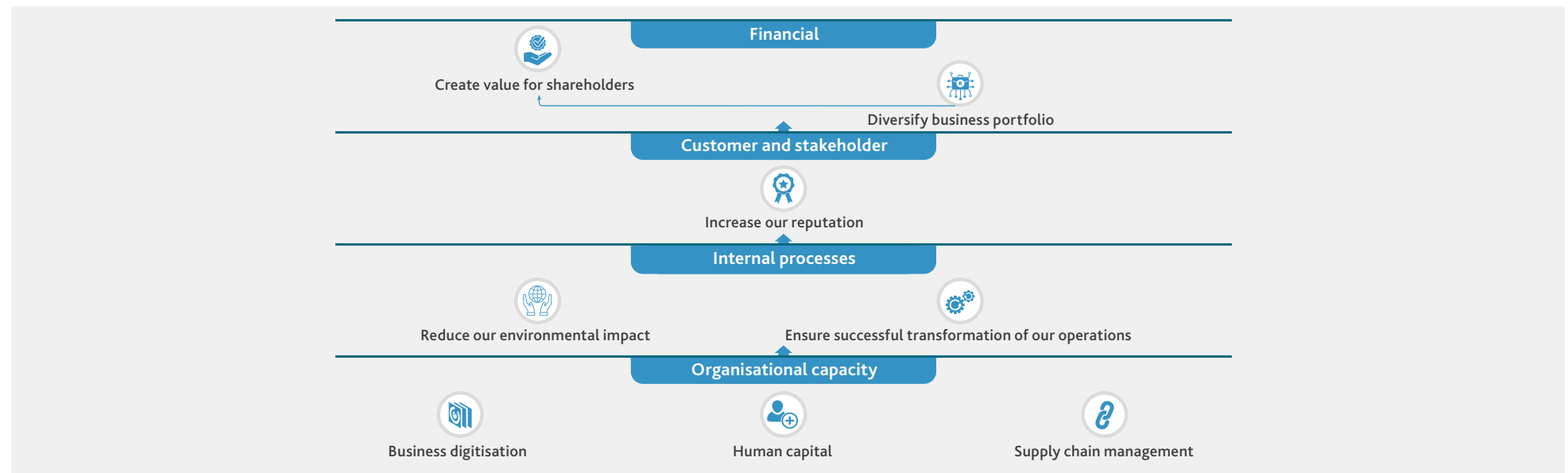
Sustainability Framework

Our Sustainability Framework depicts the impact we want to make on our business, our people and society and

our environment which are aligned with the IIRC's six capitals.

Strategy map

Our strategy map depicts our strategic objectives in the context of our balanced scorecard (Financial; Customer and stakeholder; Internal processes and Organisational capacity).





UNDERSTANDING OUR NEW NORMAL

In the final month of the year under review, disruptive global shifts due to COVID-19 had an unprecedented and unexpected impact on our ability to execute our strategy, forcing us to come to grips with a new normal and to adapt accordingly.

To survive this challenging time, the current strategy is being reviewed considering the new realities of COVID-19 as well as the Medium Term Strategic Framework (MTSF) and Ministerial Priorities, resulting in a new strategy. As we enter a new business environment, navigating our new normal goes beyond cost reduction, it also focusses on innovating our business model to adapt to our operating context. Considering this, we have commenced with a full revision of the overall strategy, operating model, governance framework and organisation structure.

Transformation

The current challenges we face do not detract from our commitment to pursuing our transformation agenda. In these dire times, we have adopted a maintenance approach to prevent regression in the progress we have made. This includes heightened monitoring and reporting of our FY2020/21 B-BBEE scorecard performance targets, monitoring of FY2020/21 sector plans, enhanced preferential procurement spend performance tracking and reporting, maintenance of enterprise development and supplier development initiative agreements and the utilisation of B-BBEE champions.

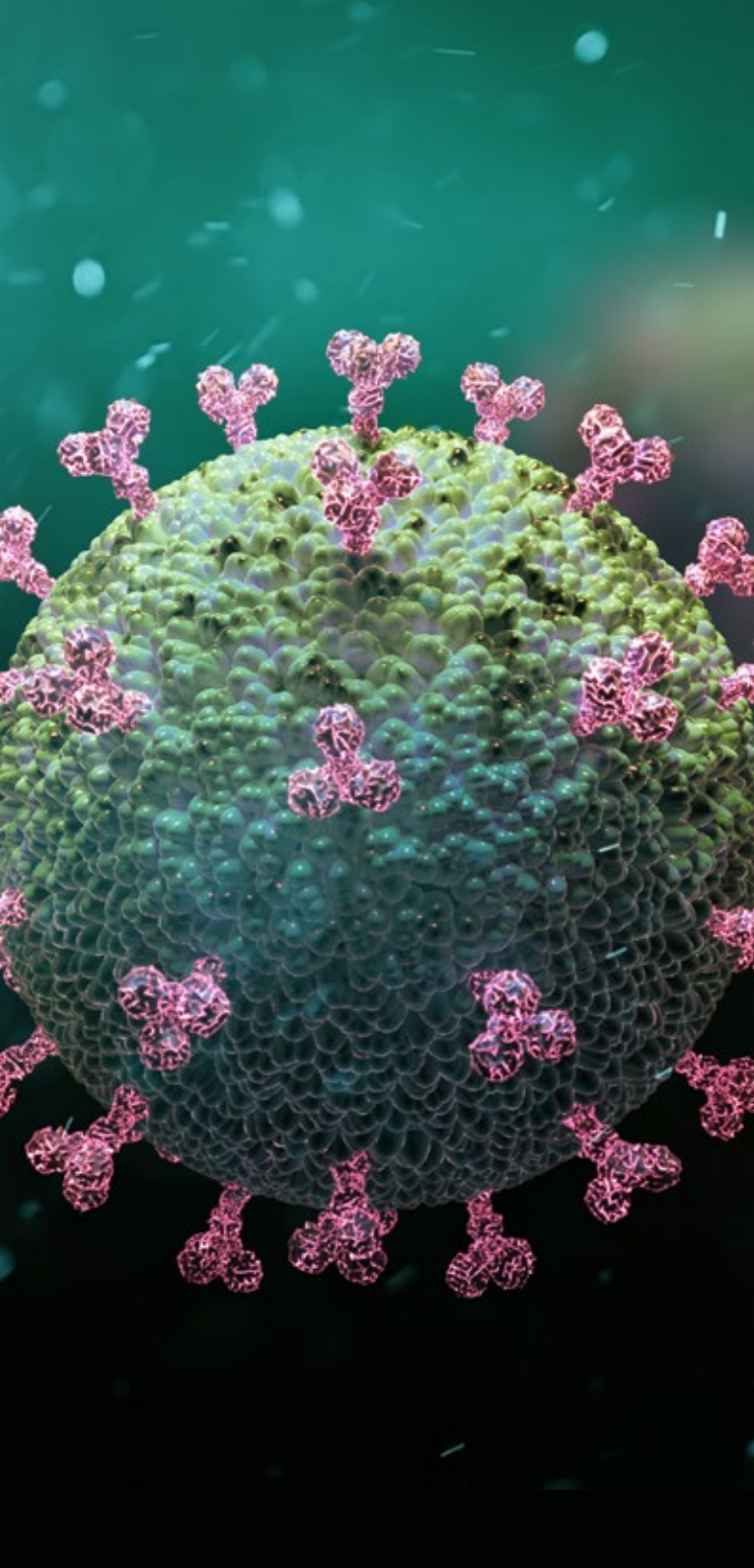
Run airports

How we run our airports will be our main strategic focus area as we recover and sustain from the impacts of COVID-19. As a result, we will revise our approach to operating airports by improving operational efficiencies, rebuilding passenger confidence, adjusting tenant rental obligations and reducing infrastructure footprint to air-traffic. At all times we will ensure the health of staff, stakeholders and airport users. We will also revise our financial plans including reducing operational costs and identifying opportunities to grow the business.

Develop airports

While a reduction in demand is expected in the short, medium and long term, we will revise our approach to the development of our airports away from capacity expansion towards a focus on innovation, alignment, integration and replication of successful developments. Accordingly, we will utilise and repurpose existing infrastructure and equipment until the end of their working lives; develop airports biased to investments that reduce the cost of doing business; prioritise opportunities that are adjacent and complimentary to our business such as conference facilities, transportation nodes, cargo and logistics platforms; and put capital expenditure projects that are dependent on the increase in passenger traffic, on hold. Revising our financial plans to account for our new normal required that we prioritise our capital expenditure in line with affordability.

Our reductions in the revised financial plan will not be enough to weather the storm ahead and we will therefore seek shareholder and government support, engage rating agencies, banks and investors on debt support as required by our revised financial plan.



Grow footprint

Prior to the emergence of COVID-19, growing our footprint was a crucial part of our strategy. In the current climate, however, we must revisit the timeline we have set to grow as well as our approach. We are now considering new ways to grow ranging from off balance sheet funding and financing, to 100% ownership and strategic partnerships. We are also re-evaluating strategic investments and identifying underdeveloped areas of growth such as aerotropolis, cargo as well as training and consulting services, among others.

Business enablement

Our employees are an essential part of our ability to overcome the challenges posed by COVID-19. We will therefore review our operating model and operating structure to optimise our human resource organisational capacity through capacity re-allocation, job rotation, multi skilling, secondment, employee engagement initiatives as well as deliver leader-led change management.

In the short term, a shift towards a digitised travel experience is expected resulting in touchless travel from departure to destination. In adapting to this shift, we will improve our organisational IT capacity by rolling out prioritised airport management projects and artificial intelligence thermographic solution for all terminal entrances.

MOVING FORWARD TOGETHER

As this new chapter starts in the aviation industry, the importance of our stakeholder relationships and our reputation has been enhanced. We know that in this time what we do and how we communicate with our stakeholders is of paramount importance. Through our COVID-19 stakeholder engagement plan, we will inform stakeholders of our recovery plans and the financial impact of COVID-19, so as to partner with stakeholders, get input and find solutions together, resulting in a roadmap that seeks to collaborate efforts of growth in the sector.

While confronting this new normal may seem daunting, we will execute our strategic response by creating and implementing a detailed take off plan, engaging our stakeholders, providing passengers with safety processes and assurances to restore trust, ensuring employees' wellbeing, stimulating demand, adapting our use of IT and technology, restarting our operations with care and by continuing to create value for our business, people, society and the environment.

OUR VALUE CREATION PROCESS

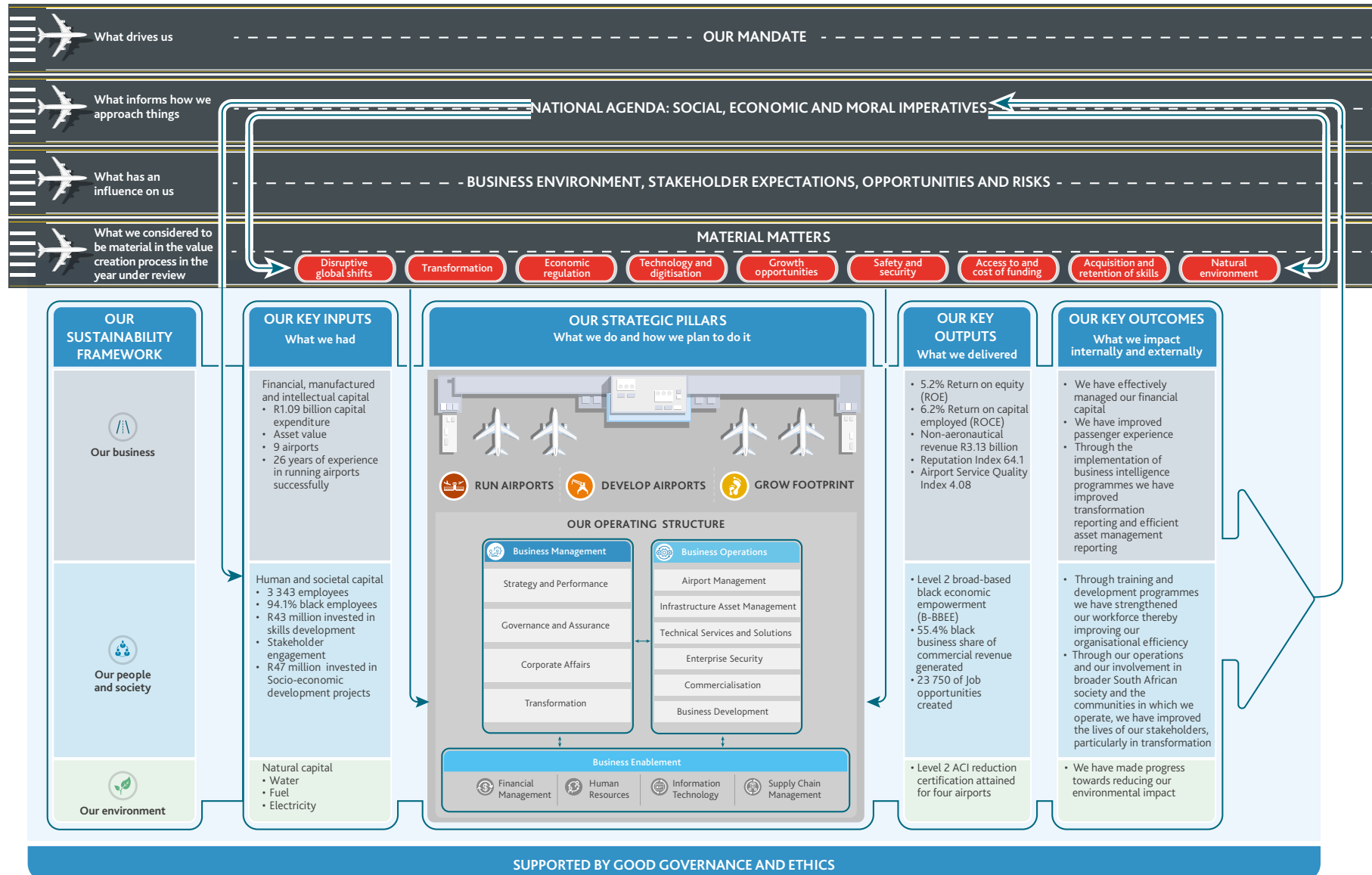
Our strategic intent

Our value creation process

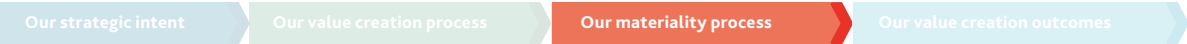
Our materiality process

Our value creation outcomes

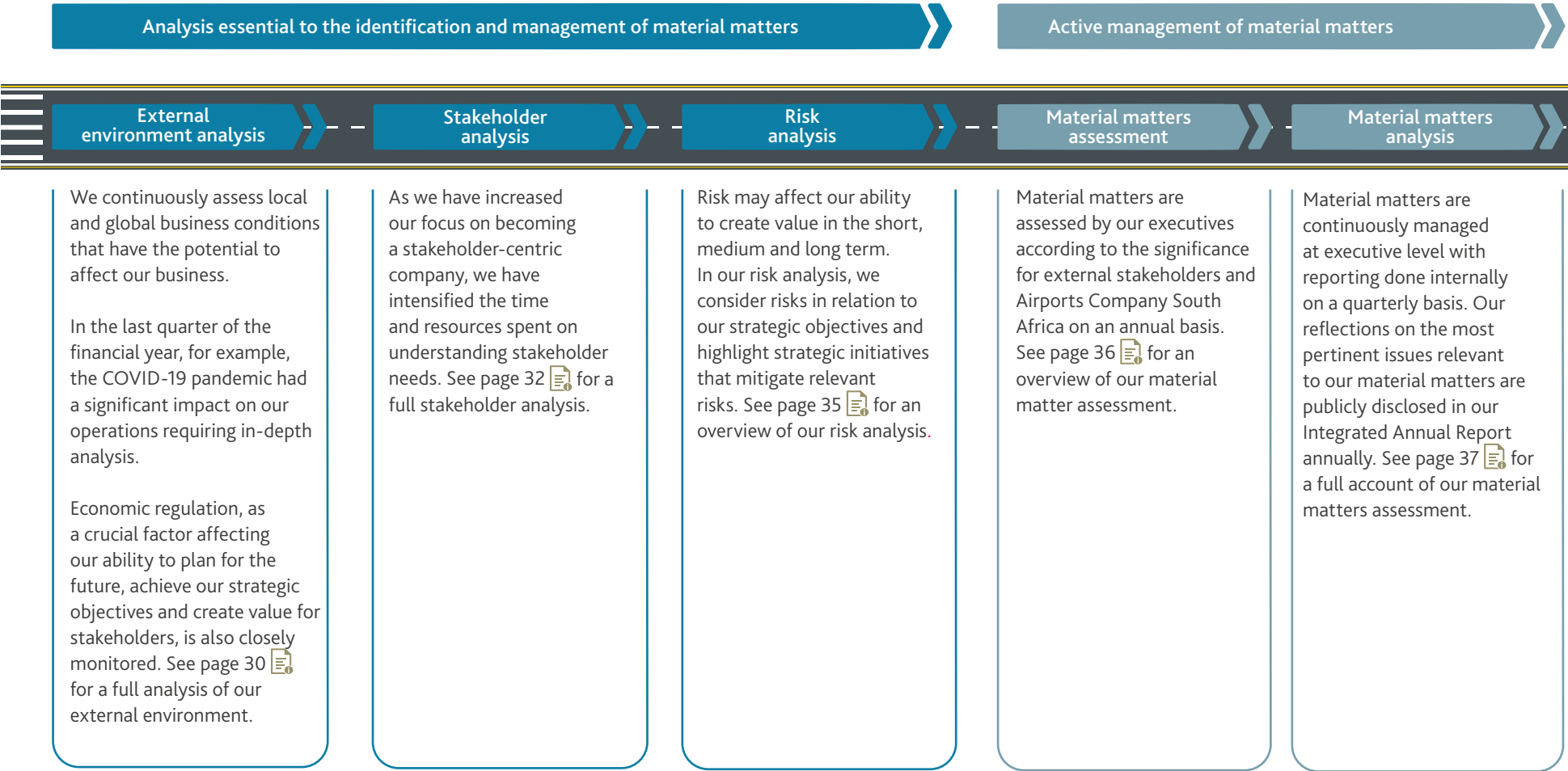
We apply an integrated approach to deliver our outcomes, that is, our country's transformational objectives as well as global sustainability goals. Airports Company South Africa's business model takes inputs from its capitals and transforms them through our business activities and interactions to produce outputs and outcomes that, over the short, medium and long term, have the potential to create value for our business, our people, our society and the environment.



OUR MATERIALITY PROCESS



We consider a matter to be material if it has the potential to substantially affect our ability to create or sustain value for our business and our stakeholders over the short, medium and long term. Material matters may affect the implementation of our strategy and therefore warrants significant attention throughout the year. The following diagram outlines this process, followed by a brief discussion of each stage of the process.



External environment analysis

Our strategic intent

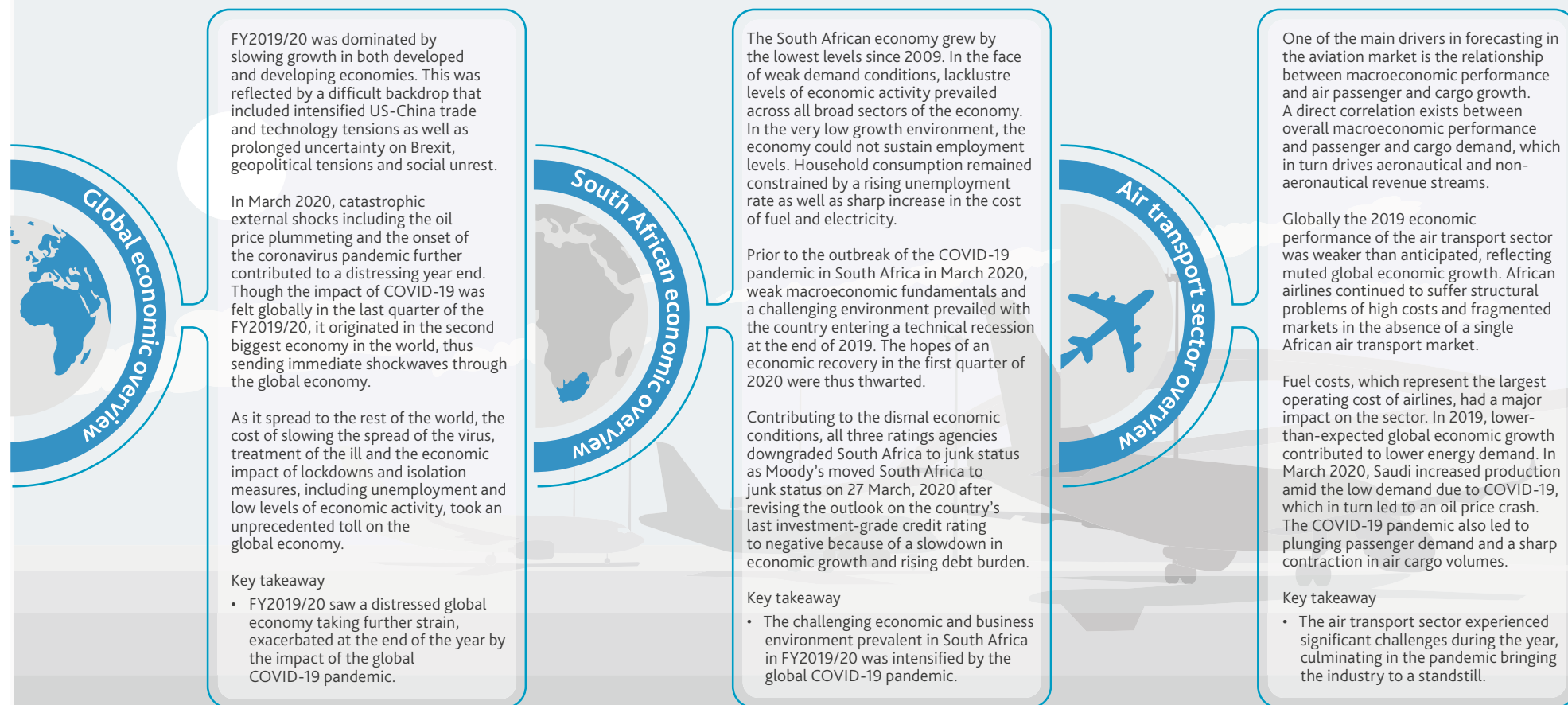
Our value creation process

Our materiality process

Our value creation outcomes

Our financial year ended amid profound uncertainty, as the coronavirus pandemic caused unprecedented economic and societal disruption. We found ourselves coming to grips with this new normal, as we all redefine how we live and work in these extraordinary times.

The year that was ... FY2019/20

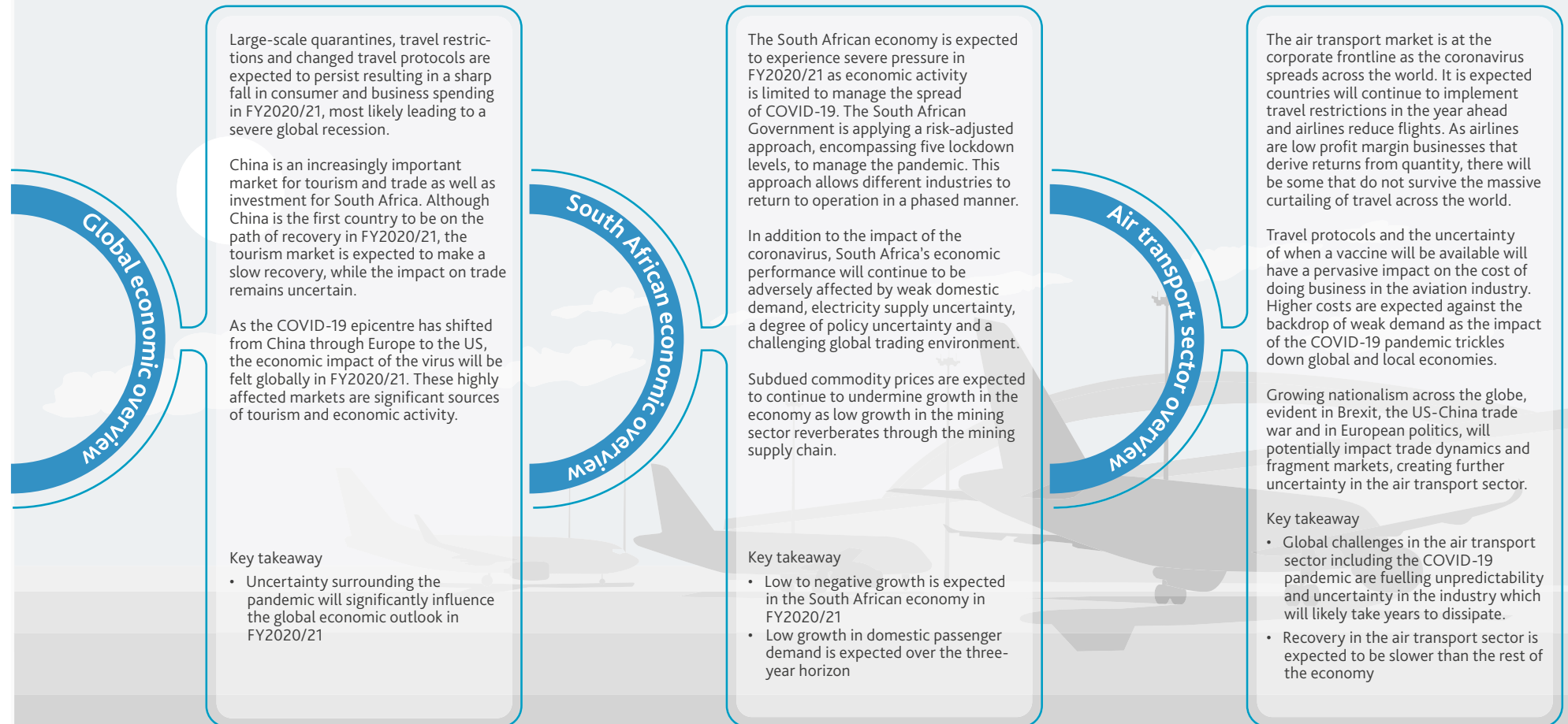


Impact on our business in FY2019/20:

- The COVID-19 pandemic had a profound impact on our ability to operate at optimum levels in the last quarter of FY2019/20
- Weak economic growth coupled with weak consumer demand limited traffic volume throughout the year
- The revision of Sovereign credit outlook by Moody's from stable to negative led to a similar decision taken on our credit rating

The year ahead ... FY2020/21

The FY2020/21 financial year and beyond will be severely impacted by the COVID-19 pandemic.



Impact on our business in FY2020/21:

- Until a vaccine is available international travel will be severely impacted by COVID-19 risk
- Under different lockdown levels our airports are allowed varying levels of operation, with normal levels of operation not expected in the near future
- Weak economic growth coupled with weak consumer demand will continue to limit traffic volumes
- Increased costs of capital due to the credit rating downgrade is likely to affect capital availability for infrastructure development
- A drop in tourism, trade and investment from China, UK and Europe will impact traffic dynamics while the impact of Brexit on travel from London Heathrow – the most connected airport in the world – is still to unfold

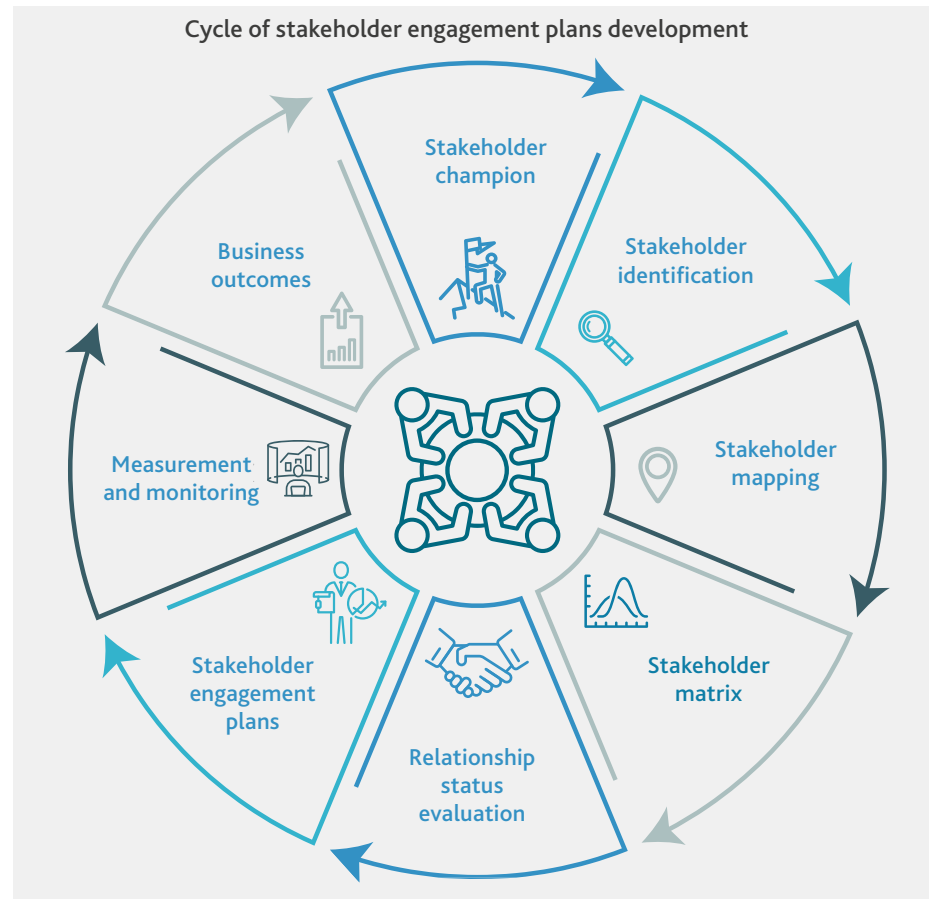
Stakeholder analysis

Stakeholders are at the heart of what we do. Airports by their nature are complex networks that comprise an ecosystem of intrinsically linked stakeholders, which often have differing objectives. As a State-owned company, we must balance the interests of all our stakeholders by building infrastructure and collaborating with service providers to provide seamless, safe and secure services, while furthering our transformation imperatives.

Through stakeholder management activities, we are able to build mutually beneficial relationships that create sustainable shared value. We have a progressive stakeholder engagement strategy aimed at creating a stakeholder-centric culture towards our mission to develop and manage world-class airport businesses for the benefit of all stakeholders. Stakeholder relations are managed by stakeholder champions in a systematic and structured

manner through our stakeholder engagement plans. Ensuring mutually beneficial relationships and tapping into our stakeholder universe is key to achieving our Vision 2025.

The following cycle outlines our plan to continuously engage stakeholders, while the figure below illustrates how we categorise stakeholder groups.



Measuring and monitoring

Our stakeholder engagement plans ensure that we work towards establishing and maintaining a positive relationship status with our various stakeholders. Through tailored engagements, led by stakeholder champions, we are able to address stakeholder issues. Our stakeholder engagement plans are also linked to our Group KPIs, ensuring alignment between stakeholder management and value creation outcomes. The following table provides a brief overview of our stakeholder engagement dashboard.

Stakeholder category	Stakeholder	Stakeholder champion	Relationship status	Engagement approach	Stakeholder issues	Group KPI	Outcomes
Government, regulators and Board of Directors	Government	Board Chairperson CEO CFO	Positive	One-on-one forums Parliament presentation	Alignment to government mandates	Return on capital employed (ROCE) Reputation Index	Ministerial buy-in to our Corporate Plan
	Regulators	CEO CFO COO	Positive, but negative with Economic Regulator	One-on-one meetings	Long-term industry sustainability and licence to operate	ROCE Reputation Index	Tariff approval
	Board of Directors	CEO	Positive	One-on-one meetings	Governance Going concern	All group KPIs	Delivering on government mandate Transformation
Shareholders, investors and lenders	Shareholders	Board Chairperson CEO	Neutral	AGMs	Financial/Business performance	ROCE	Corporate Plan approval
	Investors	CFO	Positive	Investor roadshows Meetings	Financial performance	ROCE Reputation Index	Access to funding
	Lenders	CFO	Positive	Investor roadshows One-on-one meetings	Financial performance Capital expenditure	ROCE Reputation Index	Access to funding
Associations, partners, professional bodies	Associations (Airlines Association of Southern Africa, Board of Airline Representatives of South Africa)	CEO COO	Positive	Meetings	Traffic development and operational efficiency	ROCE	Traffic development and operational efficiency
	Partners (SA Tourism, Wesgro, Gauteng Tourism, Dube Trade Port)	CEO COO Group Executive: Business Development	Positive	Meetings and forums	Traffic and route development-alignment on airlift strategy and collaboration	ROCE	Growth of trade and tourism.
	Professional bodies (ACI, ICAO, IATA)	CEO COO Chief Information Officer Group Executive: Technical Services and Solutions Group Executive: Human Resources Group Manager: Security Enterprise Security	Positive	Conferences and forums	Global innovation Defining future travel Aviation security	Reputation Index ACI Carbon level	Improve passenger experience

<div> Our strategic intent Our value creation process Our materiality process Our value creation outcomes </div>							
Stakeholder category	Stakeholder	Stakeholder champion	Relationship status	Engagement approach	Stakeholder issues	Group KPI	Outcomes
Passengers, airlines, customers, retailers and distributors	Passengers and customers	COO	Positive	Traditional media, digital platforms	Airports processes and service offerings	Reputation Index ASQ	Passenger satisfaction
	Airlines	CEO COO	Positive	Meetings	Traffic development and operational efficiency	ROCE	Traffic development and operational efficiency
	Retailers and distributors	COO Group Executive: Commercial	Positive	Meetings and group presentations	Conducive business environment Tenant partnerships	Non-aeronautical revenue % Black business share of commercial revenue generated	Alignment on commercial strategy
Employees, unions and suppliers	Employees	CEO Group Executive: Human Resources	Positive	Line management Engagement framework CEO roadshows	Workplace environment Rewards and benefits	Reputation Index	Employee satisfaction
	Unions	Group Executive: Human Resources	Positive	Line management Engagement framework CEO roadshows	Workplace environment Rewards and benefits	Reputation Index	Engaged union
	Suppliers	Group Manager: Supply Chain Management	Positive	Meetings	Supply chain management processes Contract management	B-BBEE % Black business share of commercial revenue generated	Transformation
Media, academia, activists and special interest groups	Media	Group Executive: Corporate Affairs	Neutral	Interviews Media briefings Meetings	Information sharing on our business	Reputation Index	Positive reporting on our business
	Academia	Group Executive: Human Resources	Positive	Forums and meetings	Training research	Reputation Index	Staff development
	Activists and special interest groups	Group Executive: Corporate Affairs	Neutral	Meetings	Alignment on our business approach on key issues	Reputation Index	Increase reputation
Community, NGOs, environmentalists	Community	Group Executive: Corporate Affairs	Positive	Meetings	Community development and programmes	Reputation Index	Transformation and creating sustainable livelihood programmes
	NGOs	Group Executive: Corporate Affairs	Positive	Meetings	Community development and programmes	Reputation Index B-BBEE Job creation opportunities	Transformation and creating sustainable livelihood programmes
	Environment	Group Executive: Corporate Affairs	Positive	Meetings	Ways to reduce environmental impact	Reputation Index ACI Carbon level	Environmental sustainability
Joint venture partners, competitors, tourism bodies	Joint venture partners	Group Executive: Business Development	Positive	Positive	Equity investments and concessions partnerships	Non-aeronautical revenue	Increase equity investments
	Tourism bodies	Group Executive: Business Development	Positive	Positive	Traffic and route development-alignment on airlift strategy and collaboration	ROCE	Growth of trade and tourism

Our strategic risks and mitigation commitments and advances

Strategic risks affect our ability to create value over the short, medium and long term. These risks are closely linked to our strategic objectives and are monitored throughout the year. In order to mitigate our strategic risks, we undertake mitigation measures as set out below.

Strategic objective	Strategic risks	Priority ranking	Mitigation
Create value for shareholder	Unpredictability of decisions by the economic regulator	I	The Airports Company Amendment Bill was approved by the National Assembly. Postponed the permission application process due to the pandemic outbreak. Revised Economic regulatory strategy with focus on judicial review in terms of Promotion of Administrative Justice Act.
	Non-delivery or ineffective delivery of the major built environment infrastructure programme in a predictable manner and to business expectations	I	Ensured effective management and monitoring of enterprise project management performance through appropriate governance structures.
	Inability to secure affordable funding impacting on the ability to execute the growth/enhancement strategy and even business interruption	I	Applied a conservative financial management philosophy and prudent treasury policies. Continued adoption of latest corporate governance principles. Continued to closely monitor engagement with stakeholders (Credit Rating Agencies, Shareholders, and investors).
Diversified business portfolio	Insufficient growth opportunities in non-aeronautical revenue	I	Developed Commercial 2025 Strategy to optimize operating model. Conducted investment associates and risk-reward assessment for all investment opportunities to ensure alignment with company risk appetite
	Exposure to negative operating conditions in global target markets	II	Continued quarterly analysis and monitored market exposure and conditions. Implemented Business Development and Commercial strategies to grow non-aeronautical revenue.
	Ineffective implementation of the business development strategy	II	Established the Airports Consultancy and Advisory Services Board with intent to drive business development and revenue enhancement.
Increase reputation	Unlawful acts of interference within aviation operations compromising our airport security	I	Continued intelligence monitoring and gathering through the relevant state agencies. Benchmarked against best practices with global airports. Implemented Smart Security Technology.
	Loss of confidence in our business or a decline in our reputation	I	Implemented our effective ethics management plan and executive crisis management plan. Continued assessment of Group's stakeholder perceptions.
	Limited coordination between relevant departments, agencies and other organisations	I	Implemented and monitored Executive Stakeholder Engagement plans to ensure positive relations with critical stakeholders.
	Loss of hub status leading to the erosion of airport sustainability	I	Monitored developments and engagement with anchor carrier SAA on plans and business rescue processes. Implemented Business Development Traffic Development Strategy.
	Non-compliance with laws, regulations, standards, policies and procedure	II	Ensured relevant compliance policies and procedures are in place to support the desired compliance culture, control gaps and addressed findings from regulators and assurance providers.
	Concentrated revenue profile	II	Developed Commercial Strategy 2025 and implemented it to address revenue concentration.
Ensure successful transformation of our operations	Failure to exploit our status and strategic development plans to promote transformation	II	Strengthened transformation policy. Implemented our Economic transformation strategy. Infused transformation into Executive Contracts and continued monitoring of the agreed transformation KPIs.
Reduce environmental impact	Inability to reduce environmental impact		Delivered ACI Carbon Accreditation Footprint level project plan. Developed photovoltaic solar plants to provide renewable energy to airports as well as energy storage solutions.
Human capital	Inability to attract, develop and retain key skills	II	Embedded succession management and value-based-leadership culture. Developed an integrated talent management strategic workforce planning. Improved career management and performance management engagements across the organisation.
Business digitisation	Failure to provide digitised/technology platforms to support current and future operations in a stable and secure manner	I	Implemented and monitored the IT strategy to ensure effective management of cyber threats, emerging risks and vulnerabilities.

Our strategic intent

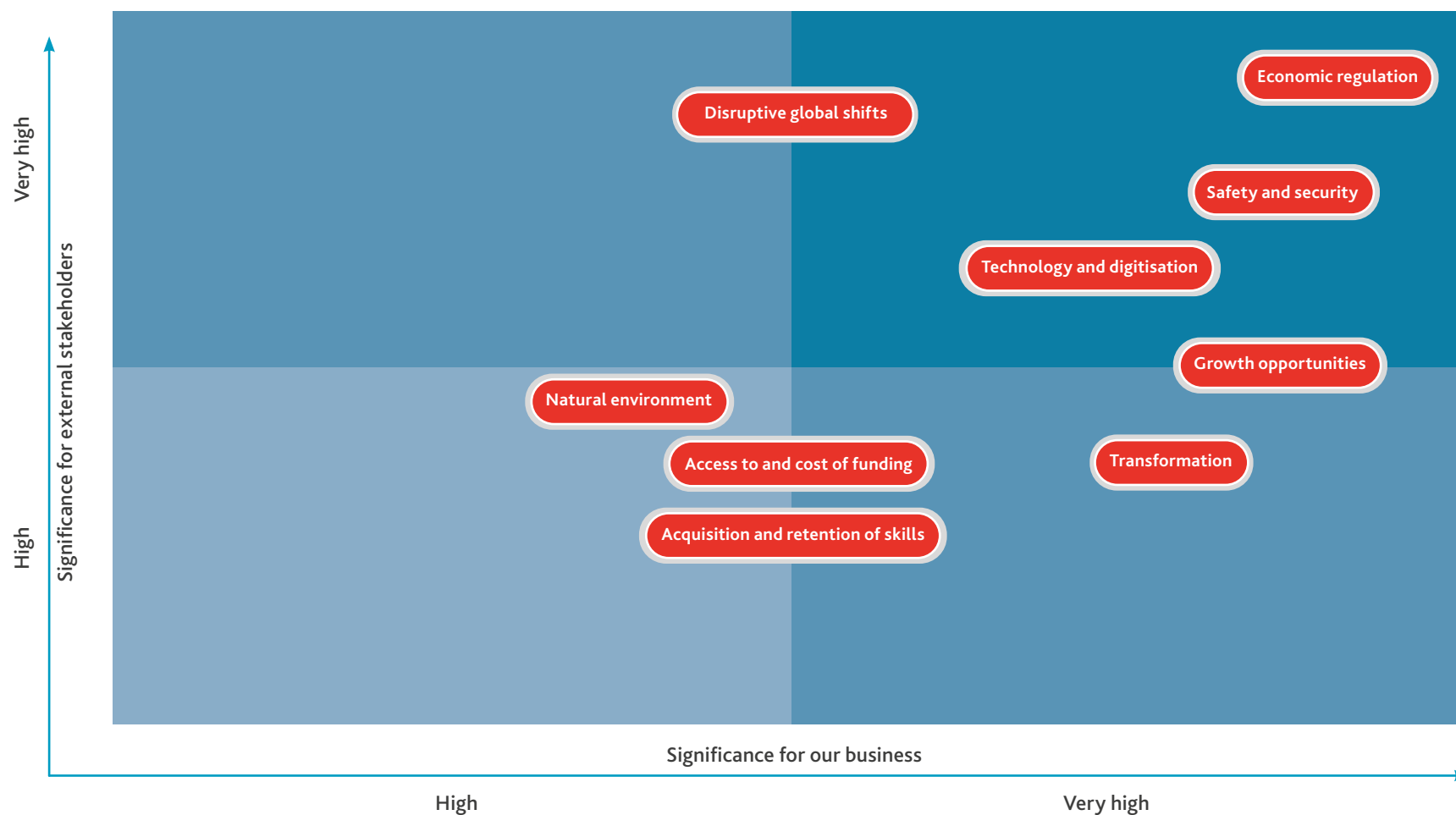
Our value creation process

Our materiality process

Our value creation outcomes

Material matters assessment

Material matters are assessed annually according to our analysis of the external environment, stakeholder needs and our Executives' input into the process. Although all material matters remain important to Airports Company South Africa, the assessment process allows us to evaluate the significance we attribute to a material matter in comparison to the significance external stakeholders attribute to it. The matrix below illustrates how significant material matters are to Airports Company South Africa and our external stakeholders.



Material matters analysis

A volatile external environment coupled with changes in stakeholder expectations and perceptions in FY2019/20 require that we reflect on these material matters as they have affected or may affect our ability to create and preserve value.

In our material matters analysis, we briefly describe each material matter as well as our desired outcome. This is followed by our response to the material matter and its impact on our stakeholders. We have also linked the key risks, trade-offs and strategic objectives relevant to each material matter.

G

Material Matter: Disruptive global shifts

Description and desired outcome

A significant impact of globalisation is the increased risk to national economies of external shocks over which they have little control. Globalisation means economies are increasingly interconnected and interdependent and while this generates long-term gains in terms of trade, growth and jobs, it also presents economies and various industries within them, with risks and challenges. External economic shocks have had a significant impact on the air transport sector this year.

The COVID-19 pandemic profoundly negatively impacted our operations. The virus led to a major global recession and a deep downturn in the economy locally. Uncertainty as to how long the impact of the pandemic will last and the effect on the air transport sector endures.

Our response

A strong financial foundation, the stability of our business and sound, existing structures and procedures in our airport operations as well as our strengthened leadership enhances our resilience and ability to withstand this crisis. In these times our shareholders' support is essential as the crisis has impact beyond our own means.

Impact on stakeholders

- National lockdowns globally and in South Africa influenced passengers' ability to travel and the ability of suppliers and service providers to operate.
- Long-term impacts including likely changes to airline revenue and yield models due to travel protocols and other measures as a result of the pandemic will create an entirely different air transport sector. The realisation that global pandemic outbreaks will become part of the future might have significant impacts on passengers' decision to travel.

Risks

- Limited coordination between relevant departments, agencies and other organisations.

Trade-offs

- The pervasiveness and uncertainty of these global impacts leads to ambiguity in terms of future predictive models and risk mitigation strategies.

Strategic objective

- Increase reputation
- Create shareholder value

Our strategic intent

Our value creation process

Our materiality process


Our value creation outcomes


T

Material Matter: Transformation**Description and desired outcome**

Our mandate requires us to make a positive contribution to the economic growth and development of South Africa. We promote inclusive growth that boosts the economy, creates jobs and empowers people. We strive to transform our business, our people, our society and our environment to address inequality, strengthen our democracy and promote sustainable use of environmental resources.

Our response

To transform our business, we focus on the formation of empowerment partnerships. By concentrating on preferential procurement and enterprise development in seven sectors, we are transforming our supplier base. Read more about our seven sectors on page 59 . Internally, we transform our people through management control, ensuring employment equity and providing skills development opportunities.

As a State-owned company, our approach to transformation must include a socio-economic development component through which we not only contribute to the transformation within the Company – at Board and employee level – but also to the transformation of communities surrounding our airports. Further, we recognise our environmental impact and work to reduce it. Please refer to page 54  for our achievements in transformation for the year under review.

Impact on stakeholders

- More local small, medium and micro suppliers and service providers do business with us.
- Black businesses continue to comprise a larger share of our operational and developmental spend, as well as a larger share of our commercial revenue.
- Our socio-economic development programmes empower local communities.

Risks

- Failure to exploit our status and strategic development plans to promote transformation.
- Non-compliance with laws, regulations, standards, policies and procedures.

Trade-offs

- The legislative environment in which we operate requires that we take a balanced approach to the implementation of transformational initiatives and ensure that we follow our legal prescripts, and ensure that we follow our legal prescripts
- Anticipated lower profit margins will result in lower socio-economic development contributions

Strategic objective

- Ensure successful transformation of our operation
- Increase reputation

ER

Material Matter: Economic regulation**Description and desired outcome**

Economic regulation is a vital cog in our business, as our revenue is constrained by regulated charges for the use of our airport facilities. These charges are reviewed in three-year cycles. The unpredictability of regulatory decision-making with regard to regulated charges impacts long-term financial and infrastructure planning and decision making. Promulgated charges provide certainty in the short term but the regulator's decision making remains uncertain as we move towards the next regulatory cycle, thereby impacting long-term planning and decision making.

Our response

We continuously engage in the review of the economic regulatory framework with stakeholders to provide clarity and certainty on tariff decisions going forward, including through an appeals mechanism included in the Airports Company Amendment Bill, which was approved by the National Assembly in March 2020.

We also have an economic regulatory strategy in place aimed at improving the predictability, transparency and sustainability of regulatory decisions. The current tariff promulgation does not allow for any further increases in airport charges until 1 April 2022. In April 2020 we approached the Economic Regulator requesting a postponement of the submission of the Permission application for one year. We were advised on 3 June 2020 that request for postponement has been granted.

The unpredictability of regulatory decisions requires us to apply a conservative financial management approach while managing our supply chain in order to contain costs. Where possible, we continue to drive the growth of non-aeronautical revenue. Non-aeronautical revenue cross-subsidises aeronautical revenue in order to reduce the cost of operations of airlines and charges to passengers.

Impact on stakeholders

- Regulatory certainty allows for improved business and financial planning with predictable cash flows allowing us to plan infrastructure developments to the benefit of all stakeholders.

Risks

- Unpredictability of decisions by the economic regulator.

Trade-offs

- Growth of assets, as a result of traffic volume growth, is funded through the regulatory model. Constraints on revenue generation, due to the regulatory model, limits growth opportunities and places pressure on non-aeronautical revenue generation.

Strategic objective

- Create value for shareholder


TD

Material Matter: Technology and digitisation**Description and desired outcome**

Technology and digitisation enables improved airport operational efficiency as well as the improved management of safety and security. Stakeholders, including customers and business partners, continue to demand innovation in automated services and digital enablement, including data analysis. Technology and digitisation advances represent an opportunity but we must remain aware of the heightened threat it poses in the form of business disruption and cyber-crime.

Our response

We are ensuring that we adopt and leverage appropriate digital technology to enhance operational efficiency and customer experience, while protecting our information and systems. In FY2019/20, the Board approved our IT/digitisation strategy and we embarked on several initiatives in passenger processing, cyber security, business intelligence, staff enablement and asset verification to digitise our business.

Please refer to page 98  for our achievements in IT and digitisation for the year under review.

Impact on stakeholders

- Use of innovative technology enables us to respond to customer needs for efficiency and safety and defend our competitive position.

Risks

- Failure to provide digitised technology platforms to support current and future operations in a stable and secure manner.

Trade-offs

- Although the long-term benefits make the implementation of digitisation initiatives an imperative, the continually changing nature of these technologies requires high levels of investment to stay up to date.

Strategic objective

- Business digitisation



GO

Material Matter: Growth opportunities**Description and desired outcome**

Revenue diversification contributes to the long-term sustainability of our ability to create value. As a result, our growth plan includes increasing our non-core revenue which reduces our reliance on traditional regulated aeronautical revenue and mitigates the risks associated with a concentrated revenue profile. The diversification of our revenue sources includes new growth opportunities such as opportunities across our business value-chain, airports management, advisory, airport equity investments and the training academy.

Our response

We actively seek and cultivate new growth opportunities in South Africa, the rest of Africa and internationally to provide alternative revenue sources which improves our long-term sustainability.

Please refer to page 85  for our achievements in our non-aeronautical operations and page 92  for our achievements in the growth of our footprint for the year under review.

Impact on stakeholders

- The diversification of our revenue reduces our dependence on aeronautical revenue and debt to finance capacity expansion and other projects.
- Our growth creates employment and stimulates economic activity beyond our internal operations.

Risks

- Insufficient growth opportunities in non-aeronautical revenue.
- Concentrated revenue profile.
- Exposure to negative operating conditions in global target markets.
- Ineffective implementation of the business development strategy.
- Loss of OR Tambo International Airport hub status leading to the erosion of Airports Company South Africa sustainability.

Trade-offs

- By diversifying our revenue, we reduce our dependence on aeronautical revenue.

Strategic objective

- Diversify our business portfolio
- Increase reputation
- Create value for shareholder


SS

Material Matter: Safety and security**Description and desired outcome**

Safety and security at our airports remains essential to our ability to continue our operations. Threats to the safety and security of our stakeholders and to our physical assets are treated with the necessary urgency and gravity. These threats take on many forms and require continuous monitoring and management.

Our response

We continue to engage with various stakeholders including the SACAA and our law enforcement partners and invest in security advancements to mitigate safety and security risks. Preventative measures as well as threat response procedures are in place at all of our airports to deal with crises and ensure the continuity of operations.

Please refer to page 82  for more information on safety and security at our airports in FY2019/20.

Impact on stakeholders

- Our airports remain free of major safety incidents or security breaches, due to our threat prevention and response procedures.

Risks

- Unlawful acts of interference within aviation operations compromising our airport security.
- Non-compliance with laws, regulations, standards, policies and procedures.

Trade-offs

- Increased safety and security measures come at a financial cost but also influence the processing speed and experience of passengers. It is therefore necessary to balance the need for operational efficiency with the need for increased levels of safety and security.

Strategic objective

- Increase reputation


F

Material Matter: Access to and cost of funding**Description and desired outcome**

Affordable external funding for infrastructure development projects is required to enable us to meet the capacity demands at our airports, and underpins our long-term sustainability. In FY2019/20, our access to and the cost of funding was negatively impacted by the downgrade of sovereign and Company credit ratings as well as the collapse of the global economy during the COVID-19 pandemic.

Our response

Constraints in our core aeronautical operations revenue generation and declining profits of our non-aeronautical operations require external debt funding. We will approach government and lenders in this regard.

Please refer to page 78  for an overview of funding position as at March 2020.

Impact on stakeholders

- Quality of service could be impacted as a result of ageing infrastructure or a lack of capacity.

Risks

- Non-delivery or ineffective delivery of the major built environment infrastructure programme in a predictable manner and to business expectations.
- Inability to secure affordable funding impacting on the ability to execute the growth/enhancement strategy and even business interruption.

Trade-offs

- Whether we have access to funding influences our ability to embark on major built environment programmes, which in turn influences our capacity and revenue-generating possibilities. At the same time, the cost of funding necessitates that we are selective about the programmes we undertake.

Strategic objective

- Create value for shareholder

S




Material Matter: Acquisition and retention of skills**Description and desired outcome**

The ability to attract, retain and appropriately develop critical skills is essential in our long-term sustainability. Our employees, as internal stakeholders, are part of each component of our value creation process. As the air transport sector continues to evolve, we must work to acquire new skills where necessary, while developing our current workforce through skills development.

Our response

We focus on providing our employees with a competitive remuneration mix as well as additional benefits such as our housing and transport schemes to attract and retain talent. We also support employees and their children with education through bursaries.

Beyond our support of employees, we continue to focus on skills development of small, medium and micro enterprises (SMME) through our enterprise development programmes. These programmes contribute to the availability of scarce skills through the support of our supplier base.

Please refer to page 57  for more information on our skills development - youth empowerment initiatives, page 60  for more information on our enterprise development initiatives and page 96  for more information on how we are improving the lives of our employees.

Impact on stakeholders

- Our reputation as an employer of choice has improved and we have maintained Top Employer certification for 10 years in a row enabling us to attract key talent.
- We have created a healthy pool of talent, ready to assume critical roles.

Risks

- Inability to attract, develop, retain and appropriately exit critical skills.

Trade-offs

- Some roles will change while others may not exist as our business and the environment in which we operate changes. Without continuous training and re-skilling, we would need to acquire more external skills at great cost.

Strategic enabler

- Strengthen human capital

NE

Material Matter: Natural environment**Description and desired outcome**

We strive to ensure that we reduce our impact on the environment through the effective management of aircraft noise and air pollution, bird strikes, water, electricity and fuel usage. As we grow, our impact on the natural environment increases, raising the significance of this material matter for us and our external stakeholders.

Our response

We conduct our environmental management – including legislative compliance – through an environmental management system. We also participate in the ACI's Airport Carbon Accreditation programme and maintain our ISO 14001 certification to ensure that we hold ourselves to the highest international standards.

Impact on stakeholders

- While our airports continue to impact the environments and communities surrounding them, we continue to mitigate these impacts where possible.

Risks

- Non-compliance with laws, regulations, standards, policies and procedures.

Trade-offs

- As we continue to manage our impact on the environment, we recognise that we must engage our stakeholder to have a positive impact. The process of engagement may create tension in the short term as the air transport sector strives towards having a lower impact in the long term.

Strategic objective

- Reduce environmental impact
- Increase reputation

OUR VALUE CREATION OUTCOMES

Our strategic intent

Our value creation process

Our materiality process

Our value creation outcomes

Our Sustainability Framework	Capitals	Inputs
 <p>Our business</p>	Financial	<p>Capital expenditure:</p> <ul style="list-style-type: none"> • R1.09 billion budgeted for capital expenditure projects • Negative sovereign and Group credit ratings <p>Regulatory environment: engaged with Regulating Committee to gain certainty on tariffs.</p> <p>Gearing ratio: FY2019/20 commenced with a gearing ratio of 18%</p>
	Manufactured	<p>Nine airports:</p> <ul style="list-style-type: none"> • Assets leveraged to maintain and develop new and existing routes that increase our connectivity • Capacity for 27 million departing passengers <p>IT infrastructure: Use of innovative technology to respond to customer needs for efficiency and safety and defend our competitive position</p>
	Intellectual	<p>Technical advisory and consultancy: Technical and advisory services, airport management solutions and training academy</p> <p>Research and development: Development of innovative ideas to improve client service and assesses whether new technology is required to drive efficiency</p>
 <p>Our people and society</p>	Human	<p>3 343 employees drive the Group's strategic objectives</p> <p>94.1% black employees</p> <p>R42 million invested in skills development to ensure we develop and maintain opportunities for employment equity</p>
	Social	<p>Engagement with suppliers and other stakeholders through roadshows to share our transformation journey and align objectives</p> <p>R47 million invested in socio-economic development projects</p>
 <p>Our environment</p>	Natural	<p>Water usage: Water saving and augmentation plans control water usage, minimising an overall consumption</p> <p>Fuel usage: Proactive fuel management practices to maximise fuel usage efficiency</p> <p>Electricity usage: Implementation of energy efficiency and alternative energy initiatives to maximise electricity usage savings</p>

What we do



Run Airports

By running our airports efficiently and developing them innovatively, we will enhance the regional economy.



Develop Airports

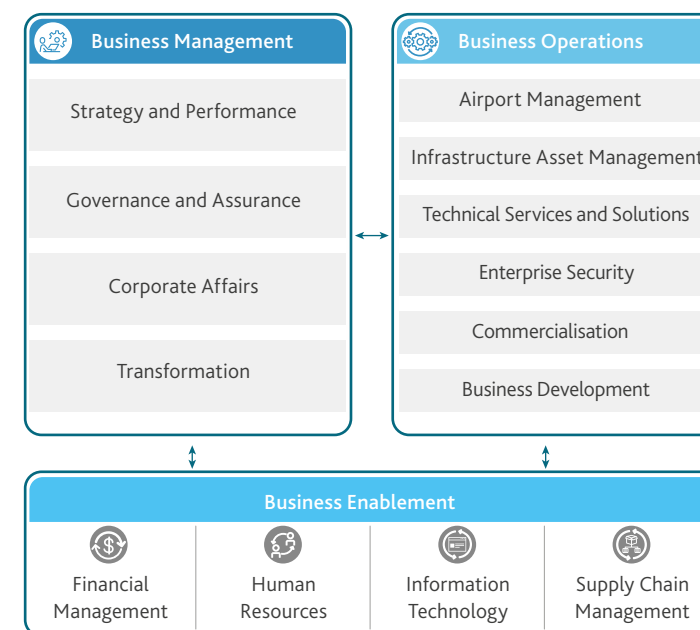
Improving our capacity and infrastructure grows our footprint through effective operation and partnerships.






Grow Footprint

A larger footprint provides more impactful outcomes for the country and the world.

Our operating structure



Our Sustainability Framework	Capitals	Outputs	Outcomes
 <p>Our business</p>	Financial	<ul style="list-style-type: none"> R30 billion committed to infrastructure development over five years Invested R1.3 billion in capital expenditure projects R 296 million in debt repaid during the year R550 million in interest payments during the year In excess of R10 billion repaid since 2013 	<ul style="list-style-type: none"> Improved airport stakeholder and passenger experience Developed infrastructure despite credit rating 5.2% ROE 6.2% ROCE Non-aeronautical revenue (R3.13 billion) made up 48% of total revenue 1.6% increase in non-aeronautical revenue Gearing has decreased to 17%
	Manufactured	<ul style="list-style-type: none"> 42 million passengers have used our nine airports Reputation Index increased to 64.1 out of 100 Achieved ASQ score of 4.08/5 	<ul style="list-style-type: none"> Contribution to the tourism economy and our financial position Enhanced operational efficiency Enhanced customer experience
	Intellectual	<ul style="list-style-type: none"> Increased institutional knowledge Continued application of systems, procedures and protocols 	<ul style="list-style-type: none"> Balance of non-core income ensures financial sustainability Enhanced customer experience Protection of our information and systems
 <p>Our people and society</p>	Human	<ul style="list-style-type: none"> Annual employee satisfaction (ESAT) based on PRIDE values increased to 3.58 out of 5 172 promotions 369 active employee bursaries worth R7 million 2 063 employees (61.7% of total) benefited from housing scheme 	<ul style="list-style-type: none"> Improvement in culture helps the Company reach its strategic objectives Contributing positively towards the availability of skills in South Africa
	Social	<ul style="list-style-type: none"> Black business share of commercial revenue generated is 55.4% Created 23 750 job opportunities Supported R4.1 billion in income for its employees and those of its local suppliers B-BBEE Level 2 Socio-economic development: Supported various projects across the country 	<ul style="list-style-type: none"> Grew black business share of commercial revenue generated Created job opportunities beyond our own operations Promoted employment equity and reflected the demographics of our country Improved stakeholder engagement
 <p>Our environment</p>	Natural	<ul style="list-style-type: none"> 2.6% decrease in overall fuel consumption Electricity consumption decreased by 3.7% Noise complaints decreased by 8.3% All nine airports maintained their ISO 14001:2015 Environmental Management System Standard Certification 	<ul style="list-style-type: none"> Contributed to climate change and Sustainable Development Goals Attained ACI Airport Carbon Accreditation Level 2 certification for O.R. Tambo International Airport, Cape Town International Airport, King Shaka International Airport and Port Elizabeth International Airport Attained ACI Airport Carbon Accreditation Level 1 certification for Bram Fischer International Airport and George Airport. Progress towards goal of being a carbon-neutral business by 2030

MESSAGES FROM LEADERSHIP

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Through close cooperation and collaboration with all our stakeholders, we believe we can navigate the uncharted territory ahead of us, successfully fortifying our business while enabling economic recovery.

2020
INTEGRATED REPORT







Adv. Sandile Nogxina
Chairman of the Board

Dear stakeholders,

We are in the midst of an era-defining crisis with unprecedented medical, economic and humanitarian challenges. The impact of the coronavirus outbreak will reverberate across societies and economies for many years to come, changing the air travel landscape. As a State-owned company, Airports Company South Africa's mandate encompasses a responsibility in the nation's response to this crisis. While managing the human and business impact of COVID-19, we must also ensure we are positioning our business to contribute to rebuilding the economy optimally. Airports are complex operations where fewer than 10% of the people working there are directly employed by Airports Company South Africa. We are, therefore, significantly aware of the COVID-19 impact on our entire ecosystem. Our efforts to mitigate the business impact of COVID-19 are essential if we are to help preserve the livelihoods of thousands of people in the sector.

MESSAGE FROM THE CHAIRMAN OF THE BOARD

Our drive to return to profitability must align with our commitment to transformation and socio-economic development. In the face of the COVID-19 pandemic, this shared responsibility has never been as important. The world in which we operate is increasingly volatile, uncertain, complex and ambiguous. This requires leaders to be agile, responsive and steadfastly focused on their goals. As a Board, we are confident that the leadership of Airports Company South Africa – the Board, executives and management – are equipped with the insight and abilities to navigate the current crisis.

An amended Corporate Plan was submitted to the Department of Transport and National Treasury in August 2020 and September 2020, respectively. The amended Corporate Plan is based on our assessment of the impact of COVID-19 and travel restrictions on traffic volumes, and the ramifications for the Group's financial performance and position. We anticipate that the impact on traffic volume demand and airline sustainability will be long term. Significant responses that have been introduced to mitigate the impact of the anticipated traffic volume decline include operational expenditure and capital expenditure reductions. The result of this scenario leads to a funding requirement over a five- to six-year period of up to R11 billion, in the form of guarantees. Of this amount, government support of up to R3 billion will be required in the next three years. It is important to note that the financial position of the Group was solid prior to COVID-19, despite the difficult operating environment. We take great pride in our standing as a well-run State-owned company that has made a profit in all but one of its 26 years.

THE YEAR UNDER REVIEW

While the impact of COVID-19 dominates all our consciousness, our Integrated Annual Report is a place to reflect on the challenges and achievements of the past twelve months. The year can be viewed in two distinct parts: the first three quarters and the last quarter.

The Group's performance in the first three quarters reflects the difficult macroeconomic environment, with a drop in earnings before interest, tax, depreciation and amortisation (EBITDA) as a result of increased costs emanating from regulatory amendments, personnel costs and heightened security measures implemented during the year. A vital achievement during this period was the R210 million reduction of debt, which enhanced the Group's resilience.

Prior to the outbreak of the coronavirus, FY2019/20 was already a year fraught with challenges that were impacting both aeronautical and non-aeronautical revenue. The global economy was unsettled by the US-China trade dispute, sluggish economic growth in China and heightened Iran-US tensions. Added to this, tension between oil producers resulted in price volatility. In South Africa, ongoing economic stagnation culminated in a 1.4% contraction in the fourth quarter of 2019 and with the downward trend continuing in the first quarter of 2020, our domestic economy slipped into a technical recession.

On 27 March 2020, Moody's Investors Service (Moody's) downgraded South Africa from an investment-grade rating to Ba1, maintaining a negative outlook, spurred by the country's weak economy and unreliable power sector.

Fitch Ratings Inc. later followed suit, retaining a negative outlook given the ongoing risks, particularly in the light of the COVID-19 pandemic. Moody's downgrade of the sovereign rating led to a consequential downgrade of the Group's global scale rating to sub-investment grade of Ba1 from Baa3 while the national scale rating was downgraded to Aa2.za from Aa1.za. Moody's has further placed the Group under review for an additional downgrade based on the global economic outlook and the anticipated drastic decline of passenger traffic in the current year with an ensuing drop in earnings that will impact liquidity position and financial covenants negatively. Management is focused on strengthening the Group's liquidity and restoring its financial profile in order to avoid a downgrade.

SCANNING THE RUNWAY AHEAD

Airlines, airports, travel companies and the tourism sector as a whole face an unprecedented challenge. With 96% of all worldwide destinations having introduced travel restrictions, the current industry landscape is bleak. COVID-19 has surpassed all previous crises in the air transport sector, particularly when its impact on the global economy is considered. The pandemic, which emerged as a global public health matter, has evolved into a global economic crisis.

It is anticipated that the global economy will record contraction in 2020. Due to the aviation industry's reliance on economic activity for growth, it is expected that the global demand for air travel will be drastically reduced in FY2020/21. This reduction in demand may be exacerbated by measures such as travel bans and lockdowns which are aimed at reducing the spread of the virus as well as passengers' loss of confidence in air travel in the medium to long term.

While it remains unclear how long it will take to recover from the effects of COVID-19, we remain proactive in planning our response to various scenarios.

The aviation sector's most critical issue is the sustainability of airlines worldwide. Domestically SAA, SA Express and Comair are under business rescue. Similar to the South African context, governments and national authorities globally will play a key role in stimulating air transport demand and fostering a rapid recovery of the aviation sector.

A recovery is estimated at approximately four to five years depending on the distance travelled, either locally or internationally, and the type of travel. Similarly, business travel is expected to recover faster than leisure travel, albeit at a permanently lower level. Ultimately, a loss of five to seven years of industry growth is expected. Although this era is one of extreme loss it also poses an opportunity to redefine the air transport sector to become more sustainable, agile and resilient. This will be possible only through extensive stakeholder collaboration and engagement.

Post year end, we have seen the South African Reserve Bank cutting rates twice by 50 basis points within a short period of time in an effort to stimulate the economy. The central bank also introduced additional measures to manage liquidity in financial markets during the COVID-19 crisis, which entailed buying government bonds on the secondary market. These unprecedented measures show that South Africa is facing serious headwinds accentuated by credit rating downgrade, rising borrowing cost, constrained fiscal policy and rising unemployment. The IMF projects that the economy will contract by 5.8% in 2020 before recovering in the following year to expand by 4%.

As we enter this business environment, navigating our new normal goes beyond cost reduction by focusing on all facets of our operations. As part of the strategy review, we developed a 'Recovery and Sustain' Tactical Plan and will undergo a full strategy review encompassing the Department of Transport ministerial mandate and the South African Government's MTSF priorities. The key areas of the ministerial mandate which we anticipate will make significant contributions span safety and security, economic growth and job creation as well as seamless integration of public transport across modes and accelerating transformation towards greater economic participation. These dovetail with our focus on MTSF priorities such as Economic Transformation and Job Creation; Spatial Integration, Human Settlements and Local Government; A better Africa and world. To address these, we have refined our strategic approach to the aerotropolis concept, cargo business, strategic partnerships, enterprise security and our training academy.

TRANSFORMATION

We define transformation as a process that collapses the barriers of exclusion and provides development opportunities for previously excluded groups, which contributes to inclusive growth and stability, thereby creating a sustainable future. We remain committed to the transformation of the South African construction, engineering and aviation sectors in line with national transformation imperatives in a manner that broadens economic participation, economic growth and job creation. Even though our operating environment has changed we remain committed to our transformation agenda.

LEADERSHIP AND GOVERNANCE

Robust governance is an indispensable foundation to successfully manage the impact of the COVID-19 pandemic on our country, the aviation industry and our business. Sound financial principles, underpinned by a strong corporate governance culture have, over the years, seen Airports Company South Africa through difficult economic conditions.

During the year under review, our governance structures were strengthened and management stability restored with the appointment of new board members and a permanent CEO and CFO.

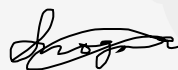
My fellow Board members and I are committed to working with the Minister of Transport, the Auditor-General of South Africa and other relevant state organisations to move us forward and ensure the effective implementation of good governance. We are focused on scrutinising aspects such as irregular expenditure and will not hesitate to implement consequence management.

APPRECIATION

On behalf of the Board, I would like to commend Mpumi Mpofu, her executive team and all employees for their unwavering commitment to the Group and the extra effort in these challenging times. I must also extend the Board's gratitude to Bongiwe Mbomvu and Fundi Sithebe, who were appointed as acting CEOs while the recruitment process was underway.

Finally, I extend my appreciation to my fellow directors for their wisdom, diligence, commitment and continued support. I would like to thank the outgoing directors, Kate Matlou and Deon Botha for their invaluable contribution during your tenure. We welcome the new directors who were nominated to serve on the Board by the PIC, Kemira Esterhuizen and Graeme Victor. We also welcome new directors who were appointed by the Minister, Dr Kgabo H Badimo and Dudu Hlatshwayo, to serve on Airports Company South Africa's Board.

I know I speak for our entire Board and leadership team in saying that, despite the extraordinary and unprecedented current circumstances, we remain confident in our people and we are optimistic we will retain our position as Africa's leading airport company. The world will continue to change and so will we, finding ways to do our work, developing new capabilities and helping our stakeholders thrive through what is sure to be a challenging few years.



Adv. Sandile Nogxina
Chairman of the Board





Mpumi Z Mpofu
CEO

OVERVIEW

As we reflect on the financial year under review, as well as our forward-looking strategic plans to adapt to a changing landscape caused by the COVID-19 pandemic, we are confident air travel will remain a critical service that connects people and enables trade, driving economic growth and job creation. The impact of COVID-19 on our industry has been severe and the path to recovery will be long, but we are confident the foundation of a solid balance sheet, a strong reputation and enduring competitive advantages will stand us in good stead. We continue to pursue a long-term focus on social responsibility and sustainable value creation.

MESSAGE FROM THE CEO

INTRODUCTION

The COVID-19 pandemic has adversely impacted our results and our outlook for the future. Fortunately, Airports Company South Africa is a fortified and resilient company, well positioned to weather this storm. The response of all our employees has been a source of inspiration, as I have witnessed first-hand the dedication, innovation and flexibility of each and every one of our employees, who have worked tirelessly to ensure adaptation to a new normal. Prior to the lockdown, we successfully enacted business continuity plans, to continue to serve all our stakeholders while protecting the wellbeing of our people. Confidently emerging from a position of strength, our airport operations are sound and world class, with rigorous health and safety measures in place. This pandemic demonstrates how important it is to think beyond operational objectives, by rising to challenges and seeking out opportunities, guided by our vision to be a world-leading airports company.

FINANCIAL PERFORMANCE

Revenue for the year was down 0.03% to R7.12 billion, reflecting the impact of a tough operating environment, resulting in a 1.7% drop aeronautical revenue. A 1.9% increase in non-aeronautical revenue offset the muted aeronautical income. However, the overall decrease in revenue combined with increased operating costs and considerably higher employee expenses, eroded earnings. Our performance in KPI's of ROE and ROCE are dependent on factors such as traffic volumes, commercial activity for non-aeronautical revenue and cost management and was therefore subdued.

Despite the challenging environment, our network was on track to weather the storm, recording 3.3% total passenger growth, as at year-to-date February 2020, comprising of muted growth of 0.3% for cross border traffic and 4.7% for

domestic travel. However, the positive growth trajectory recorded in the 11 months of the financial year came to an abrupt halt as the COVID-19 pandemic sent shock waves through the global aviation industry. The remaining month was marred by panic relating to travel and almost a week of a hard lockdown in the country. This decimated the passenger growth for the financial year, to a total passenger throughput contraction of 0.9%. The contractions were mainly observed on the international and regional traffic sides, which recorded decreases of 3.5% and 5.7% respectively, with the domestic passenger traffic remaining in positive territory with a 0.4% growth.

In previous years, our non-aeronautical revenue performance did not reach its full potential. In response, we shifted our operating model towards a greater inclusion of non-aeronautical revenue. Leading up to the last quarter, our plans to grow this revenue were yielding good results. Compared to the previous year, commercial and retail revenues were up 4% and 1% respectively. Annual escalations pushed car rental and property revenues up 4% and 9% respectively. Advertising recorded a 10% increase, although this still fell short of targets due to a delay in awarding tenders, which resulted in cancellations and reduced rates. Despite the increases, retail and parking performance were below expectations. The onset of the COVID-19 pandemic caused our earnings to take a dramatic downturn and this trend is set to continue in FY2020/21. We were forced to re-think our approach to revenue generation through diversifying our portfolio.

ECONOMIC REGULATION

In March 2020, the amended Airports Company Act, which includes the introduction of an appeals mechanism was approved by National Assembly. This is a key milestone for our economic regulatory strategy, which was revised and approved by the Board in December 2019. Key elements of

the strategy include strengthening the system of governance overseeing the setting of airport charges, promulgation of pricing policy guidelines and revision of the process utilised in the determination of permitted charges. Post-year end, in light of the changes in the aviation context, we approached the Economic Regulator requesting a postponement of the submission of the permission application for one year, which was granted.

RUN AIRPORTS PERFORMANCE

In running our airports, the highest level of safety and security remains of paramount importance to us. In the year under review, we embarked on several initiatives to ensure the security of all our stakeholders. In the wake of COVID-19, we worked closely with the Department of Health and the South African Civil Aviation Authority to support efforts to mitigate the spread of the virus and implemented precautionary measures based on guidance from the World Health Organisation.

Airport Operations have been the most impacted as a result of COVID-19. This year we recorded a 1% decline in departing passenger numbers to a total of 20 924 465. In the same vein, our aircraft landings for the year were down 4% to 248 519 (FY2018/19: 259 169). Up until the end of the third quarter, we were able to withstand economic headwinds. Unfortunately, the pandemic and subsequent travel bans led to a drastic contraction in departing passengers and aircraft landings, resulting in an overall decline for the year.

At our airport operations, our focus on on-time performance and airport service quality (ASQ) continues to show improvements. In FY2019/20, our on-time performance on average was 85.05% (FY2018/19: 84.09%), earning our three largest airports OAG (Official Airline Guide) awards. In our ASQ performance for the network of airports, we reached a score of 4.04 (FY2018/19: 3.97). These indicators affirm we are running our airports well.

Our non-aeronautical operations, including commercial activities and cargo handling, performed well despite the challenges posed by COVID-19 in the fourth quarter. While we are pleased with the 1.9% growth in non-aeronautical revenue totalling R3.4 billion – which is above our target of R3.3 billion – we remain mindful this positive momentum will be severely hampered by the impacts of COVID-19 in FY2020/21.

Refer to page 80 for additional information. 

DEVELOP AIRPORTS PERFORMANCE

Developing our airports enables better service to our passengers and is an essential part of increasing our ability to create value for all our stakeholders. In the year under review, we adopted an integrated airport planning approach to property development. This allowed consideration of regional development and the impacts of design on our commercial offering and passenger experience at the airport development stage.

In terms of property and infrastructure asset management developments, good progress was made on several of our airports' development projects as well as the construction of our new corporate offices on a site adjacent to O.R. Tambo International Airport. Looking ahead, however, uncertainty prevails regarding the infrastructure development projects we will pursue in FY2020/21. As we move forward, we remain determined to pursue commercial opportunities where feasible, while advancing our transformational agenda. However, the downgrade will significantly impact the affordability of the planned infrastructure development. The industry-wide implication of the pandemic will impact our plans for expansion projects, new terminals and runways, as in all likelihood we will not require additional capacity in the short or medium term.

Refer to page 88 for additional information. 

GROW FOOTPRINT PERFORMANCE

Several route developments at our three international hubs, O.R. Tambo International Airport, Cape Town International Airport and King Shaka International Airport, have expanded our international reach and stimulated regional growth. Locally, collaborative partnerships including the Gauteng Route development, Cape Town Air Access, Durban Direct and Nelson Mandela Bay airlift programmes continued to contribute to the growth of our footprint.

Our equity investment in Guarulhos International Airport has not returned to profitability. In the year ahead, we intend to support this equity investments' return to stability. The sale of Mumbai International Airport Limited (MIAL) is still underway and we are hoping to finalise this in the year ahead.

While FY2019/20 presented opportunities for the establishment of new air travel links and the development of our advisory services and our Training Academy, the challenges we face going into FY2020/21 will require careful consideration of the development of new routes both domestically and internationally. Partnership development opportunities and the identification and development of non-core revenue-generating opportunities, need to be pursued to ensure the long-term sustainability of our operations.

Refer to page 92 for additional information. 

TRANSFORMATION

Our strategy is not developed in a vacuum, it arises out of a context that gives shape and informs its content. The foundation of our strategy is in line with the ethos of socio-economic transformation in a thriving democracy, social justice and human rights. However, the context has changed dramatically in the last few months and the Executive Com-

mittee, with guidance from our Board, has worked tirelessly to reformulate our strategy to adapt to the new normal, which is shaped by the ongoing impact of the pandemic. We remain critical to our metropolitan economies with our airports as engines of growth and stimulating the local economies around our regional airports to enabling the Department of Transport's socio-economic objectives.

Our transformation agenda focuses our efforts on transforming our people, our society, our supplier base, and our environment. Overall, this year we met, and in many cases exceeded, our transformation targets. We were awaiting the results of a Transformation Audit and proudly maintained a Level 2 B-BBEE.

At executive management level and in our workforce, we have a strong team that represents the demographics of the people of South Africa in ethnicity and gender. We also remain a strong supporter of persons with disabilities and the youth, making more opportunities available throughout our Company.

In transforming our supplier base, we have developed and adopted an economic transformation strategy, which highlights key initiatives relating to our seven sector strategies. Accordingly, within advertising, car rental, retail, construction, information communication and technology, property and ground handling, we support enterprise development and preferential procurement. In the year under review, we increased black business share of commercial revenue generated to 55.4% (FY2018/19: 54%).

In our society, we have supported historically disadvantaged communities through various projects across the country, spending R44.2 million to help meet their needs. While recognising the impact these projects, we also acknowledge our role in supporting job creation in South Africa. In FY2019/20, we employed 3 343 people directly in our own operations and our impact on employment in broader South African society, we created 23 750 jobs in the year under review.

Our dependence on the environment to sustain us in the long term, necessitates the inclusion of environmental transformation in our broader transformational agenda. This year, we exceeded our target of Level 2 ACI Airport Carbon Accreditation for three airports by achieving Level 2 certification for four airports. In addition, all nine of our airports have maintained their ISO 14001:2015 Environmental Management certification. We are committed to maintaining the progress we have made on our transformation journey thus far, while we manage the impact the coronavirus pandemic has on our business and the businesses in our supply chain.

OUTLOOK

As we look ahead, the only certainty is that high levels of uncertainty about the future will prevail for some time. Risks abound, including the re-emergence of new waves of COVID-19 that may push governments to reinstate travel bans and lockdowns until a vaccine is introduced. The resilience of domestic and international carriers is unclear. The future of our domestic airlines is uncertain and our exposure of capacity to airlines from the Middle East, which rely on oil-sourced funds, is concerning in the light of projected low oil prices. Capacity rationalisation is inevitable, and we are prepared to look for new opportunities or ways of generating or diversifying our revenue. Once the world opens for business again, we expect the majority of airlines to restore capacity in line with demand.

As we resume operations in the future, it is crucial that we put ourselves in the customer's shoes. Before the COVID-19 pandemic, airport customer experience management was focused on promoting and fostering positive customer emotions and perceptions through their interactions with an airport community. It will be critical to keep customers engaged and involved with the airport new regulations and processes through ongoing communication with added focus on essentials: heightened safety, wellness, cleanliness and sanitation.

APPRECIATION

I extend my appreciation to my colleagues on the Executive Committee and our Board for their support and guidance during this challenging year.

I would like to thank Lindani Mukhudwani, who has served as Acting CFO since June 2019 for her invaluable contribution to the Group. I welcome our new Chief Financial Officer, Siphamandla Mthethwa, whose appointment was effective on 1 May 2020. I also extend our appreciation to Andre Vermeulen for his service as Group Executive: Airports Management. Subsequently, this position in the structure was abolished, in line with our review of the governance framework and operating model, the capability model and operating structure review. The COO has assumed responsibility while a fit for purpose structure is developed.

Together, we will build an even stronger, more nimble and more innovative company that delivers value to all our stakeholders.

I would like to leave you with our recently defined value proposition: "Connecting people to people, places, dreams and opportunities".



Mpumi Z Mpofu
CEO

TRANSFORMATION

“

Our transformation framework supports national strategic priorities, promotes access to aviation and augments the aviation sector.


2020
INTEGRATED REPORT

INTRODUCTION

As a State-owned company, driving transformation is an intrinsic part of our value creation story. Our approach to transforming our business is founded on the imperative of effecting change. We drive change that addresses the inequality inherent in the South African economy and change that reduces our environmental impact. To us, transformation is a process that collapses the barriers of exclusion and creates new opportunities, contributing to inclusive growth and stability, while fostering a bright and sustainable future for everyone who lives, works and travels in our country. We are committed to developing the socio-economic status of

previously disadvantaged South Africans through initiatives that go beyond legislation and focus on tangible development to strengthen our democracy. As a world-class airport operator, we acknowledge our activities and operations have a diverse impact on the environment and we are committed to managing this responsibly.

Our integrated transformation agenda is aligned to South Africa's National Development Plan, informed by our Sustainability Framework and focuses on transforming our people, our society, our environment and our supplier base.

Transformation of our supplier base spans seven sectors and is achieved through preferential procurement and enterprise development. In these sectors we leverage our support of SMMEs within our operating space as well as our procurement spending power to advance transformation beyond our internal operations. Refer to page 59  for more information on our seven sectors.

We manage the transformation of our business, our people and society and our environment as a strategic objective and our efforts are measured and monitored through four KPIs outlined below.

B-BBEE Level: We maintained a B-BBEE status Level 2 rating contributor with 125% BEE Procurement Recognition Level , meeting our target for the year under review. We gained significant traction in our enterprise development initiative within the commercial space, which contributed to this achievement. Our target for FY2020/21 remains Level 2.



Black business share of commercial revenue generated
55.4%
(FY2018/19: 54%)

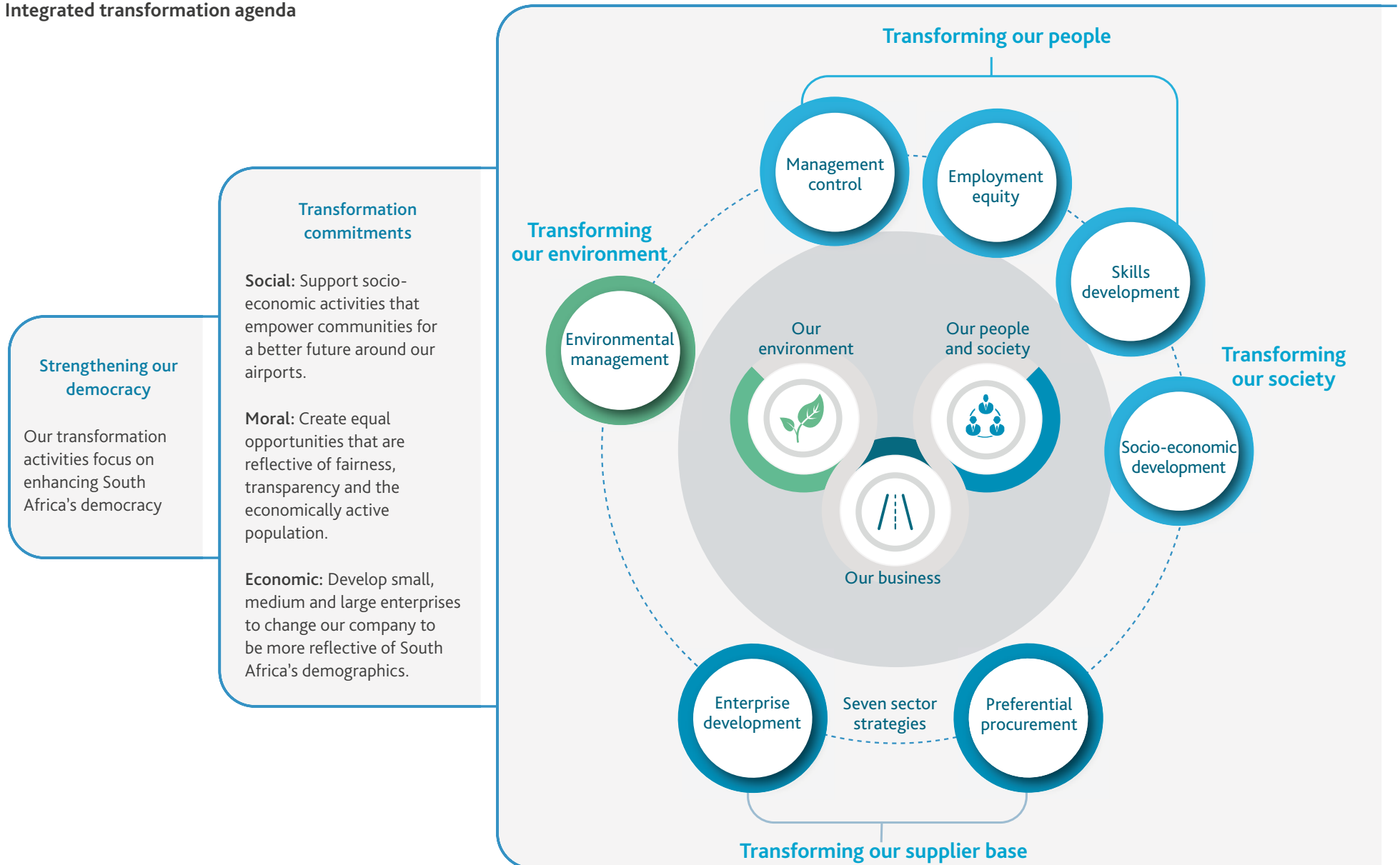


Number of job opportunities supported
23 750
(FY2018/19: 30 684)



ACI Airport Carbon Accreditation level
Level 2 certification received for four airports
(FY2018/19: Level 2 certification received for two airports)

Integrated transformation agenda



TRANSFORMING OUR PEOPLE

Our transformation framework supports national strategic priorities, promotes access to aviation and augments the sector. In the year under review, we achieved and, in many cases, exceeded our transformation targets relating to management control, employment equity and skills development.

Management control

In FY2019/20, we improved representation of black women at executive Board level, with the appointment of a permanent CEO, Mpumi Z Mpofu, effective from 1 February 2020. Subsequent to appointments in FY2019/20, we appointed a black CFO, Siphamandla Mthethwa, effective 1 May 2020. These appointments have strengthened and brought stability to our existing executive team and in the tactical operations and strategic decision-making at the most senior level of the Group.

Employment equity

We continue to deliver tangible employment equity outcomes across all management and employee levels, through various company-wide initiatives ranging from our comprehensive Employment Equity Plan to our concerted focus on attracting and retaining key talent within specific demographic groups. Extensive management and monitoring of our employment equity paid off and we met our objectives as set out in year three of our Employment Equity Plan.

Black employee representation

We remain committed to developing a workforce that is representative of the demographics of the economically active population of South Africa. At the end of FY2019/20, black South African employees represented 94.1% (FY2018/19: 93.3%) of our total workforce profile, of which black males represented 51.2% (FY2018/19: 50.9%) and

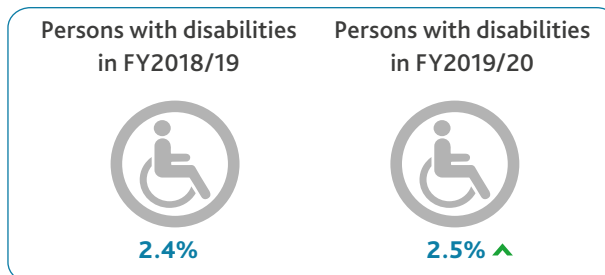
black females 42.9% (FY2018/19: 42.9%). In line with the Employment Equity Act, the term 'black people' is defined as a generic term that means African, Coloured and Indian.

Gender representation

Total female representation in the workforce stand at 45.5% of 3 343 employees (FY2018/19: 45.9% of 3 110), which is 0.2% above the national economically active population for females of 45.3%.

Persons with disabilities

The advancement of previously disadvantaged groups including persons with disabilities remains a key focus area in transforming our people. In the year under review, persons with disabilities representation has steadily increased from 2.4% (FY2018/19) to 2.5% of our total workforce, of which 2.2% were black persons with disabilities and 1.1% were black female persons with disabilities. Similarly, black female employees representation remained the same at 42.9% (FY2018/19: 42.9%).

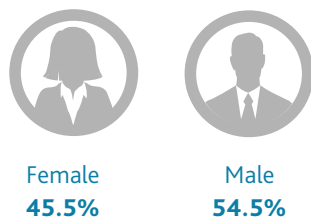


We continue to create awareness about the importance of including persons with disabilities in line with our persons with disabilities employment strategy. A dedicated task team for persons with disabilities exists and focuses on initiatives related to accessibility, inclusion and reasonable accommodation of persons with disabilities and continued annual declaration campaigns and sensitisation initiatives around disability matters.

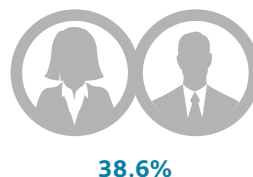
As part of our objective to continuously create an inclusive and accessible work environment for employees with disabilities, a successful exercise was undertaken company-wide among persons with disabilities to determine reasonable accommodation requirements. Recommendations were made and some measures have been taken to address the findings including the alignment of our disclosure and reasonable accommodation policy and procedures. These measures will ensure managers are better informed and equipped to support staff members with disabilities.

Persons with disability network support group sessions are held quarterly to deliberate on issues affecting the company's persons with disabilities, review statistics and celebrate successes. It also serves as a platform to explore best practice strategies and solutions. To strengthen the sustainability of inclusion and representation of persons with disabilities, we continue to engage disability sector organisations with the objective of concluding a memorandum of understanding to leverage from and advise business on disability initiatives and best practice.

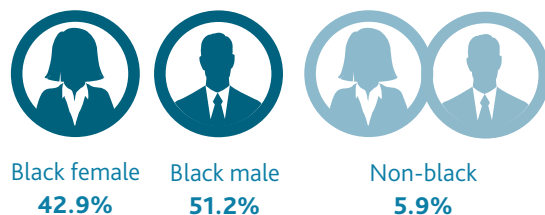
Gender demographics of our people in FY2019/20



Youth employees in FY2019/20



Racial demographics of our people in FY2019/20



Black youth in senior management positions in FY2019/20



Black youth in technical positions in FY2019/20

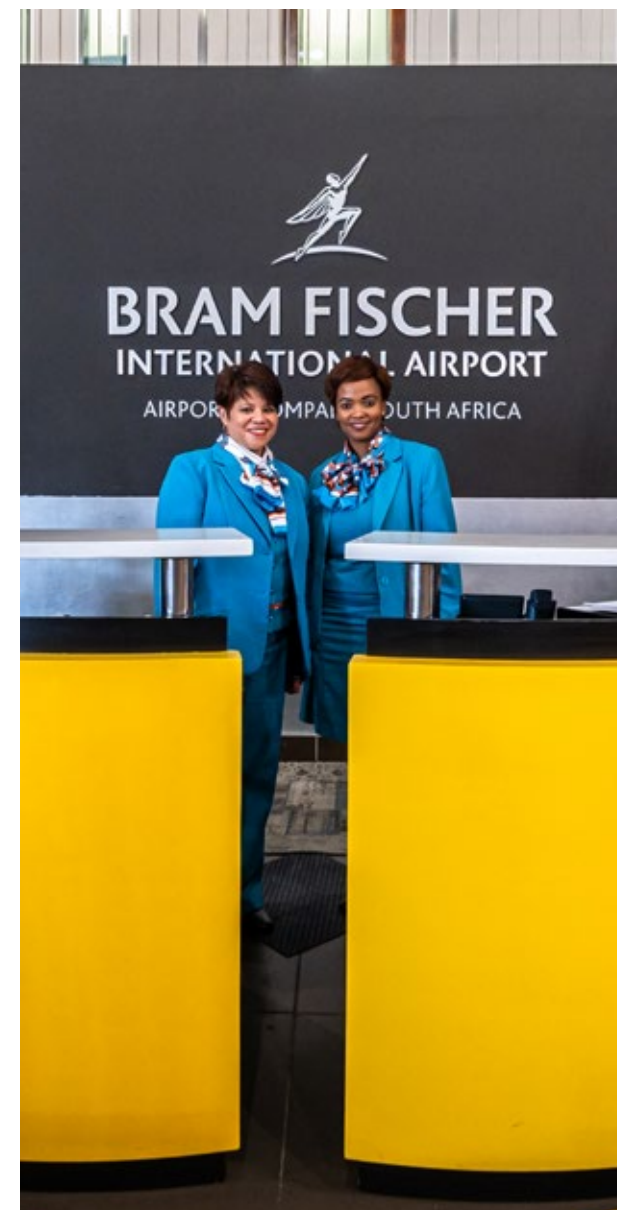


Skills development – youth empowerment

Ensuring the sustainability and future availability of critical skills in the ever-evolving aviation industry is a key component in ensuring the achievement of our strategic goals. As such, youth development is essential to ensure a sustainable skills pipeline. Developing our youth is also a key driver of transformation, not only for us as a company, but for broader society. In the year under review, youth employees represented 38.6% of our employees (FY2018/19: 42.1%). Black youth in senior management positions and above reached 3.6% (FY2018/19: 1.7%) while black youth in technical positions reached 5% (FY2018/19: 4.8%).

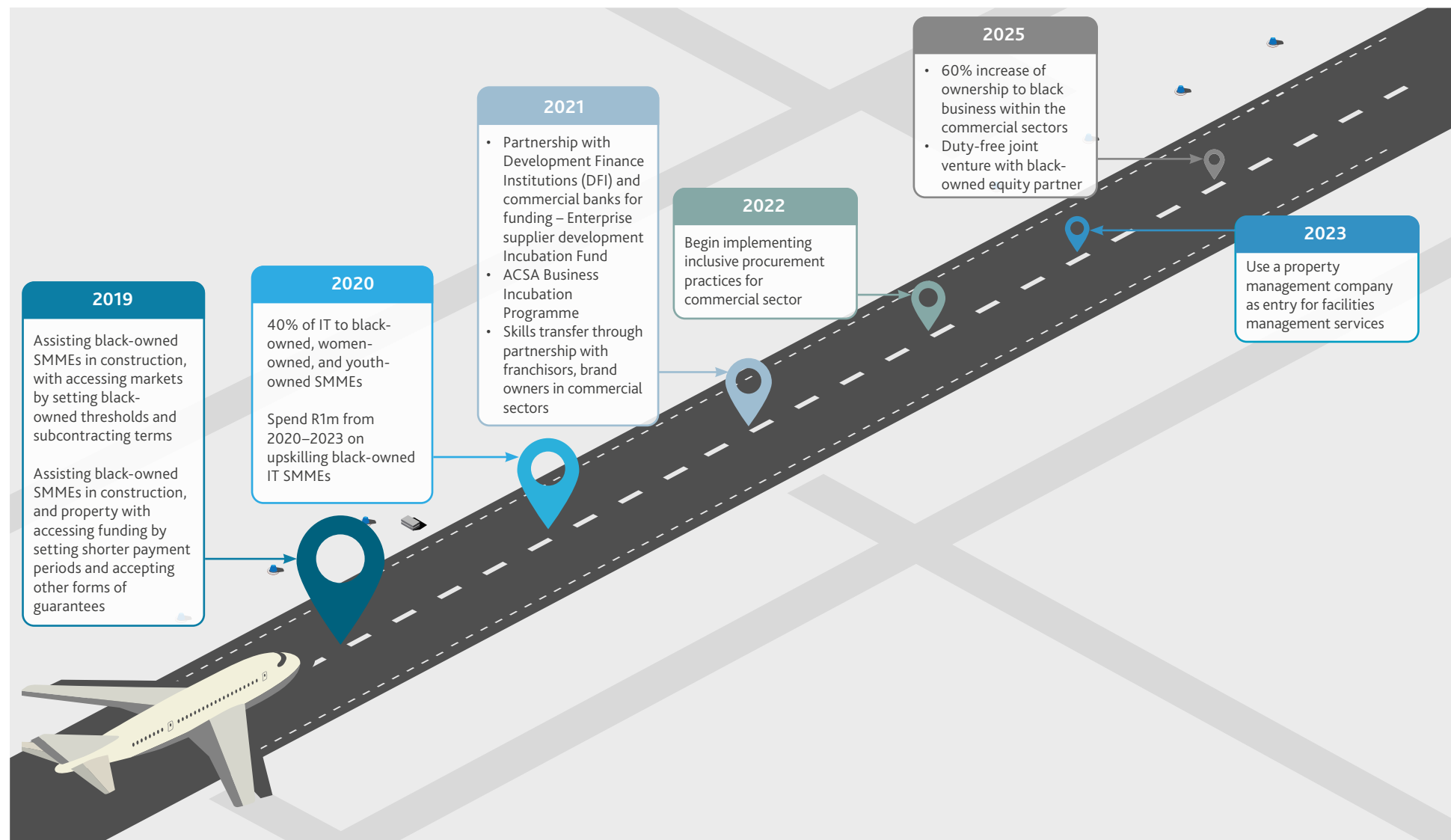
The development and increased representation of youth across all occupational levels is contributed to initiatives that raised awareness of the available career opportunities in aviation, providing bursary support to those studying towards qualifications that align with the national critical and scarce skills, as well as providing meaningful work experience for first-time job seekers.

This year, 207 youths engaged in various young talent development initiatives through trainee programmes, internships, learnerships and apprenticeships, 17 of whom have been absorbed into permanent positions.

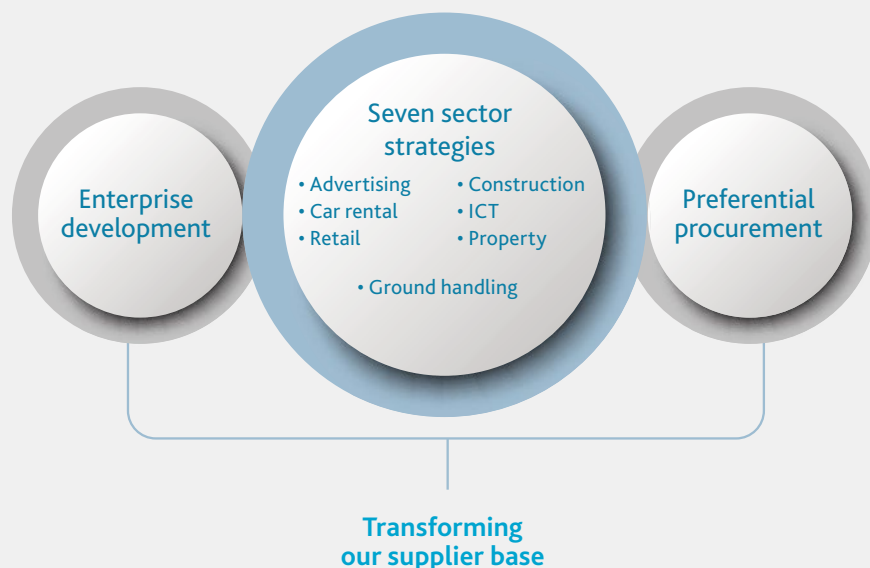


TRANSFORMING OUR SUPPLIER BASE

In FY2019/20, we developed and adopted an economic transformation strategy, as illustrated below by our transformation runway. The overarching strategy highlights key initiatives relating to our seven sector strategies, which we intend to embark on to achieve Vision 2025. Our seven sector strategies are detailed on the opposite page.



Seven sector strategies

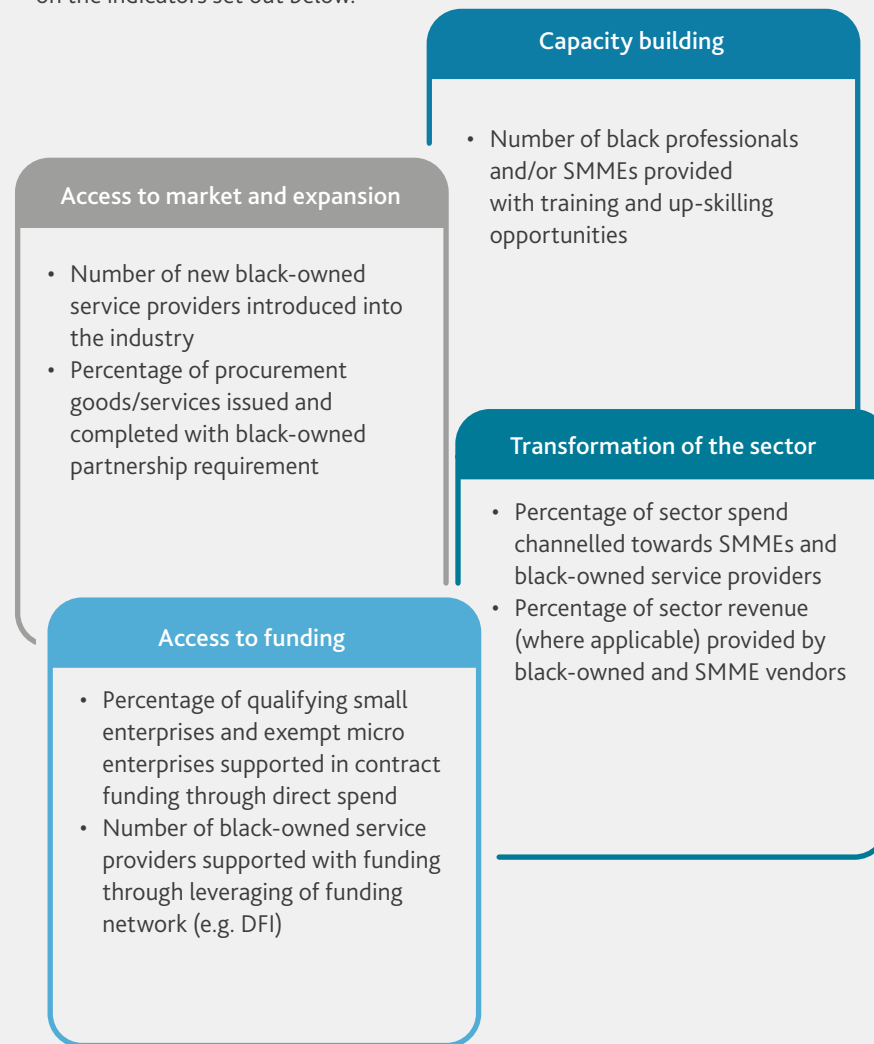


Our seven sector strategies relate to preferential procurement and enterprise development. In the advertising, car rental and retail sectors, we engage in commercial activities, which generate non-aeronautical revenue. While engaging with suppliers and service providers in these sectors, we contribute to their transformation through enterprise development. Although ground handling could be considered a commercial engagement, we do not generate any revenue from this sector. We contribute to the transformation of this sector by setting transformational requirements in ground-handling contracts and by providing enterprise development opportunities.

In the construction, information communication and technology (ICT) and property sectors, we engage in the procurement of goods and services. Through preferential procurement, we are also able to support the transformation of our supplier base.

Seven sector focus areas

Our seven sector transformation strategies focus on inclusive growth within four areas as illustrated. Within these focus areas, we continuously monitor and report on the indicators set out below.



Preferential procurement

Construction

We have adopted contract participation goals as a mechanism to measure and improve our transformation performance. All major contracts have a set target of 51% ownership in terms of one of the following: prequalification of B-BBEE threshold of level 2; subcontracting prequalification to support ESD of 30% to black-owned suppliers, of which 15% (50% of 30%) must be black women-owned, youth-owned, disabilities-owned or military veterans; SMMEs using the National Contractor Development Programme; targeted local enterprises; or targeted local labour with an investment in training of a percentage of the contract value.

Projects have largely complied with the approved transformation requirements during the tender stage and in awarding contracts. We also offer support to businesses with flexible forms of construction guarantees and a reduced payment period. In addition to using transformed suppliers, our goal is to localise the supply chain of projects to support the national objectives of job creation and industry growth.

IT

In the year under review, our B-BBEE spend on IT reached 62% of our total spend of R640 million. The increase is attributed to the increase in capital expenditure in the reporting period. Furthermore, the share of our total IT spend spent on black female-owned businesses reached R12 million, 2% of our total IT spend. We primarily support the transformation of the ICT sector by creating an enabling environment to accelerate the growth and entry of SMMEs in the sector, through a required 40% SMME participation on all open bids.

In order to ensure SMMEs in the ICT industry have sufficient capacity to make use of these opportunities, we also assist in skilling, re-skilling and up-skilling them in cloud computing, e-commerce, software development and airport-specific applications. By leveraging funding opportunities from development finance institutions, government incentives and other funding mechanisms by the private sector, we further support the development of ICT SMMEs through access to funding.

Property

We engaged with our industry partners on an ongoing basis to enhance their understanding of how our transformation journey can contribute to our business. During FY2019/20, we connected with advocacy organisations such as the South African Property Owners Association, South African Institute of Black Property Practitioners and Woman in Property Network. There was a considerable expression of interest and appreciation for our transformation journey and initiatives.

We established a four-pillar model which will underpin transformation implementation. The pillars include:

1. Capacity building through providing training and support in areas such as entrepreneurial training and enhancement of management skills, among others
2. Transformation of sector through creating a procurement process that will favour emerging black property practitioners and encourage new entrants to the sector
3. Access to funding by offering payment terms structured in a manner favourable to emerging black property practitioners
4. Access to market and expansion, in which black property developers are identified and given opportunities to develop their businesses

Commercial

Supporting black entrepreneurs remains a key part of our empowerment strategy and is measured through the black business share of commercial revenue. In the year under review, cancelled tenders relating to litigation has slowed our ability to make progress on this indicator, which reached 55.4% in FY2020/19 (FY2018/19: 54%).

During the year, defaulters of payment on rental agreements in our commercial space were given an opportunity to renegotiate rentals under our reduced rentals initiative. This initiative has contributed to our transformation imperative by maintaining contracts in line with our transformational objective. Along with the reduced rentals, tenants are given financial management training, which will educate them on the financial practices needed to avoid defaulting in future, among other skills. By supporting SMMEs in difficult times and providing further training, we are able to create winning long-term partnerships within our value chain.

Enterprise and supplier development

SMMEs are key to stimulating job creation in our economy. Through enterprise supplier development we provide financial and non-financial support to SMMEs to increase economic participation, ultimately stimulating job creation. Including SMMEs in our supplier base supports their growth while advancing our transformational imperative. SMMEs, supported by the Company, are able to grow to scalable businesses with the potential to become part of our supplier development programme and, ultimately, to become preferred procurement partners.

Key enterprise and supplier development projects

In FY2019/20, we embarked on several key enterprise and supplier development projects which are either close to finalisation or are being implemented.

<p>Corporate Canteen – Café Zing</p> <p>The Corporate Canteen has been completed and our supplier, Café Zing, commenced operation in July 2019. The Company contributes to Café Zing as an enterprise development beneficiary through the waiver of rental and utility fees. The food and beverages on offer are subsidised, providing financial support to employees and encouraging the use of this facility.</p>	<p>Cape Town International Airport – J9 Wine</p> <p>We entered into an enterprise development agreement with J9 Wines, which has been allocated an operational space at the airport. In the year under review, we sponsored J9 Wine's trip to Hong Kong, where it participated in an international wine show. J9 Wine had the opportunity to showcase its product lines and gain exposure to potential partnership opportunities.</p>	<p>O.R. Tambo International Airport – Mobile cart operators</p> <p>Through our enterprise and supplier development programme, we support SMME development by providing carts to several mobile cart operators. A selection committee vetted three potential operators, who will benefit from various business development initiatives, including reduced rentals, which also form part of their agreements.</p>
<p>King Shaka International Airport – Ilembe Business Chamber collaboration</p> <p>A memorandum of understanding was concluded with the Ilembe Business Chamber, creating various enterprise development initiatives. In the year under review, we held an enterprise development initiative competition where SMMEs were given the opportunity to showcase their skills within their area of expertise. We will assist the winning SMME initiative to better position their business for success through various business development initiatives.</p>	<p>King Shaka International Airport – Mobile cart operators</p> <p>Through the selection committee held for the mobile cart operators, a supplier was identified, vetted and engagements held to finalise the enterprise development agreement.</p>	<p>Port Elizabeth International Airport – Supply chain management community education</p> <p>A supply chain management team visited various wards within Port Elizabeth as part of a campaign to educate the community on our procurement process and how they can actively participate. Through this process, a list of potential suppliers was generated that will be used to drive regionalisation in Port Elizabeth.</p>

TRANSFORMING OUR SOCIETY



Creating meaningful and sustainable livelihoods in historically disadvantaged communities near our airports is the cornerstone of the Company's socio-economic development (SED) strategy. Our strategy aims to fulfil the legislative requirements as outlined in the Dti's Codes of Good Practice, and the policies and programmes in the National Development Plan. In FY2019/20 we spent R44.2 million on projects around the country with a specific focus on the communities in which we operate. Here are some of the major projects we supported.

**FY2019/20
spend
R million**

International airports	15.3
Regional airports	4.1
National/corporate office	24.8
Total	44.2

Focus Area	Location	Description	Investment	Impact
Youth Empowerment Renewable Energy Technology Training Programme	① Upington, Northern Cape	We partnered with the Central University of Technology in Bloemfontein to train 15 unemployed youth from Upington towards a Renewable Energy Technologies Certificate. The NQF Level 5 programme started in February 2020 and will be completed over a period of 12 months.	R1.9 million	The programme provides the youth the opportunity to obtain a university qualification, making them employable at solar farms in the province, ultimately contributing to poverty alleviation.
Women Empowerment Masiphathisane Bafazi Sewing Project	② George, Western Cape	Masiphathisane Bafazi Sewing Project supports unemployed elderly women in the Thembaletu township, most of whom are breadwinners. We contributed to the project, which was previously run from a member's living room, by providing a fully furnished mobile unit to house the project.	R600 000	The programme improves the income-generating opportunities available to participants.
Education Metsing Early Childhood Development Centre	③ Bloemfontein, Free State	We consider education to be one of the key enablers of sustainable socio-economic development. Through our donation, the centre – which was previously housed in a shack – is now equipped with fully furnished mobile classrooms, ablution facilities, a sick bay, storeroom, kitchen facilities, books, stationery and a play area.	R2.5 million	The project benefits 45 children and five teachers, improving the environment where teaching and learning takes place.
Education Tsholomnqa High School Construction and Refurbishment Programme	④ East London, Eastern Cape	Tsholomnqa Senior Secondary School in Tsholomnqa village within Buffalo City Municipality in the Eastern Cape serves nine surrounding villages. Through refurbishment, we have upgraded the school's administration block and computer centre and further contributed by building a staff room, five classroom blocks, a science centre, multipurpose centre and library. All classrooms were fitted with furniture and the necessary equipment.	R14.8 million	The project impacted 922 learners and 27 teachers. Overall learner and teacher morale has improved, leading to their matric pass rate improving from 27% in 2018 to 76% in 2019.
Persons with Disability Partnership with South African National Deaf Association (SANDA)	🇿🇦 National	For many years we have partnered with the SANDA to provide support to the deaf community by contributing to various skills development programmes that encourage independence of the deaf community in various places across South Africa. SANDA also provides basic sign language training to passenger services frontline staff at the Company's airports.	R600 000	In partnership with SANDA, we support approximately 120 hearing-impaired people. In addition, over 80 employees benefited from basic sign language training which they will use to interact with the deaf community as part of our reasonable accommodation of persons with disability.
Environmental Sustainability Community Renewable Energy Programme	⑤ Cape Town, Western Cape	We have partnered with Green Cape, a non-profit organisation, to provide renewable energy to households in Malawi Camp and Freedom Farm, two communities who do not have legal access to electricity. The provision of renewable energy assists the community in meeting their basic needs and contributes to a safer community as the use of renewable energy decreases the risk of shack fires.	R3.4 million	Nearly 1 000 households between the two communities will benefit from the programme.
Philanthropic Donations and Employee Volunteerism Partnership with the Smile Foundation	★ George, Western Cape Bloemfontein, Free State Kimberley, Northern Cape Port Elizabeth, Eastern Cape	We have supported the Smile Foundation since 2014, providing funding for the Smile Week at the Port Elizabeth Provincial Hospital. In 2019, we included three public hospitals in Bloemfontein, Kimberley and George in the programme. Through our donation, the Smile Foundation is able to do facial reconstructive surgeries for disadvantaged children with various facial deformities.	R1.3 million	A total of 115 children benefited from this year's Smile Week. This intervention improves the children's physical appearance, but most importantly, it improves their psychological wellbeing.

SOCIO-ECONOMIC IMPACT

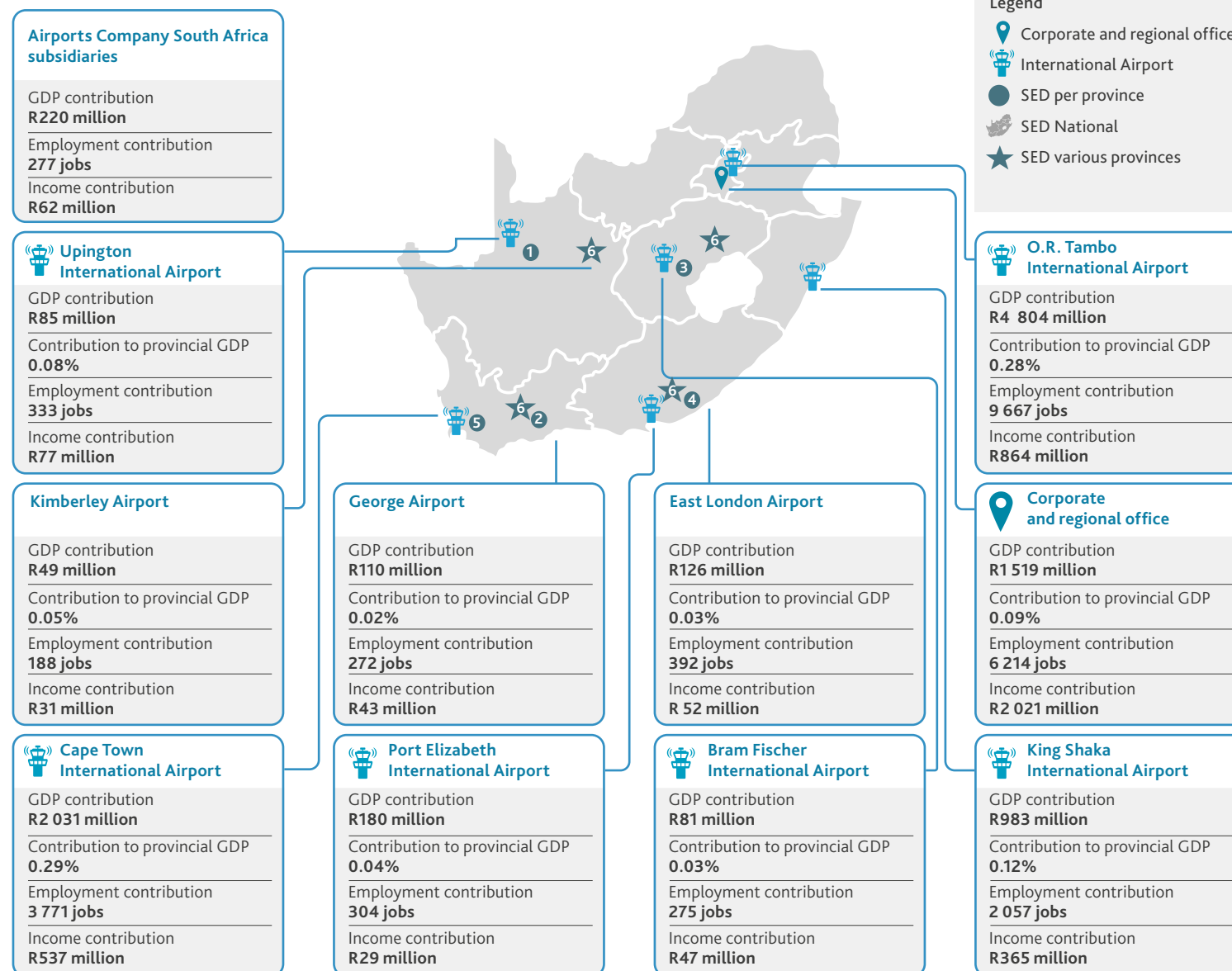
Airports Company South Africa is a significant enabler of economic growth, transformation and socio-economic development. In the year under review, we conducted an economic impact study for FY2019/20, which enabled us to assess the socio-economic impact of our strategy and operations on the communities in which we operate, provincial economies and the country at large. Our impact is represented in the following indicators:

CONTRIBUTED R10.2 BILLION to South Africa's gross domestic product (GDP)
(FY2018/19: R7.6 billion)

CREATED 23 750 JOBS of direct employees and indirect jobs in our supply chain and induced jobs owing to wages spent by direct employees (FY2018/19: 30 684 jobs).

SUPPORTED R4.1 BILLION in income for our employees and those of our local suppliers.
(FY2018/19: R2.9 billion)

Our nine airports and corporate office contributed to their regional economies as follows:



TRANSFORMING OUR ENVIRONMENT

Our proactive management of our environmental impact supports the integrated transformation agenda by ensuring the long-term sustainability of our operations. This year, we have achieved and, in many cases, exceeded our environmental targets in airport carbon accreditation, ISO certification and several key environmental metrics.

Airport carbon accreditation

In the year under review, all four of our candidate airports, eligible for accreditation by the ACI's Airport Carbon Accreditation (ACA) programme, achieved Level 2 certification, exceeding our target of three airports obtaining Level 2 certification. Of the four airports, we obtained re-certification for O.R. Tambo International Airport and Cape Town International Airport for a second consecutive year, and we achieved Level 2 certification for both King Shaka International Airport and Port Elizabeth International Airport for the first time. In addition, George Airport has received re-certification for Level 1, while Bram Fischer International Airport obtained Level 1 certification for the first time. All six of our certifications are effective 27 March 2020. Level 2 carbon accreditation requires that airports have a carbon management plan, which outlines the proposed measures for the future reductions in consumption of non-renewal power. As a result, four of our nine airports have carbon management plans in place, which goes hand in hand with our roadmap to carbon neutrality.

ISO 14001

All nine airports have maintained their certification to the ISO 14001:2015 Environmental Management System Standard.

Our environmental management systems are based on a number of sub-systems that integrate to provide a

holistic overview of how the company operates. These sub-sections are focused on continual improvement. During the year under review, there was a focus on assurance and legislation.

Assurance

While a number of external regulators focus on the core legislation at the broader airport-level, there has been a more coordinated approach to provision of assurance internally. The combined assurance programme made strides in its maturity this year, with airport representatives conducting numerous environmental compliance audits on stakeholders and other departments. The risk-based nature of these audits and inspections are in line with the tenets of the 2015 version of the ISO 14001 standard.

Legislation

The environmental legislation within South Africa is an ever-changing space. In order for us to remain current and compliant, there is a sub-system of the environmental management system where legal updates are shared with the Airport Environmental Management Representatives. While this system has been in place and effective for a number of years, there was a push for more practical knowledge and interpretation within the aviation space. To this end, a specific environmental law course was completed for all the airports where the airport environmental management representatives learnt from legal experts and each other how to implement legal due diligence within each airport. During the year under review, there were no serious fuel spills nor major incidents. The environmental management system strives to understand the utilisation of the natural resources at the airports and the corporate office. The table on the following page includes relevant indicators of our environmental performance, compared to the previous financial year.

Airport initiatives

To promote self-sufficiency at all our airports, we introduced initiatives such as reverse osmosis, gas-to-power, energy storage devices, electric vehicles, solar-powered perimeter lighting, thermal insulation materials and horizontal axis wind turbines. We also achieved beneficial operation of solar farms at regional airports.



Key environmental metrics

Element and metric	FY2019/20	FY2018/19	Material changes
Electricity consumption in kilowatt hours	225 627 860	234 349 257	In the year under review, electricity consumption decreased by 3.7% as the implementation of further energy efficiency and alternative energy initiatives resulted in substantial savings
Water consumption in kilolitres	1 997 448	1 999 370	In FY2019/20, our water consumption decreased by 0.1% overall
Fuel and diesel consumption in litres	411 173	422 162	Our initiatives to manage fuel consumption has resulted in a 2.6% reduction in our fuel consumption
Waste recycled in kilograms (millions)	3 616 538	3 198 830	A substantial saving was noted not only in the absolute amount of waste recycled, but also the relative proportion of recycling waste versus landfill waste. In FY2019/20, we had a recycling rate of 44% while in FY2018/19, we had a recycling rate of 52%
Noise management incidents reported	11	12	This year, noise complaints have decreased by 8.3% due to the implementation of mitigation measures and consultation with affected parties
Bird and wildlife strikes	305	384	Overall bird and wildlife strikes have decreased by 20.6% which can be attributed to our airport wildlife management programmes. A major reduction was noted at O.R. Tambo International Airport which had a 33% reduction of bird and wildlife strikes compared to the previous year



LINKING OUR IMPACT TO THE NATIONAL DEVELOPMENT PLAN AND THE UN'S SUSTAINABLE DEVELOPMENT GOALS

The aviation industry is an enabler of sustainable development through job creation and through the delivery of humanitarian aid. The introduction of the UN Sustainable Development Goals (SDG) provided a benchmark to map the industry's contribution to sustainable development. The SDGs are aimed at improving the livelihood of the world's population, improving gender and income inequality, and protecting the environment.

We have linked our contribution to development on a global scale to the relevant SDGs and locally to the National Development Plan (NDP).

In South Africa, the NDP strives to eliminate poverty and reduce inequality by 2030 by addressing specific challenges through 15 chapters focusing on issues including high levels of unemployment, the quality of education, infrastructure development, inclusive economic development, access to and quality of healthcare, environmental sustainability and corruption. In line with the NDP and the UN's SDGs, we aim to create sustainable value and have a positive impact on the societies and environments in which our airports are located.

Legend

-  Linked NDP Chapters
-  Linked SDGs
-  Sustainability Framework
-  Our business
-  Our people and society
-  Our environment



TRANSFORMATION ECOSYSTEM CONTRIBUTIONS TO OUR SUSTAINABILITY FRAMEWORK

We believe transformation is necessary to become the organisation we must be, indeed, to be the best that we can be. Our transformational objectives are aligned with our strategic objectives as well as our Sustainability Framework. Our transformation ecosystem contributions to our Sustainability Framework in the following ways:



Our business

- Black-owned business shares 55.4% of our commercial revenue
- Our transformation strategy is focused across seven key sectors. Interventions across these seven sectors maximise our enhancement of black business growth and the creation of jobs and opportunities
- We supported 23 750 job opportunities



Our people and society

- We have maintained a Level 2 B-BBEE level and a 94.82% recognition level
- Black South African employees represented 94.1% of our workforce.
- Women represented 45.5% of our workforce, while persons with disabilities represented 2.5%
- Our investment in skills development initiatives supported 207 youths engaged in various young talent development initiatives through trainee programmes, internships, learnerships and apprenticeships
- Our socio-economic development investment of R44.2 million in supported projects in our key focus areas of education, empowerment of women and youth, environmental sustainability, disability, skills development, philanthropic donations and volunteerism



Our environment

- Four of our airports have achieved ACI Level 2 Airport carbon certification, while two of our airports have achieved Level 1 certification
- All nine airports have maintained their certification to the ISO 14001:2015 Environmental Management System Standard

OUTLOOK

In FY2020/21, we will focus on the implementation of the key flagship projects within the seven sectors strategies in transforming our business. This will include a review of our ground-handling strategy to identify opportunities to promote transformation initiatives. We intend to strengthen our transformation policy, in line with relevant legislative frameworks as they relate to each of the seven sectors in which we operate, following the outcome of litigation in the year under review.

In terms of our economic transformation strategy, we have committed to the following targets in 2020:

- 40% of IT to black-owned, women-owned, and youth-owned SMMEs
- Spend R1m from 2020 to 2023 on upskilling black-owned IT SMMEs

In transforming our people, we will continue to focus on reaching our targets and develop our successive employment equity plan for the 2021 to 2026 period.

While our target for FY2020/21 remains the same in transforming our environment, with three airports achieving Level 2 Airport Carbon Accreditation, we are preparing for operational readiness for Level 3 accreditation for all airports. This requires that we put stakeholder management plans in place, through which we will communicate our Carbon Accreditation Programme with all airport users and encourage stakeholders to start reducing their carbon footprints.

PERFORMANCE REVIEW

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We recorded a positive growth trajectory for 11 months of the financial year, before COVID-19 sent shock waves through the global aviation industry.

2020
INTEGRATED REPORT
















PERFORMANCE REPORT BACK

Impact	Strategic objectives	KPI	Metric	FY2019/20 target	Target achieved	FY2019/20 actual	FY2018/19 actual	FY2017/18 actual
	Create value for our shareholders	Return on equity (ROE)	%	3.4		5.4	1.0	2.6
		Return on capital employed (ROCE)	%	4.6		6.2	3.6	5.5
	Diversify business portfolio	Non-aeronautical revenue	R million	R3 253 million		R3 130 million	R3 039 million	R2 935 million
	Increase our reputation	Reputation Index	Weighted average	≥ 65		64.1	67.2	63.1
		ASQ Index	Rating from 1 (poor) to 5 (excellent)	4		4.08	3.97	4.08
	Ensure successful transformation of our operations	B-BBEE Level	B-BBEE as per the code	Level 2		Level 2	Level 2	Level 2
		Percent of black business share of commercial revenue generated	%	55		55.4	51	61
		Number of job opportunities created	Number of job opportunities	25 668*		23 750	30 684	24 741
	Reduce our environmental impact	ACI carbon accreditation level	ACI level as per mapping certification criteria	Attain ACI Level 2 reduction certification for at least three airports		Attained ACI Level 2 reduction certification for ORTIA, CTIA, KSIA (new), PLZ (new)	Attained ACI Level 2 reduction certification for ORTIA and CTIA	Attained ACI Level 1 – mapping certification for KSIA and PLZ

Our five strategic objectives and nine KPIs are all aligned to our three strategic pillars.

* The 23 750 job opportunities created in FY2019/20 were lower than the approved target of 25 668. However, owing to an administrative error, the target reflected in the approved Corporate Plan was incorrect and should have been 23 344. The target of 23 344 job opportunities created was the result of a downward revision of the FY2019/20 capital expenditure budget, from R1.6 billion to R1.0 billion. While the capital expenditure change was updated in the approved Corporate Plan, regrettably the corresponding number of job opportunities created target was not updated. As a result, the job opportunities created target was technically exceeded by 1 390 job opportunities.

KPI	KPI description	Calculation/description	Assurance
Return on equity (ROE)	The amount of net income returned as a percentage of shareholders' equity. ROE measures a Group's profitability by revealing how much profit it generates with the money shareholders have invested.	Profit after tax divided shareholder's funds	 
Return on capital employed (ROCE)	Profit before distributions to equity and debt funders as a percentage of shareholders equity and debt. Return on capital employed measures a corporation's profitability on all funds invested and not only those of the shareholders and is an indicator of enterprise value generation.	$(\text{Profit after tax} + \text{net interest}) / (\text{Average shareholders' funds} + \text{average long-term debt} + \text{average bank overdraft} - \text{average cash})$	 
Non-aeronautical revenue	Profit before distributions to equity and debt funders as a percentage of shareholders equity and debt. Return on capital employed measures a corporation's profitability on all funds invested and not only those of the shareholders and is an indicator of enterprise value generation.	The sum of commercial, property and business development revenue	
Reputation Index	The Reputation Index Measure comprises of the perceptions and the degree to which stakeholders admire, trust, respect and have an overall good feeling towards the Company.	Reputation Institute's RepTrak® research methodology is the global standard for measuring corporate reputation. The reputation survey data is captured in the RepTrak® Pulse, and an outcome score from 0–100, with 100 being the best, is computed. Every second year of the measure will be based on a peer review of the Company	
ASQ Index	This indicator illustrates the passenger view and assessment of our airports' delivery of airport customer focused services. This indicator is derived from the independent and approved ASQ programme managed by ACI.	Passengers complete a survey assessment, through a structured passenger ASQ survey programme. The ASQ survey cover 34 services areas clustered across the following categories access, airline service, security, finding your way, airport facilities, airport environment and airport arrivals services. Survey assessment data collection and results are managed by an external company ACI. Scoring scale: 1–5 with 1 being poor and 5 being excellent. Group ASQ score will be calculated as an average of the nine airports ASQ scores	
B-BBEE Level	The Company's B-BBEE recognition level is based on a public-sector scorecard framework which reflects the Company's contribution to broad-based black economic empowerment.	B-BBEE Rating (Use Department of Trade and Industry's qualification scoring and independently approved score)	
Percent of black business share of commercial revenue generated	The Company's B-BBEE recognition level is based on a public-sector scorecard framework which reflects the Company's contribution to broad-based black economic empowerment.	$(\text{Commercial revenue to black business} \times 100) / (\text{Total commercial revenue generated})$ Where 'black business' is defined as one where the company has >51% black management control and ownership and commercial revenue is defined as revenue generated from revenue-sharing models, i.e. retail, car hire/rental and advertising	
Number of job opportunities created	This measure informs the stakeholders on the number of job opportunities created by the Company.	Employment Contribution Model	
ACI carbon accreditation level	The assessment and recognition of our airports' efforts to manage and reduce our CO ₂ emissions.	ACI's, Airport Carbon Accreditation – recognises and accredits the efforts of airports to manage and reduce their carbon emissions. There are four levels of certification: Mapping, Reduction, Optimisation and Neutrality. Airport Carbon Accreditation is based on existing international standards in the reporting and accounting of greenhouse gas emissions. Attain an independent ACI certification.	

MESSAGE FROM THE CFO

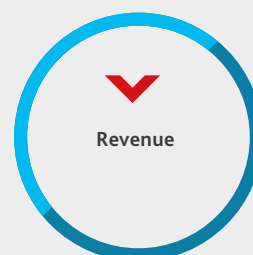


Siphamandla Mthethwa
CFO

Overview

Airports Company South Africa achieved a profit for the year of R1.2 billion, which is a significant improvement on our R0.2 billion profit in the previous financial year. This is to a large extent at odds with the underlying operational performance of the Company. Revenue of R7.12 billion was down compared to R7.13 billion in the previous year, resulting in a drop in Earnings Before Interest Tax Depreciation and Amortisation to R2.6 billion compared to R2.9 billion in 2018/19.

Performance at a glance



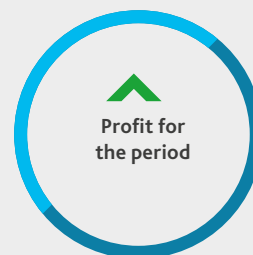
R7.12 billion

R7.13 billion
(FY2018/19)



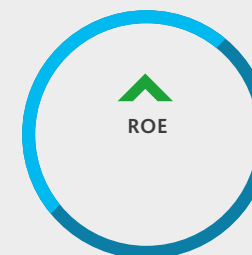
R2.6 billion

R2.9 billion
(FY2018/19)



R1.2 billion

R0.2 billion
(FY2018/19)



5.4%

1%
(FY2018/19)



R1.2 billion

R1 billion
(FY2018/19)



R1.3 billion

R1.1 billion
(FY2018/19)



R32 billion

R31 billion
(FY2018/19)



17%

18%
(FY2018/19)

The significant increase in profit is attributable to the impact of accounting adjustments and events such as the R721 million fair-value adjustment to investment properties, R157 million in rates refunds and non-recognition of the R328 million share of losses from the GRU investment, because the losses were in excess of the investment's carrying value. The impact of COVID-19 and subsequent travel restrictions resulted in the Company foregoing performance bonuses to mitigate the liquidity challenges, which contributed to a R75 million reduction in expenses but also necessitated an increase of R270 million for the provision for doubtful debts.

Weak domestic economic expansion, coupled with constrained household consumption, resulted in limited growth in domestic traffic volume and reduced consumer spending. The introduction of the lockdown in March 2020 brought the modest traffic volume growth for the year to halt, resulting in a decline compared to the previous year.

We continued to implement prudent financial management, maintaining a strong balance sheet with liquidity buffers extended to June 2021 after increasing credit facilities with banks.

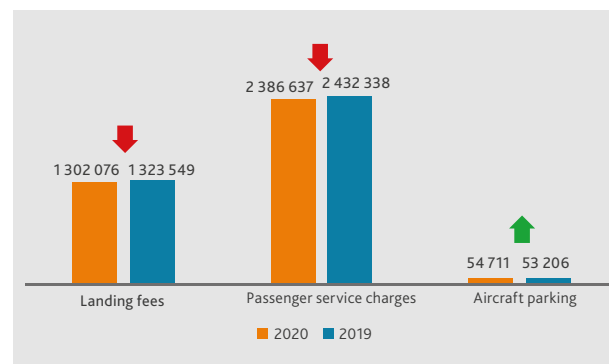
REVENUE

Revenue decreased by 0.03% to R7.12 billion (2019: R7.13 billion) for the year ending 31 March 2020.

Aeronautical revenue

Aeronautical revenue decreased by 1.7% to R3.74 billion (2019: R3.81 billion) compared to the 2019 financial year. The drivers of the decrease were a combination of Aircraft Movement decrease of 4.1%, 0.9% decrease in Departing Passenger traffic and no aeronautical tariff increase for the year.

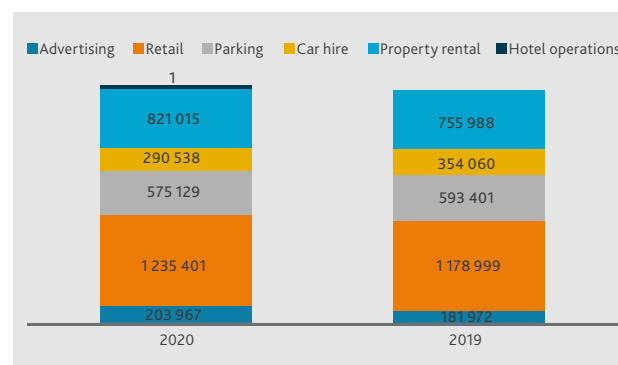
Aeronautical revenue (R'000)



Non-aeronautical revenue

Non-aeronautical revenue has grown by 1.9%, with retail revenue per passenger increasing by 1.8% to R58.56 (2019: R57.53). Revenue growth of 12.1% in advertising, 8.6% in property rental and 4.8% in retail reflect stable property rentals and improved retail market conditions during the financial year.

Non-aeronautical revenue (R'000)



EMPLOYEE COSTS

Employee costs increased 11% to R1.8 billion (2019: R1.6 billion) in the current year, driven by a basic cost increase of 20.0% due to annual salary escalation, headcount growth and the staff transport cost, which increased by 946% to R117 million (2019: R11 million). The staff transport initiative was launched in December 2018 for the purpose of providing safe and reliable transportation for shift staff after business hours when reliable public transport is not readily accessible.

OPERATING EXPENDITURE

Operating costs increased by 2% to R2.64 billion (2019: R2.58 million).

We have had to contain significant operating cost pressure, particularly from security services and asset maintenance costs to achieve parity with underlying growth of operational traffic volumes. These costs have increased significantly during the previous reporting periods due to factors such as security threats, regulatory compliance and improvement of passenger experience, as we geared up for previously anticipated growth in traffic volumes.

In the 2021 financial year, we are reviewing our operating model to simplify operations and reduce costs.

Property rates and taxes form a significant part of our fixed cost base, contributing up to 15% of the total operating cost.

However, the expenditure for the year decreased by 18.6% to R273 million (2019: R336 million) due to successful rates appeals for the Cape Town International Airport, King Shaka International Airport and O.R Tambo International Airport.

IMPAIRMENT OF TRADE AND OTHER RECEIVABLES

The impairment expense on trade and other receivables increased by 398.1% to R270 million (2019: R54 million). The weak economic climate during the year negatively impacted our customers' ability to service debt owed to the Company, resulting in the recognition of significant provision for impairment of trade receivables. The provision amounts to 44.6% of trade receivables value at 31 March 2020.

INVESTMENT PROPERTIES

The investment property portfolio increased by 10.3% to R7.7 billion (2019: R7.0 billion), mainly as a result of fair value gains of R721 million (2019: R134 million loss)

reflecting the strength of property portfolio rental income, which has remained largely stable.

INVESTMENT IN ASSOCIATES

We made no further equity injections into our concessions during the year under review. A cautionary was issued in February 2019 following an offer for the 10% equity stake in MIAL, stating that the Company is still pursuing the opportunity to sell its stake.

The GRU concession has not been profitable since its second year of business, the 2014 financial year. The cumulative losses have led to a total reduction of the value recognised by the Airports Company South Africa at year end to nil (2019: R0, restated from R848 million).

CAPITAL EXPENDITURE

We spent modestly on capital projects, with R1.3 billion (2019: R1.0 billion) spent during the year.

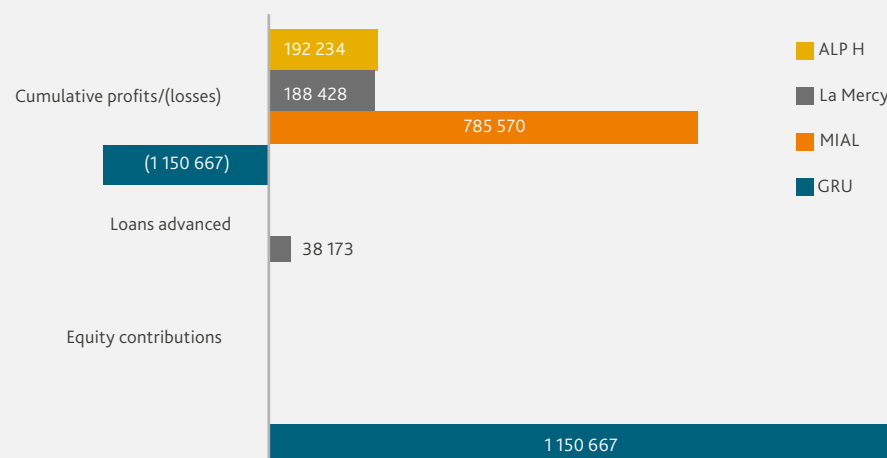
A few major infrastructure development projects were in construction during the year, while a significant portion of projects reached procurement decision point. These resulted in limited expenditure during the year and the group remained primarily within a refurbishment and replacement expenditure cycle.

The implementation of the current capital procurement decisions will lead to modest capital cash outflows in the future due to the COVID-19 impact on business. The Group's capital investments for the foreseeable future are refocused towards airport maintenance and resilience instead of growth and expansion. Certain projects will be placed on hold while some projects are unlikely to be reinstated in the foreseeable future.

IRREGULAR EXPENDITURE

We have continued our efforts to improve procurement efficiencies and compliance with applicable laws and regulations. Our investigation capability in line with National Treasury requirements has also been improved to treat irregular expenditure appropriately, with R231 million of prior year irregular expenditure derecognised, R82 million of current year expenditure condoned during the year under review and an additional R1.1 billion recommended to National Treasury for further condonation. The derecognitions and condonations were done on the strength of our systems of control that have largely ensured fairness and equitability of our sourcing processes. Irregular expenditure incurred in the current year amounts to R559 million (2019: R265 million) mainly due to non-conformance with regulations on one major capital expenditure programme procurement process.

COMPOSITION OF INVESTMENT IN ASSOCIATES AND JOINT VENTURES (R'000)



ABRIDGED STATEMENT OF FINANCIAL POSITION

			Movement		
	2020	2019	R'000	%	
ASSETS					
Non-current assets	27 421 186	26 706 561	714 625	2,7%	Investment property fair value gains amounted to R721 million. Additions of R1.3 billion were offset by depreciation, amortisation and impairments of R1.3 billion.
Property and equipment, investment properties and intangible assets	26 719 955	26 051 927	668 028	2,6%	
Investments in associates and joint ventures	418 924	416 232	2 692	0,6%	
Other non-current assets	282 307	238 402	43 905	18,4%	
Current assets	3 360 003	3 151 642	208 361	6,6%	Guarulhos International Airport (GRU) cumulative losses have led to a total reduction of investment value recognised by the group at year end to nil (2019 R0), restated from R848 million).
Investments and cash and cash equivalents	1 735 309	1 893 011	(157 702)	-8,3%	
Other current assets	1 624 694	1 258 631	366 063	29,1%	
Non-current assets held for sale	984 833	785 570	199 263	25,4%	Trade and other receivables reduced due to higher bad debts provision of R643 million (2019: R284 million).
Total assets	31 766 022	30 643 773	1 122 249	3,7%	
EQUITY AND LIABILITIES					
Equity	22 856 047	21 583 774	1 272 273	5,9%	Comprises R15 million in airside vehicles to be sold via auction and R969 million MIAL investment, which increased from R785 million due to foreign exchange gains.
Non-current liabilities	7 116 674	7 122 654	(5 980)	-0,1%	
Interest-bearing borrowings	5 580 559	5 760 519	(179 960)	-3,1%	
Other non-current liabilities	1 563 115	1 362 135	173 980	12,8%	
Current liabilities	1 793 301	1 937 345	(144 044)	-7,4%	Borrowings decreased due to the repayment of amortising of loans of R296 million.
Total liabilities	8 909 975	9 059 999	(150 024)	-1,7%	
Total equity and liabilities	31 766 022	30 643 773	1 122 249	3,7%	Net debt capitalisation was 17% (2019: 18%).

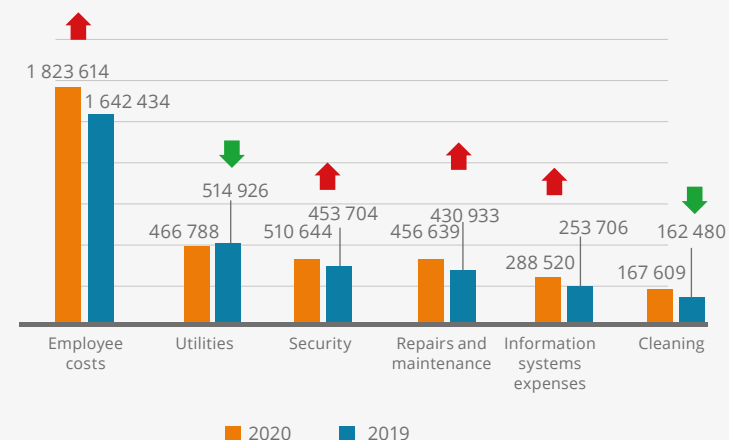
ABRIDGED STATEMENT OF COMPREHENSIVE INCOME

			Movement		
	2020	2019	R'000	%	
Revenue and other operating income	7 335 675	7 143 261	192 414	2,7%	
Employee costs	(1 823 614)	(1 642 434)	(181 180)	-11%	20% increase in basic salaries (including benefits such as staff transport) to R1.5 billion, offset by a 74% reduction in bonuses (R39 million).
Operating expenses	(2 633 271)	(2 582 019)	(51 525)	-2%	
Impairment of receivables	(270 458)	(54 295)	(216 163)	-398,1%	Higher receivables owing, as well as increased risk of customers not paying as a result of trading difficulties and impact of COVID-19 resulted in the higher expense.
EBITDA	2 608 332	2 864 513	(256 181)	-8,9%	
Fair value gains/(losses) on investment properties	721 259	(134 222)	855 481	637,4%	Significant differences in the assumptions used for expenditure rates, gross income, lease renewals resulted in higher net incomes in the 2020 valuation. 2020 valuation considers premiums for the high demand and specialised location of the Group's properties.
Depreciation, amortisation and impairments	(1 316 896)	(1 475 574)	158 678	10,8%	
Gains/(losses) from equity-accounted investments	2 693	(4 226)	6 919	163,7%	
Net finance expense	(485 264)	(595 789)	110 525	18,6%	
Losses on property and equipment	(10 049)	(2 914)	(7 135)	-244,9%	
Profit before tax	1 520 075	651 788	868 287	133,2%	
Tax expense	(325 066)	(428 143)	103 077	24,1%	
Profit for the year	1 195 009	223 645	971 364	434,3%	
Effective tax rate	21%	66%			
Cost to income ratio	61%	59%			

ABRIDGED CASH FLOW STATEMENT

			Movement	
	2020	2019	R'000	%
Net cash inflow from operating activities	2 503 036	2 934 714	(431 678)	-14,7%
Net cash inflow/(outflow) from investing activities	(1 354 737)	2 488	(1 357 225)	-54 550,8%
Cash flows from financing activities	(947 895)	(3 187 399)	2 239 504	-70,3%
Financial instruments held for trading	(1 766)	(2 103)	337	-16,1%
Interest-bearing borrowings repaid	(296 355)	(2 296 355)	2 000 000	-87,1%
Lease payments	(19 744)	-	(19 744)	100,0%
Dividends paid	(56 016)	(115 604)	59 588	-51,5%
Interest paid	(574 014)	(773 337)	199 323	-25,8%
Increase in cash and cash equivalents	(133 648)	(250 197)	116 549	-46,6%
Cash and cash equivalents at the beginning of the year	1 123 643	1 373 840	(250 197)	-18,2%
Cash and cash equivalents at the end of the year	989 995	1 123 643	(133 648)	-11,9%

Top Five Expenses (R'000)



FUNDING

As at 31 March 2020, the Company's debt level amounted to R6.4 billion (2019: R6.5 billion), comprised of R4.8 billion in bonds issued under the Domestic Medium Term Note (DMTN) programme and amortising loans of R1.6 billion.

We repaid R296 million in debt during the year comprising of amortising loans, while interest payments amounted to R550 million.

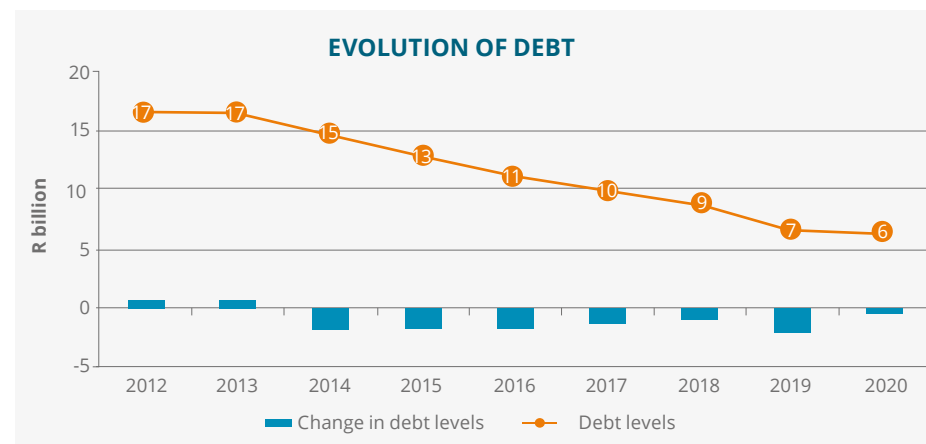
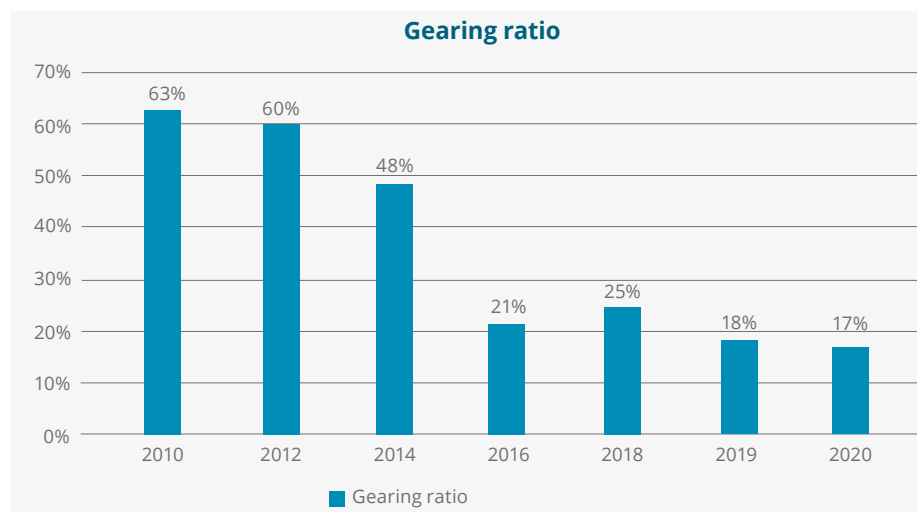
Funding sources as at 31 March 2020 were as follows:

- Inflation-linked bonds (26%)
- Fixed rate bonds (47%)
- DFI loans (27%)

Fixed rate debt comprised 73% of total debt as at the end of the financial year compared with 74% as at the end of the prior year.

Our gearing decreased to 17.0% (2019: 18%) on the back of debt redemptions since 2013. More than R10 billion has been repaid over the past seven years.

During the year, the company updated its R30 billion DMTN programme memorandum, together with the information statement which were approved by the Johannesburg Stock Exchange (JSE) on 18 December 2019.



CREDIT RATING

On 26 June 2020, Moody's downgraded Airports Company South Africa corporate family rating from Ba1 to Ba2. Moody's also downgraded the national scale rating of the Company from Aa2.za to Aa3.za. The outlook has been changed to 'negative' from 'ratings under review.'

The downgrade takes account of the Company's rising credit and takes into account the liquidity risks due to the sharp decline in traffic as a result of the implementation of travel restrictions.

OUTLOOK

The COVID-19 pandemic poses a significant threat to global health systems and economic markets. The aviation industry has been hard hit by the resultant travel bans, restrictions and the negative global economic outlook. The group is reviewing its Business Plan in response to COVID-19 impact. In the short term, the Company will cut capital and operating expenditure to ensure financial sustainability amid projected decline in traffic numbers.

To meet liquidity requirements, the company expects to utilise credit facilities in the 2020/21 financial year to bolster its liquidity position due to the negative impact of COVID-19 on earnings. Consequently, interest payments are expected to increase in the next financial year due to increased borrowings.



AND DREAMS
VE
GO!

WHEN YOU LOOK AT THE WORLD DIFFERENTLY,
YOU MAY JUST CHANGE IT FOR GOOD.

BILTONG BAR

BILTONG BAR




RUN AIRPORTS

Running airport operations successfully is our core business and vital to Airports Company South Africa's value creation process. We strive to maintain service excellence and high-performance levels, while creating value for society and the economy by boosting trade opportunities and tourism as well as catalysing local economic activity.

OVERVIEW


Airports are part of an interconnected ecosystem that includes airlines, air traffic management, ground handling and other transport services, as well as related retail and hospitality services. We generate revenue from three sources:

1. Core aeronautical revenue from airport operations, including regulated tariffs for aircraft landing, parking charges and passenger service charges
2. Non-aeronautical revenue from commercial income streams, such as advertising, retail, car parking, car rental and property
3. Non-core revenue from the provision of technical advisory and consultancy services both in South Africa and abroad, as well as revenue from our training academy. See Grow Airports on page 92  for further details.

We operate in a highly regulated industry and a high-risk environment. Compliance as well as safety and security are our top priorities, combined with the business imperative of improving passenger experience. Our success is dependent on our ability to manage our airport operations efficiently and innovatively, and particularly our ability to work with various stakeholders.

At all times we meet compliance requirements, with the mindfulness that insufficient planning and/or ineffective implementation may have significant consequences for all our stakeholders. We actively cultivate a culture of going beyond compliance. We engage with regulators in this regard as we believe we have a responsibility to contribute to our industry over the long term. Through our first-hand experience of industry challenges, we make meaningful contributions to ensure regulations and procedures are relevant and in the interest of all stakeholders, shaping a safe and secure airport environment and industry. Please see more on compliance in the Governance and Remuneration Report.

Growth in passenger traffic is driven by increased demand on existing routes, opening new routes and capitalising on new opportunities. During FY2019/20, three new direct routes across Africa were introduced, contributing to increased connectivity and revenue diversification. In addition, global carriers, including Qatar Airways, Singapore Airlines and Alitalia, expanded their services on existing routes.

The country's national carrier, South African Airways (SAA), was placed into business rescue in December 2019. This resulted in a further decrease in the number of routes the airline operated through our airports, following the initial route cuts that were implemented earlier in the year as part of the airline's turnaround strategy. SAA's business rescue will impact our operations to some extent, although to a degree, other airlines have stepped in to operate several routes, both domestically and internationally. For more information on route development at our airports, see Grow Footprint performance, page 92. 

Forty-two million arriving and departing passengers were processed through our airports in FY2019/20.

The year under review ended with President Ramaphosa's declaration of COVID-19 as a national disaster on 15 March 2020, declaring travel bans and later imposing a lockdown to contain the spread of the coronavirus, followed by a further two weeks and a staged relaxation of lockdown regulations. Our airports remained closed until 1 June 2020 when we were able to partially reopen under Level 3 of the lockdown.

	Annual departing passenger throughput capacity	Total annual departing passengers			Aircraft landings		
	FY2019/20	FY2019/20	FY2018/19	FY2017/18	FY2019/20	FY2018/19	FY2017/18
O.R. Tambo International Airport	14 000 000	10 470 706	10 686 913	10 662 446	105 975	109 758	110 286
Cape Town International Airport	7 000 000	5 384 136	5 437 295	5 404 706	45 092	49 338	51 497
King Shaka International Airport	3 750 000	3 057 175	3 007 573	2 819 458	25 383	25 571	27 058
Port Elizabeth International Airport	1 000 000	849 342	848 298	821 735	24 140	22 655	26 992
Bram Fischer International Airport	300 000	179 571	178 386	199 095	8 737	9 440	9 936
Upington International Airport	50 000	26 073	30 637	33 113	3 079	3 579	3 671
East London Airport	600 000	463 242	425 402	411 373	13 287	12 427	13 521
George Airport	450 000	417 656	422 978	398 511	18 381	21 509	17 051
Kimberley Airport	100 000	76 564	80 782	86 415	4 445	4 892	4 445
Total	27 250 000	20 924 465	21 118 264	20 836 852	248 519	259 169	264 457

GDP growth is a key driver of traffic volume in the aviation industry. Despite South Africa's subdued GDP growth in the year under review, we were on track to weather the economic contraction, as total passenger growth on a year-to-date basis by February for the financial year stood at 3,3% comprising 4,7% growth in domestic travel and muted cross-border traffic growth of 0,3%. Travel bans in March 2020 and the closing of our airports during lockdown led to a considerable and unprecedented contraction in departing passengers. This led to a 1% decline in departing passenger to 20 924 465 compared to the previous year.

Our decrease in total aircraft arrivals of 4.1% for the year represented a decrease of 1.3% in international arrivals, a decrease of 3.7% in domestic arrivals and a decrease of 7.9% in regional arrivals. Our decrease in total annual departing passengers can be attributed to a decrease in international and regional departures of 3.4% and 5.5% respectively while domestic departing passengers increased by 0.3%.

	International	Domestic	Regional	Unscheduled	Total
Arrival aircrafts	38 524	130 693	11 620	67 682	248 519
Variance compared to FY2018/19	-1.3%	-3.7%	-7.9%	-5.8%	-4.1%
Total annual departing passengers	5 822 544	14 526 386	517 960	57 575	20 924 465
Variance compared to FY2018/19	-3.4%	0.3%	-5.5%	-5.1%	-0.9%

Our Run Airports performance review focuses on security, safety, airport operations and non-aeronautical operations, demonstrating our value creation efforts, and concluding with an outlook for FY2020/21.

SECURITY

As traffic volumes grow and passenger expectations change, ensuring the efficacy of our security measures is paramount. We manage a growing range of security variables, as informed by our increasing knowledge of the nature of threats and the risks they pose. We are committed to continually enhancing security awareness and response, developing a culture of security, improving technological resources, fostering innovation, improving oversight and quality assurance, as well as increasing cooperation and support from all stakeholders.

Key initiatives in FY2019/20

The K9 Vapour Wake Programme trains working dogs in the detection of explosives and other illicit substances. The first such programme in Africa was developed in collaboration with South African Police Service (SAPS) K9 Unit, the national key point security officers, the SACAA and the USA Department of Homeland Security's Transportation Security Administration (TSA).

Officers from our academy participated in behaviour detection training through a TSA-led initiative, hosted in the United States. Following this training, we customised our behavioural detection officer programme, in association with the SACAA, SAPS and TSA.

Our landside or public area integrity check was expanded to include background-checks of all employees and stakeholders who have access to our airports.


We participated in the National Joint Operational and Intelligence Structure, as we do at times when issues arise which affect the security of our airports at national level, such as the COVID-19 pandemic.

In heightening the security of our airports, we implemented an access control system, which makes use of electronic gates in our cargo division. Consequently, South African air cargo security systems have been approved by both the European Union as well as the TSA.

A vehicle management intrusion detection system was implemented in response to engagement with stakeholders at O.R. Tambo International Airport. This comprises 40 analytic cameras, complemented by improved lighting and parking facilities, which allows for surveillance of our entire controlled parking area.

We established a joint coordination centre for law-enforcement agencies at O.R. Tambo International Airport.

During the year, Airports Company South Africa received an award for an outstanding partnership with the APEX programmes at the ACI's APEX awards. The APEX Safety programme and APEX Security programme promote the highest levels of safety and security, at airports of all sizes, in line with International Civil Aviation Organisation (ICAO) standards and ACI's best practices.

We remain alert to our exposure to cyber security threats. For more information on how we are managing cyber security threats, see IT and Digitisation on page 98. 

Looking ahead, we will continue to build strategic partnerships with key stakeholders, digitise our security systems and invest in security service initiatives in the medium term to secure and protect our airports' infrastructure, our assets, our passengers and our people.

In FY2020/21, we intend to pursue cost-effective technological solutions. We will be issuing a request for proposals and tenders for our enterprise access control system in due course. The online system will centralise and efficiently manage enterprise access to our network of airports allowing enterprise stakeholders to access different airports using a single card, based on the specifics of their permits.

On a national level, we will focus on developing our centralised control room, located at our new head office, which will connect all our South African airports. Through the control room we will be able to coordinate all security efforts between airports and manage security incidents if they arise.

SAFETY

COVID-19

On the 11 March 2020, the World Health Organisation (WHO) declared COVID-19 a pandemic. We had already intensified measures at all our airports to detect, manage and prevent the spread of the coronavirus, following confirmation of the first suspected case of COVID-19 in the country in the week before. The Department of Health and its entity Port Health implemented a variety of detection and management procedures to identify potentially infected passengers. Officials continued to use thermal screening on all passengers entering South Africa, with those passengers identified as potentially infected at the airport then channelled to the National Institute of Communicable Diseases (NICD) for further testing. All passengers were also asked to complete a questionnaire before landing to assist with detection and tracing of potential infections from high-risk areas.

We worked closely with the Department of Health and the SACAA in coordinating our response to COVID-19. To help mitigate the spread of the virus at all our airports, we implemented precautionary measures aligned to the standards and protocols provided by the WHO, the ICAO and the SACAA. Screening and testing measures were strengthened at our international airports, which are ports of entry and national key points.

We implemented strict disinfection and hygiene control procedures at our airports, particularly at arrival gates, buses and all passenger facilitation areas. The number of hand sanitising stations was increased, and the cleaning schedules of high contact surfaces were updated for more frequent sterilisation with ammonia and chlorine-based cleaning compounds in line with NICD recommendations. All our front-line staff were supplied with protective respiratory masks and gloves to minimise the risk of infection. We also launched a digital and social media communications campaign, including terminal building announcements, to create awareness of prevention measures.

On 15 March 2020, the COVID-19 outbreak was declared a national disaster in South Africa. Airports Company South Africa together with other relevant aviation authorities, implemented air travel restrictions as detailed by the Minister of Transport. Airlines from countries deemed high-risk were redirected to a remote parking apron and the relevant authorities were notified. Foreign nationals from high-risk countries were not allowed to disembark the aircraft and inbound crew as well as South African citizens returning from high-risk countries were screened and quarantined.

As a company we have been instrumental in leading the preparedness and fight against COVID-19 since the declaration of the pandemic. We continue to work with all our stakeholders in the interpretation of applicable

regulations, the specifications of requisite personal protective equipment (PPE), the implementation of safety procedures, the provision of general information about preventative methods as well as providing support to our employees and stakeholders.

Occupational health and safety

We strive towards zero health and safety incidents in our workplace. Senior management holds overall responsibility for safety excellence. Our leadership-led, behaviour-based safety programme is cascaded down the Company through awareness programmes, ongoing employee engagement and safety compliance training. Regular safety audits are conducted and appropriate resources are provided to ensure a safe workplace environment.

We continued our implementation of measures to reduce the number of severe incidents at our airports. Accordingly, we have employed stringent contractor management processes to ensure occupational health and safety compliance resulting in 284 contractors completing the review and approval process in FY2019/20. We have also continued our phased approach to the refurbishment of clinics with occupational health equipment at our airports, with clinics at international airports fully operational. The refurbishment process is expected to be completed by June 2020.

During the year under review, we embarked on the process of attaining ISO 45001 certification, which is an occupational, health and safety standard aimed at improving employee safety, reducing workplace risks and creating better, safer working conditions. Our first step was to complete an ISO 45001 gap-analysis and implement plans to close gaps identified. This was achieved by year end, with all identified gaps addressed.

Furthermore, this year we aligned our safety reporting, of incidents and injuries, to international best practice (Bird Triangle), which enables proactive implementation of safety measures. To further strengthen our safety reporting framework, we implemented a risk- and exposure-based medical surveillance programme, in the year under review. This is expected to drive a step change in assuring job fitness and preventing detrimental effects of the work environment on our health.

FY2019/20 fatalities and incidents



Total occupational fatalities: **0**
(FY2018/19: 0)



Total non-occupational fatalities: **31**
(FY2018/19: 38)



Total severe injuries: **87**
(FY2018/19: 106)

AIRPORT OPERATIONS

Our airport operations are central to differentiating our service offering. Passenger satisfaction drives revenue and traffic growth, as well as protecting and enhancing our reputation. Globally, passengers' expectations are shifting. High-quality, seamless travel experiences, driven by technology-enabled self-service opportunities, among others, are what passengers expect. However, we need to ensure affordability, which we do through ongoing collaboration with airlines. In FY2019/20, we introduced a monitoring system aimed at enhancing awareness of operational challenges that may hinder achieving our KPIs. Any factors that could lead to deviation from our targets are discussed at monthly airports management meetings, with a view to implementing corrective action expediently.


On-time performance

Our ability to effectively manage airport operations and ensure high levels of service quality largely depends on the predictability of passenger flows which is closely linked to on-time performance. On-time performance is determined by the percentage of aircraft departures within 15 minutes of their slot time, in accordance with the International Airlines Transport Association's (IATA) universal standard. We achieved an average on-time performance of 85.05% for FY2019/20 (FY2018/19: 83.39%).



On-time performance (%)


	FY2019/20	FY2018/19	FY2017/18
O.R. Tambo International Airport	83.97	82.46	84.55
Cape Town International Airport	86.33	84.81	86.66
King Shaka International Airport	85.27	84.30	85.90
Port Elizabeth International Airport	88.42	85.49	84.10
Bram Fischer International Airport	82.10	79.91	79.35
Upington International Airport	85.05	87.60	83.80
East London Airport	87.22	82.67	81.13
George Airport	86.01	82.72	81.13
Kimberley Airport	88.83	86.86	77.38
Average	85.05	84.09	84.80

Good on-time performance contributes to the quality of passenger experience, enhances our reputation and is beneficial for airlines as it optimises costs. OAG, a global travel data provider, confirmed and recognised our largest three airports for their on-time performance, which received awards in respective categories. See page 12  for more information on these awards.

Airport service quality (ASQ)

ASQ is a globally established benchmarking programme operated by ACI measuring passengers' satisfaction on a scale of 1 (poor) to 5 (excellent), which enhances our understanding of passenger satisfaction and facilitates improvement of service quality and business performance. We measure and monitor passenger experience through our ASQ targets on a quarterly basis. We strive to go beyond meeting customer experience expectations, aiming to exceed these by focusing on compliance, efficiency and high levels of service quality. During the year, we embarked on various initiatives to improve our passengers' experience. See page 12 for more information on the ACI ASQ awards we received in FY2019/20.

In FY2019/20, we introduced Info-Gate totems, increasing the availability and quality of services to passengers. Info-Gate totems are versatile self-service indoor navigation and guidance systems that efficiently increase the number of service counters through digital navigation. These complement our traditional customer engagement touch points of telephone or face to face at information counters. Info-Gate consists of two types of totems. Wayfinding totems allow customers to navigate and find information independently. Interactive counters connect customers via a video camera to a customer service agent for assistance. A total of 51 Info-Gate totems were installed at three international airports: O.R. Tambo International Airport, Cape Town International Airport and King Shaka International Airport. The impact on overall passenger experience has been positive.

Capacity management is an ongoing challenge as we balance our infrastructure, operating procedures and conditions with the accelerating volume of passengers processed through our airports. This is critical to ensuring passenger safety and facilitating an enjoyable travel experience. Considering our limited resources, we also focus on efficiency optimisation to enable growth in the volume of passengers. We are reaching the limits of our existing capacity and capacity expansion is critical. For further information on our capacity expansion projects in Develop Airports performance, see page 88. 



Airport service quality

	FY2019/20	FY2018/19	FY2017/18
O.R. Tambo International Airport	3.89	3.97	3.96
Cape Town International Airport	4.06	4.07	4.06
King Shaka International Airport	4.10	4.18	4.16
Port Elizabeth International Airport	3.99	4.02	4.00
Bram Fischer International Airport	4.10	4.06	3.87
Upington International Airport	4.32	4.37	4.28
East London Airport	3.97	3.81	3.92
George Airport	4.14	4.07	4.23
Kimberley Airport	4.18	4.54	3.76
Average	4.08	3.97	4.08

Airport operations stakeholder engagement

In FY2019/20, as part of our key account management initiative, we reviewed our operational stakeholder engagement process and invested in a new user-friendly platform that enhances the intelligence derived from our stakeholder surveys by encouraging more in-depth feedback. The surveys focus on operational stakeholders' experience of Airports Company South Africa in relation to employees and our day-to-day operating environment. Our new approach has resulted in an increase of stakeholder completion rate of 20% and has increased stakeholder satisfaction from 3.5 in FY2018/19 to 3.8 in FY2019/20. The key account management framework also makes use of business intelligence tools to add value to existing engagement and build stronger relationships with stakeholders. In FY2020/21, we intend to develop a bulletin to share a high-level view of key findings from our survey as well as the initiatives we are working on to address these findings.

Ground handling is an integral part of our value chain, including ramp handling (such as water services and bus services), as well as crew and passenger handling (such as baggage, sanitation and catering) services. These services are provided by licensed Airports Company South Africa service providers. In the year under review, we entered litigation proceedings related to ground handling which pronounced the Preferential Procurement Policy Framework Act applies to ground-handling services and as a result, our invitation to market decision must be reviewed and set aside.


NON-AERONAUTICAL OPERATIONS

Commercial operations

Revenue performance, specifically revenue from commercial operations, received significant attention

in the year under review. In December 2019, our Board approved a new commercial structure aligned to Vision 2025.

The new structure will enable us to effectively manage commercial revenue-generating opportunities through dedicated workstreams, operationalising the recalibrated commercial operating model, tracking and managing our impact and managing the transformation of our commercial operation by embedding a supportive culture. Through our commercial operations, we intend to become a world-class commercial airport business that delivers superior non-aeronautical returns and enhances customer experiences through collaboration with our commercial partners.

In comparison to last year, commercial revenue increased by 3%, yet we have still not been able to reach our target of 7%. This reflects the challenges emanating from the external operating environment (see page 30.)  In addition, as a result of litigation placing our tender processes on hold during the year, we were unable to reach our rental occupation targets or modernise our tenant mix. This posed challenges to existing tenants as they were not able to upgrade their stores.

The conclusion of litigation proceedings between Airports Company South Africa and Imperial Holdings provided clarity in how we will proceed in commercial operations in the year ahead. We are now in a position in which we can plan with certainty and we know what initiatives we need to put in place.

The implementation of social distancing and isolation measures and finally by the national lockdown at the end of FY2019/20 due to COVID-19 significantly impacted our business and that of our concessionaires with a reduction in passenger numbers and commercial activity. In this period

concessionaires experienced increased pressure on revenue performance, challenges in the global supply chain and increased pressures due to staffing and sanitation costs, while hotels experienced high levels of cancellations. This has resulted in a significant decrease in our commercial revenues and an increased demand for rental reductions from concessionaires in the last quarter of the financial year, ultimately impacting our overall performance for the year.

(R'000)	FY2019/20	FY2018/19	FY2018/17	Variance
Advertising	197 777	180 124	189 844	9.8%
Retail	1 225 277	1 215 353	1 172 909	0.8%
Parking	575 135	593 402	551 836	-3.1%
Car rental	316 249	304 045	284 752	4%
Property rental	791 275	717 294	691 129	10.3%
Hotel operations	162 287	155 504	150 075	4.4%
Business development	24 445	28 480	44 422	-14.2%
Other	75 699	76 060	61 614	0.5%
TOTAL	3 368 144	3 270 261	3 146 581	3%

Total non-aeronautical revenue of R3.37 billion (2019: R3.27 billion) in this section differs from the amounts in the financial statements, as it excludes smoothing adjustments of R12 million (2019: R46 million). Smoothing is an adjustment required for IFRS purposes, however it does not have a bearing in the manner in which the KPI or the commercial portfolios are monitored.

Advertising

This year saw advertising growth of 9.8% compared to FY2018/19, 5% below target. Our ability to meet our target was hampered by litigation proceedings, concluded in January 2020, which prevented us from awarding

advertising tenders. Our current advertising contracts come to an end in FY2021, consequently all our airports will go to market for advertising opportunities. We will also implement an advertising strategy that includes improved digitisation and collaborative partnerships, to provide passengers with a superior experience in interacting with brands at our airports.

Retail

Revenue from our retail operations grew 0.8% from FY2018/19, 6% below target. Retail spend per passenger showed a marginal increase of 1.2%, while the average basket size declined 2.8%, indicating passengers are spending less when travelling. Growth was further negatively impacted by in-flight luggage restrictions and a decline in Asian travellers which affected revenue performance in key high-yielding categories such as core duty free and jewellery. In the month of March, retail was severely impacted by the COVID-19 pandemic and associated travel restrictions with some international departures' shops experiencing a 61% decline in sales and some domestic retailers experiencing as high as 35%.


In FY2019/20, retail leases were extended to 2023, with a 5% escalation realised in minimum rentals compared to an expected 8% to 10% escalation as per lease contracts. Rental escalations were waived on some leases to avoid an increase in vacancies due to a termination of contracts. Vacancy rates reached 6% for FY2019/20, with 22 shop closures across all airports, resulting in a decline in budgeted revenue. Most retailer's performance did not exceed their minimum rental threshold, resulting in only minimum rentals being realised on most leases.

Car parking and car rental

Car parking revenue decreased by 3.1% from FY2018/19, 11.03% below target, due to multiple days of zero-trading. Total transactions across our three largest international

airports declined by 3.75%, with O.R. Tambo International Airport and Cape Town International Airport declining 5.99% and 5.00% respectively and King Shaka International Airport increasing consistently. The growth in e-hailing, the use of the Gautrain and lower levels of corporate and government spending has impacted our parking and car rental business. Nonetheless, car rental has shown a resilience by growing revenue 4% from FY2018/19.

Property

Property rental income has grown 10.3% to R794 million (FY2018/19: R717 million), while hotel operations generated R162 million in revenue (FY2018/19: R156 million). Compared to FY2018/19, property rentals increased 4.7%. This includes rentals from hotel operations and filling stations but excludes subsidiaries. The strong performance can be attributed to lower vacancy rates of 4% and adjustments to contractual frameworks for filling stations, hotels and lounges. See Property Management in Develop Airports on page 88 for further details. 

Our hotel portfolio comprises five hotels which are operated through management contracts with renowned hoteliers. City Lodge Hotels operates O.R. Tambo International Airport City Lodge, Port Elizabeth Road Lodge and Bram Fischer Road Lodge. Tsogo Sun operates O.R. Tambo International Airport Intercontinental Hotel and Marriott Hotel operates O.R. Tambo International Airport Transit Hotel. According to the Smith Travel Research Hotel Benchmark report, which provides data on the performance of the South African hospitality industry, O.R. Tambo International Airport Intercontinental Hotel improved its revenue per available room by 9.8% compared to the previous year, while on average South African hotels improved by 3.8%. The O.R. Tambo International Airport Intercontinental Hotel surpassed the performance of all five-star hotels in South Africa, which on average improved by 6.4%.

The lockdown measures did not have any material impact on the property rentals up to the end of the year under review. The hotels did experience cancellations in the month of March 2020, slightly impacting performance. While the future is uncertain, we are considering a number of scenarios to respond to the challenges emerging as a result of the pandemic. We have resolved to provide rental relief to our tenants, in the form of deferred rentals for the first quarter of FY2020/21.

Cargo handling at our nine South Africa airports

We have well-established cargo precincts at a number of our airports, particularly at O.R. Tambo International Airport and Cape Town International Airport. Most cargo volumes are moved through 'belly space' on passenger flights.

Cargo handling volumes (tonnes)	FY2019/20	FY2018/19	FY2017/18	Variance
O.R. Tambo International Airport	356 954	380 209	399 781	-6.1%
Cape Town International Airport	68 191	79 272	87 540	-14%
King Shaka International Airport	17 371	17 587	16 596	-1.2%
TOTAL	442 516	477 068	503 917	-7.2%

The significant and immediate impact of COVID-19 on the global air cargo industry was evident in the last quarter of the year under review. Widespread cancellations of passenger flights considerably reduced bellyhold capacity for the cargo market and volumes were reduced by factory closures and supply chain bottlenecks in the Asia Pacific region as the Chinese manufacturing sector came to a standstill.

While developments in China were key for the initial impact of the pandemic on air freight, outcomes in subsequent months will increasingly reflect the closing of manufacturing sectors in other regions.

Historically, our focus for deriving revenues in the cargo precincts has primarily been on leasing facilities and facilities management, offering limited room for growth and the extension of our brand. To capitalise on new opportunities, in the previous financial year, we developed a cargo evolution roadmap. The roadmap aims to nurture relationships with our cargo business partners, grow revenues through a more responsive and enhanced cargo product and enable stakeholders to take advantage of our current and future cargo offering. There is considerable potential to harness opportunities in various aspects of the cargo portfolio that could grow non-aeronautical revenue and increase cargo traffic. Improving efficiencies, streamlining processes and introducing new methods of planning for and delivering cargo infrastructure will unlock new opportunities in the cargo value chain.

We have outlined and committed to the following key objectives to reach by 2025:

- Grow cargo awareness, skills and experience
- Foster a win-win partnership with local, regional and international role players
- Grow cargo revenue through a co-created value proposition for all business partners
- Define and embed operational, planning and development guidelines
- Execute approved development plans

During the year under review, we started embedding the foundations for these objectives and building blocks into our operations. An engagement plan was developed to ensure collaboration with external stakeholders as we identified and defined participation requirements for relevant regional

economic development initiatives such as Special Economic Zones and identified ancillary land parcels to support future developments for some of our key airports relating to cargo. We also initiated the development of proposals for alternative cargo business models and undertook integrated planning processes for cargo-related infrastructure. Our airports are diverse, we therefore anticipate various models may be needed to support cargo at our airports. All these activities enable us to determine the best long-term course of action in cargo. We remain confident any approved investments we make in cargo will contribute to long-term value creation for the Group.

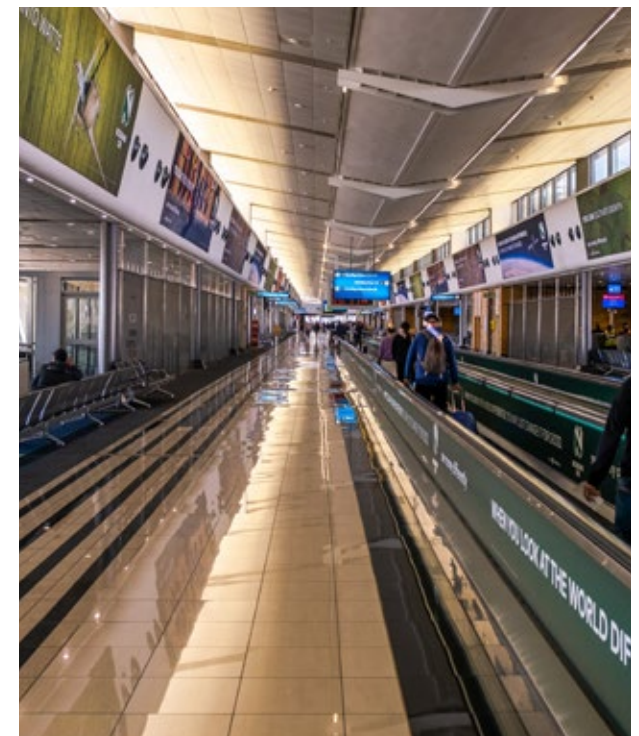
OUTLOOK

Towards the end of the financial year, it became clear the social and economic impacts of COVID-19 will be pervasive globally, impacting every country, industry, business and individual. The global economic slowdown and an expected reduction in passenger numbers and routes due to COVID-19 leaves significant uncertainty, with no end in sight. As the impact of COVID-19 becomes more evident, we will undertake intensive market analysis of the domestic and international factors that will impact how we run airports. Under these unprecedented circumstances, only time will tell how and when the aviation industry will normalise.

Looking forward, our commercial operations will remain on a recovery trajectory. We will observe the response of global airports to ensure proportional response, prioritising passenger number reductions over minimum annual guaranteed rent reductions. We will keep close communication with concessionaires regarding risks and further communicate best-practice and measures to be implemented. Although we expect to be challenged by these circumstances, we must also prepare for the tide to turn and be ready to take advantage of commercial

opportunities when they arise. Consequently, we will follow through on our plans to go out on tender in retail, advertising, car hire and the regularisation of e-hailing.

Running airports will be our primary focus and we will concentrate on operation priorities such as enforcing the government regulations, rebuilding passenger confidence, ensuring the health of staff, stakeholders and airport users and improving operational efficiency. In the long term, we aim to migrate the current aerotropolis structures and initiatives into new governance structures that extract greater value. We remain committed to unlocking long-term value by way of effective integrated spatial planning, land acquisition, zoning and development.





DEVELOP AIRPORTS

Developing world-class airport infrastructure that responds to the needs of our customers and our industry is the foundation of our value proposition. As airports evolve, we are committed to developing our airports so we can continue to provide world-class facilities for our stakeholders and the country at large. Improving and expanding airport infrastructure unlocks our airports' developmental potential and grows our footprint, providing significant regional and national economic benefits.

OVERVIEW

Developing airports spans the improvement and expansion of infrastructure as well as leveraging innovation and opportunities. Our current development activities will shape our future as a business and be a key enabler of economic growth within the regions in which the airports are situated. Developing airports underpin the achievement of Vision 2025 objectives, which include initiatives like our aerotropolis developments at O.R. Tambo International Airport, Cape Town International Airport and King Shaka International Airport. In the year under review, our capital expenditure was R1.3 billion, exceeding the target of R1.09 billion, representing a performance of 9%. Many of our major projects are currently out to tender with awards largely expected in due course. We achieved capital expenditure approval for the implementation of certain key projects including the Cape Town International Airport Terminal 2 project and the Passenger Self-Service project. However, these will be subject to review in light of the impact of the COVID-19 pandemic and rating downgrade which will affect the affordability of funding.

Airports are infrastructure-intensive businesses that include a wide range of assets from terminal buildings and runways, pavements and fuel lines, to commercial and retail property as well as digitisation and innovation. Likewise, our strategic objective of developing infrastructure spans a variety of activities such as major infrastructure developments, regular maintenance and the need to address the Company's ageing infrastructure, property management as well as the introduction and roll-out of technology projects. These activities all contribute to the quality of our passengers' experience and unlock non-aeronautical revenue. To ensure sustainable, cost-effective and relevant infrastructure solutions are enabled, planned and developed, we consult and collaborate with a broad spectrum of national, regional and airport stakeholders.

We have developed a framework for investment analysis of capital expenditure projects, aimed at ascertaining the accuracy of investment decisions and providing comparison of competing investment options, which is aligned to the National Treasury's Framework for Infrastructure Delivery and Procurement Management. At year end, we were on the brink of commencing large infrastructure developments to address pressing capacity constraints. Recent changes in demand, however, necessitates that we once again analyse the investment case for capacity development projects.

ACHIEVEMENTS IN FY2019/20

Integrated airport planning

To enhance our property portfolio, we have adopted an integrated airport planning approach to property development. In the year under review, we rolled out a regional integration framework that will promote structured, increased and focused regional engagements and facilitate alignment of regional and airport priorities at strategic, tactical and technical levels. In addition, we revised our commercial planning strategy for Cape Town International Airport, introducing a new and integrated approach to commercial design that will transform the commercial offering and improve the passenger experience while enhancing revenue-generating opportunities.

Property management

Revenue of R877 million from our property portfolio surpassed our targets for the year. Our airport real-estate remains attractive to tenants and vacancy rates remain low for both commercial and retail properties, despite the difficult economic climate. We have further strengthened our portfolio by converting month-to-month leases to long-term arrangements to improve lease tenure and ensure long-term revenue generation.

With our new office complex taking shape, efforts are underway to secure a tenant for the remaining space. During the year, we concluded contractual frameworks for an airline and commercial lounge that will boost lounge revenues through the implementation of a market-related rate plus a percentage turnover or user-fee charge. In addition, we are developing a proof of concept for a newly conceptualised Company-owned and operated lounge product at O.R. Tambo. A pronounced increase in demand for airport lounges is driven by a maturing middle class in South Africa, which is taking advantage of loyalty programmes and often seeks hospitality services rather than retail during their time at an airport.

Enterprise asset management

In FY2019/20, we introduced new elements to our asset management programme as well as efficiency and safety programmes.

We contained maintenance and repairs costs, realising a consumer price index-related increase. Maintenance and repair costs of R371 million for the year represent a 5% increase compared to the previous year (FY2018/19: R352 million).

This has been achieved through two management interventions:

1. The implementation of asset classification, which aims to align the service management approach relative to the risk and impact on airport operations. This does not compromise general machinery regulation needs or original equipment manufacturer maintenance requirements. We optimise service management parameters such as on-site presence and assess the merits of intensified maintenance regimes.
2. The completion of technical due diligence and activation of refurbishment and replacement capital expenses, in place of tending to breakdowns using operating cost.

People movers, X-ray machines, electrical equipment and passenger loading bridges are the major classes of assets due for such investment.

We also note with concern that in the FY2019/20, a third of our assets entered the wear-out phase. Assets in this phase of their life-cycle are known to become unpredictable in terms of breakdowns. The asset management treatment, in this case, is the implementation of a rolling capital management programme. This entails a cyclical renewal of assets or infrastructure using replicable implementations standards and procedures. This eliminates duplication in engineering design and accelerates execution based on lessons learnt from prior projects.

Guiding principles for our rolling capital programme

- Our capital programme across airports should be routine as we have similar equipment and infrastructure
- The decision to defer capital projects should be made against the backdrop of asset availability
- The ultimate capital programme for an airport should be a combination of new development and asset management drivers. This is to rationalise the cost
- Ideally, the asset management capital programme should routinely be implemented

Drivers for capital investment

- Lifecycle
- Technology obsolescence
- Modernisation
- Regulation and risk
- Refurbishment
- Efficiency and reliability
- New capacity and new development
- De-bottlenecking

The sequence of projects undertaken will be determined by the guiding principles and drivers of capital investment, as well as prioritising work to affordability. Where similar classes of projects require replacement or refurbishment, a generic solution will be engineered and implemented with minor adjustments to the specific airports. In the long term, this simplifies the number of technologies in use, which in turn reduces inventory, number of original equipment manufacturers and working capital.

The Group was not negatively impacted by load shedding in South Africa, in the year under review even during stage 6 load shedding in the latter part of 2019. Our electrical generator configurations, diesel storage and switching to LED lighting prevented business interruption. There was an all-round improvement in ASQ results for airport infrastructure compared to the previous financial year and the Board KPI of a 4 rating has been met.

New technologies such as gas-to-power and energy storage steadily progress. We have experienced procurement challenges in securing service providers for the LED replacement programme at some airports. These tenders have been revised and issued to market.

In FY2019/20, we identified commercial assets in need of refurbishment at most sites. This work has commenced and despite initial challenges in securing competitive prices, the refurbishment of two assets has been completed. These designs, bill of materials and competitive end-of-job costs set the benchmark for future projects.

Within facilities management, we completed the implementation of our revised cleaning specification at all airports, except Cape Town International Airport, which will be implemented later in FY2020/21. Restructuring the service offering, specifying the use of mechanisation in certain areas and moving to higher cost transparency improved cost competitiveness. Cleaning costs increased by 3% in the year under review compared to previous years in which cost increases ranged from 7–10% per annum. We expect to yield a R10 million per annum saving through the revised cleaning specification. Revised service management strategies for waste management and vegetation management were also completed. The waste management strategy will be implemented at King Shaka International Airport and Cape Town International Airport in the coming year. The vegetation management service strategy has been implemented at Cape Town International Airport and is

expected to result in a R4 million per annum saving. During our building and facility inspections, we noted unusual corrosion at King Shaka International Airport. Coastal airports experience crevice, pitting and erosion-corrosion as a result of proximity to the sea and the particles in the air, particularly during a wind spell. We have commissioned expert analysis and advice on a refurbishment programme.

We are set to perform an ISO-55000 due diligence for asset management at King Shaka International Airport and Cape Town International Airport, to obtain expert opinion on the implementation of our asset management programme. We are determined to achieve an ISO-55000 Asset Management accreditation in the next 12–18 months at these airports. This would be an admirable achievement as just 11 airports in the world can claim such an accreditation.

PROPERTY AND INFRASTRUCTURE ASSET MANAGEMENT DEVELOPMENTS

New corporate offices

The construction of our new head office is underway on a site adjacent to O.R. Tambo International Airport. The project commenced in February 2019 following the award of the contract to ACSA Western Precinct Consortium in December 2018. Construction is progressing well, with more than half of the first phase completed on schedule. Construction is on track for completion by March 2021. The 33 000m² project comprises three buildings that will house Airports Company South Africa, the SACAA and a prospective tenant. As the first major development undertaken by the Company in the past 10 years, this project is a testament to our ability to manage a large infrastructure development project.

Airports

In FY2019/20, we focused on conceptual and detailed infrastructure design work, scoping, programming, business case development, stakeholder consultation and securing funding by obtaining positive investment decisions for the applicable developments. The intensity and complexity of the activities were varied across the network of airports and based on the airport level portfolio of projects.

O.R. Tambo International Airport

A number of planned developments at the airport gained traction during the year under review, such as the Midfield passenger terminal development, terminal A redevelopment, the Denel precinct plan, rapid exit taxiways and by-pass taxiway busing gates phase 1 and 2, new cargo development and the additional capacity for domestic departures security.

Cape Town International Airport

Work has commenced on terminal 2 enablement works and the following projects have progressed well through design development phases and are either in detailed design stage or tender preparation stages: terminal 2, new domestic arrivals, Alpha 13–15, international lounge expansion and apron development projects. We are finalising the engineering required for the rehabilitation of the current main runway which will extend its life while awaiting the implementation of the new re-aligned runway.

King Shaka International Airport

The construction of additional code-F aprons and the extension of Bravo Taxiway is in progress and is scheduled for completion in October 2020. The landside precinct plan has commenced and is currently still in progress.

East London Airport

The conceptual design for the East London terminal expansion was concluded and the detailed design for the lounge expansion project is in progress.

Regional airports

Good progress was made in developing master plans and precinct plans. Four integrated airport master plans for George, Bram Fisher, Kimberley and Upington airports and two precinct plans for Port Elizabeth International Airport and East London Airport were initiated and the scoping phase, strategic scanning phase and scenario planning exercises have concluded. These development frameworks are informed by region-specific information, and will provide phasing, flexibility and expandability for the unknown future growth of these airports.

PROGRESS ON DEVELOPMENT OF OUR AEROTROPOLIS CONCEPT

All our master development plans follow the aerotropolis concept, which incorporates the communities around the airport with the aim of generating economic and social benefits for the region. Despite the impact of COVID-19, we remain resolute to continue our development of the aerotropolis concept as it is a key growth opportunity for us in the medium and long term and a lever for stimulating economic growth in the country. Connecting cities and countries by air will remain critical for the recovery of international trade, supply chains, investment and tourism, providing the opportunity to boost local economies and stimulate job creation.

In the O.R. Tambo International Airport aerotropolis plan, 22 catalytic projects were identified that would effectively impact economic development in the short term. The Midfield Cargo Development and the Western Precinct Commercial Development are two of the projects we are spearheading. During the year, we completed the tender document for design services for Midfield Cargo Development and are preparing to commence the tender process. Consultants have been appointed from the Airports Company South Africa panel to scope the project and obtain an environmental impact assessment approval. The preliminary design is in progress and practical completion for the development is provisionally

planned for August 2024. We remain committed to furthering these projects and supporting the Gauteng province and City of Ekurhuleni leadership to see the aerotropolis initiative gain even greater traction.

At Cape Town International Airport, the Swartklip development remains the driving catalytic project. The environmental impact assessment process and stakeholder engagements – including all impacted and affected communities on Swartklip land in Cape Town – continues. King Shaka International Airport serves as the gateway to the 32 000ha Durban aerotropolis development, managed by Dube Tradeport Corporation as the implementing agent. Once implemented, it is estimated 750 000 jobs will be created through this initiative. The La Mercy Joint Venture Company, a partnership between Airports Company South Africa and Dube Tradeport Corporation, is in the process of developing a site-wide master plan to guide developments surrounding the airport.

ENTERPRISE PROJECT MANAGEMENT OFFICE

During FY2019/20, we developed and implemented a project management lifecycle tool to guide employees in managing projects from conceptualisation through each stage of development, in line with the National Treasury Standard for Infrastructure Procurement and Delivery Management. We are confident we have the appropriate governance structures in place to ensure the planned infrastructure development will run in terms of project timelines, management of scope deviation and budget.

INNOVATION

Innovation implies changing and creating more effective processes and exploring initiatives to develop or improve products or services for organisations. IT readiness and enablement capability are essential to ensure the agility and

capacity to transform the Company to a digital business and infuse digitisation in infrastructure solutions. To ensure relevance for the future, the formulation of all our airport development plans is informed by technological advancements, which influence the perception of how airports of the future must look and operate. During the year, we embarked on a journey to foster innovation, to enhance the Company's value proposition of becoming a global competitor and maintaining its sustainability. Notable innovations in the year under review include smart security, e- gates and self-service (bag-drop).

In FY2019/20, the Board approved our Innovation strategy. We are developing policies, standards and procedures that will shape the mechanism of implementation.

In FY2019/20, we initiated a project using drones for runway, taxiway and apron inspection. This required extensive engagement with aviation authorities and the Aviation Training Academy to allow the controlled use of drones in an aerodrome zone. In collaboration with our aviation partners, we are embarking on a pilot project and are in the final stages of awarding a tender to a licensed drone operator. The controlled use of drones offers the benefits of enhanced efficiencies, improved safety and security.

OUTLOOK

The current adverse economic climate, at both local and global scale – compounded by the downgrading of the sovereign's credit rating and the COVID-19 pandemic outbreak – will adversely impact our ability to attract affordable funding. Moreover, the COVID-19 outbreak has significantly impacted air travel and is likely to bring a new era in the aviation sector with different demand dynamics. While adapting as necessary, we will continue to focus on optimising the utilisation of our assets to co-create value for our shareholders and stakeholders in our localities.

In FY2020/21, our infrastructure development programmes were set to gain momentum as we planned to break ground on several projects. Considering COVID-19 and Moody's downgrade of Airports Company South Africa, we will, however, review the affordability of these projects. Expansion programmes will therefore be revised or deferred as we reduce our airport footprint to fit demand. Our infrastructure replacement and refurbishment programme will be aligned to a combination of short-term need asset condition and lifecycle. Maintaining our high standards of passenger infrastructure experience may be challenging. However, our asset management strategy will be revised to protect the operating licence, heavy machinery and continue with regulated maintenance.

Although we are changing gears in our approach to infrastructure development in the year ahead, we will remain resolute and focused on embracing a responsible approach to airport planning and development, ensuring environmental responsibility and supporting transformation imperatives in all we do.





GROW FOOTPRINT

Responding to changes and opportunities in domestic, regional and international air transport markets extends our footprint, enhancing sustainable value creation. In our current recovery and sustain frame of mind we will be considering new ways to grow, re-evaluating strategic investments while nurturing existing growth areas. Expanding and strengthening our presence in the right markets allows us to grow our core business activities and revenue.

OVERVIEW

We grow our footprint by boosting the number of departing passengers through our airports and by increasing our capacity. We accelerate growth by adding new routes and frequencies to domestic, regional and international operations across all our airports. In the year under review, we achieved a decrease of 0.91% in the number of passengers through our network of airports, falling short of our target of 0.7%. We have also increased the number seats in our network by 0.75%, marginally missing our target of 0.8%.

The impact of COVID-19 on global aviation has been the most significant contributor to the contrasting performance which saw the network growing at over 3% in both departing passengers and seats in the first three-quarters of the financial year. This growth was undermined in the fourth quarter, with March 2020 severely impacted by global travel restrictions and lockdowns imposed by the South African Government and other source countries.

BUSINESS DEVELOPMENT

Our dedicated team of network planning experts, statisticians, economists and marketers have a finely honed understanding of airline network planning and route performance. We work closely with our airline partners to identify, validate and perform route opportunity analysis for expansion and retention.

Further collaboration with key stakeholders from tourism to municipal and provincial structures occurs to ensure alignment with the trade and tourism agenda. Our performance is set out below, focusing on expanding our international reach, stimulating regional growth and collaborative partnership developments.

Expanding our international reach

Our five international airports were the main contributors to our network's connectivity and traffic growth in the year under review. However, over 80% of the traffic growth at these airports can be attributed to the domestic market. The exponential growth of low-cost airlines within South Africa's golden triangle (Johannesburg, Cape Town and Durban) was a major growth driver, which also reflects a promising revival of domestic tourism.

The challenges faced by SAA continue to affect connectivity through our airports. This has compelled us to focus on intra-regional connectivity to ensure our airports maintain consistent quality connections into the African continent. The continuous expansion of foreign carriers into our three main airports – despite our country's poor economic performance over the past two years – demonstrates confidence that our market will provide healthy returns on their investments.

Stimulating regional growth

Stimulating regional growth remains a challenge. Many route opportunities within our network are suited for regional airline operators, with smaller aircraft that align to demand dynamics. Some regional airlines have in the recent past struggled with regulatory compliance, resulting in grounding of the airline. This causes capacity shocks and constrains air traffic growth.

The continuing challenges faced by local and neighbouring countries' regional airlines such as SA Express, Fly Cemair, Air Namibia and Air Botswana among others, has eroded the quality of connections into and between smaller cities. SA Express and Fly Cemair have, however, recovered from their subsequent grounding by the SACAA.

The following outlines developments during FY2019/20 at our three international hubs:

O.R. Tambo International Airport

- New connections to Central and West Africa through Togo-based, ASKY Airlines, daily to South Africa, with departure split between Libreville (Gabon) and Doula (Cameroon)
- New connections to Madagascar through Air Madagascar twice weekly
- Increased connections by Singapore Airlines and Alitalia, improving O.R. Tambo International Airport's connectivity to Singapore and Italy
- Increased connections by Qatar Airways with seven additional weekly frequencies to O.R. Tambo International Airport growing South Africa's, particularly Johannesburg's, access to Qatar's global network, which could potentially boost the growth of international tourist arrivals
- Pro-flight has committed to a new link between O.R. Tambo International Airport and Ndola in Zambia, enhancing Zambia's Copperbelt connectivity and access to global markets

Cape Town International Airport

- First direct non-stop connection to New York and Cape Town International Airport established on a seasonal basis, from December to March by United Airlines. As a result, Cape Town will now have direct access to one of the largest outbound tourism markets in the world
- Increased connections by Qatar Airways of three additional weekly frequencies
- New connections by WestAir aviation with the launch services between Cape Town International and Eros Airport via Oranjemund Airport in Namibia four times a week. This will replace some of the capacity removed by Air Namibia on the Cape Town International to Hosea Kutako International route. In addition, in December 2019, WestAir launched its scheduled service from Ondangwa via Eros Airport in Windhoek to Cape Town.

King Shaka International Airport

- King Shaka International Airport was the fastest growing airport within our network in the year under review, with over 90% of the growth attributed to the domestic market
- Increased connections by Air Mauritius, from three to four frequencies per week
- Increased connection by Emirates, adding three to four weekly flights between Dubai and Durban, which has encouraged the continued growth of domestic and international travel into Durban

During the year under review, SA Express expanded its domestic route network with the launch of three new routes to the Eastern Cape: Cape Town and East London (four weekly flights), East London and Mthatha (three weekly flights) and Mthatha and Cape Town (three weekly flights). These new routes highlight the airline's commitment to connect primary and secondary markets to stimulate tourism.

Furthermore, Fly Cemair's return to service saw the reinstatement and expansion of the Cape Town and Plettenberg Bay, Johannesburg and Plettenberg Bay, Johannesburg and Margate as well as Johannesburg and Sishen routes. These routes will continue to enhance connectivity at two of our largest airports.

Between bigger airports, the direct links secured two to three years ago continue to grow from strength to strength, where most of the services are operating more than four

flights per week. We continue to work in partnership with stakeholders in trade and tourism to develop and implement promotion programmes to support the long-term sustainability of these routes.

Collaborative partnership developments

Our partnerships with stakeholders including Wesgro, Dube TradePort and South African Tourism on trade and tourism has supported route development efforts in South Africa.

Gauteng route development

As the project lead for Gauteng route development, we continue to work closely with the Department of Tourism and South African Tourism to execute the route development plan. The structure, however, is far from what was initially envisaged due to outstanding commitments from the provincial government. Nonetheless, committed stakeholders continue to drive the project and execute on

activities of common interests, including joint industry event participation, destination marketing led by South African Tourism as well as joint airline meetings.

Cape Town Air Access

The structure developed a preliminary plan to guide Air Access for Cargo, to enhance the seamless flow of goods, grow the province's exports and attract investment within the airport precinct. We have resolved to make an in-kind contribution, to ensure greater transparency and good governance.

Durban Direct

The Durban Direct coordination team is currently in the process of revising the airlift strategy with a five-year horizon to effectively focus on key strategic markets for the province and the airport. The successful execution of the joint destination marketing campaign in FY2019/20 has laid a blueprint for future collaboration.

Nelson Mandela Bay airlift

The establishment of a route development structure to support the growth of our fourth largest airport in Port Elizabeth in partnership with Nelson Mandela Bay Metropolitan has been essential in growing our footprint in the Eastern Cape. Our coordinated approach on airlift in Nelson Mandela Bay Municipality led to the establishment of a direct link between Port Elizabeth and Lanseria, in partnership with Mango. Even though the service was later terminated due to poor performance, the prospect for new destinations into Nelson Mandela Bay Municipality remains promising. In the year under review, we also finalised the airline support incentive scheme and destination marketing strategy, fully funded by Nelson Mandela Metropolitan, which promises outcomes to the benefit of all stakeholders.

NON-CORE REVENUE

Our non-core revenue, from business development advisory and consultancy, for the year under review generated R24.4 million. Revenue from advisory services fees to Pietermaritzburg Airport amounted to R1.5 million, fees derived from Mumbai International Airport Limited's airport operator agreement total R18.7 million and our contract with Zambia Airports Corporation Limited for operational readiness and airport transfer, amount to R4.2 million. In addition our training academy generated revenue of R2.5 million from the provision of external training services.

Developing expertise in advisory services

We are pursuing value creation opportunities by leveraging our extensive human capital, institutional knowledge and experience to provide technical consulting support to emerging operators. During the year under review, these included providing operational readiness support at Roberts International Airport in Monrovia to the Liberia Airports Authority and at Kenneth Kaunda International Airport

in Lusaka, Zambia for Zambia Airports Company Limited. We provided advisory and technical services to Bugesera Airports Company for Bugesera International Airport in Kigali, Rwanda. In South Africa, we provided advisory and technical services to the Msunduzi Municipality for Pietermaritzburg Airport, Gateway Airports Authority Limited for Polokwane Airport, Eastern Cape Department of Transport for Mthatha Airport, City of Tshwane Metropolitan Municipality for Wonderboom Airport and City of uMhlathuze Municipality for Richards Bay Airport. We undertook a technical assessment of King Moshoeshe International Airport in Maseru for the Lesotho Department of Transport.

Commercialising our training academy

Throughout the year we focused on developing a business case for the commercialisation of the training academy through the collaboration with various stakeholders. The strategic intent of the academy has evolved from focusing on internal revenue growth to encompass a wider role in the aviation sector through establishing an industrywide training academy that is focused on improving aviation skills within the country, region and the continent. The training academy will be based in Johannesburg with satellite campuses in various provinces where we operate airports. The Swartklip site has been identified for the Cape Town satellite campus. The campus is in the final stages of preparation and will be ready for use within the first quarter of the new financial year. In the year ahead, we commence the design phase of the Johannesburg facility, with execution expected in 2023. A proof of concept platform has been secured that will enable ecommerce, authoring of new courses as well as deployment of online learning. The platform will be launched in the new financial year with online courses built in-house.

Various partners have been identified to ensure credible execution of the training academy. These include:

- KZN aerotropolis: Partnering with UKZN in order to deliver industry-specific master classes as well as develop industry-specific undergraduate and postgraduate qualifications
- TVET colleges: Developing airport maintenance-specific electives that will form part of artisan training
- Industrywide academy: Cooperation is being sought from ATNS and Comair

In addition to these non-core revenue opportunities, we have been shortlisted to bid for the Madagascar Airports Development Project which includes operations, maintenance and development work for 10 of their airports through a 20-year joint venture arrangement with Aeroports de Madagascar, the Madagascan airports authority. In December 2019, we also signed a memorandum of understanding with the Federal Airports Authority of Nigeria to collaborate on airport operations and services.

EQUITY INVESTMENTS

Equity investments present an opportunity for us to expand our footprint beyond South African shores. We currently have equity investments in India through the Chhatrapati, Shivaji International Airport in Mumbai and in Brazil through the Guarulhos International Airport in São Paulo.

India

The demise of Jet Airways in India in February 2019 led to a loss of aeronautical and non-aeronautical revenues in our equity investment, Mumbai International Airport. In FY2019/20, the airport generated losses of R161 million, by processing 36 million passengers.

In the year under review, however, we signed a sale and purchase agreement for Mumbai International Airport Private Limited (MIAL) shares. The sale process is still underway with the two options still in place to sell to third parties.

Brazil

The collapse of Avianca, a Colombian airline, has had a negative impact on aeronautical and non-aeronautical revenues in Brazil. For the FY2019/20, Guarulhos International Airport generated a loss of R\$874.4 million and processed 44.3 million passengers.

OUTLOOK

Looking ahead, FY2020/21 is likely to be a challenging year for the aviation industry and consequently for the airports business, due to the negative impact of COVID-19 on air travel. On the continent, the spread of the virus is still new and rising and it is likely to peak only in the winter months of June to August. Based on the current significant drop in passenger numbers, this picture does not bode well for our operations, as the peak will be right in the middle of FY2020/21.

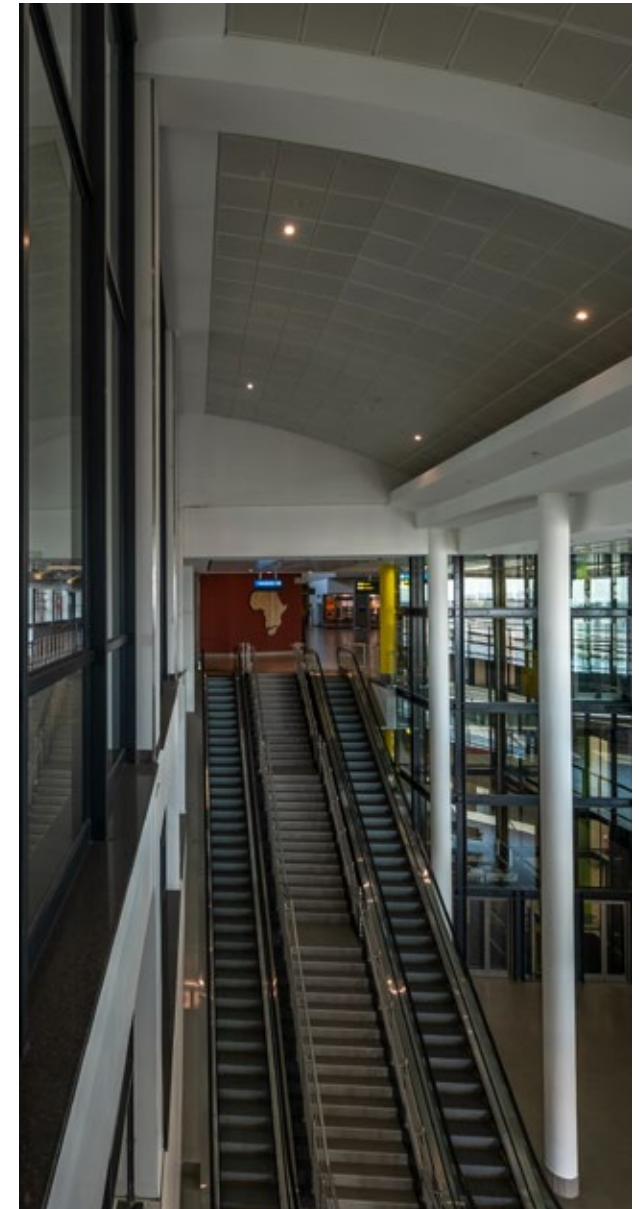
The significant negative impact we experience is likely to be amplified on relatively smaller networks which do not have our local geographical spread and which are dependent on inbound traffic from foreign travellers. Therefore, we are likely to see existing airport projects being stopped or slowing down due to enforcement of measures to slow the spread, and a postponement of new projects as the business cases are being reviewed and rebased.

At this stage it may be too early to assess the full impact of the pandemic. Strategic initiatives that could be explored to salvage the situation include the following.

In terms of services and investments, a formal partnership with an airline alliance such as Star Alliance may help us pursue international business. We may also be able to identify a tenth airport to be built or bought. We could possibly leverage off government's bilateral agreements and loans for securing projects. This situation might encourage us to identify non-core revenue-generation opportunities along our value chain.

In traffic development, we are considering new links between South Africa and several destinations including, Portugal (Lisbon), South East Asia (India and Thailand), Australia (Melbourne and Perth), Ivory Coast (Abidjan), São Paulo/Buenos Aires, Morocco (Casablanca), East Europe/Scandinavia region. We could explore a self-connect platform for our main airports in partnership with our airline partners for seamless connectivity through our airports and better passenger experience. Opportunities exist in Bram Fischer Airport as an anchor between coastal and inland airports as well as for cargo and route development programme development.


The emergence of COVID-19 has exacerbated the situation as countries implement partial and complete shutdowns as a mechanism to curb the spread of the pandemic. Based on this new occurrence, our equity investments are expected to experience significant challenges in FY2020/21.




BUSINESS ENABLEMENT


HUMAN CAPITAL

Overview

Our people are a vital component in our operations. They in turn rely on us to ensure their financial and non-financial needs are met through remuneration (see page 32  of our Governance and Remuneration Report for details) and other benefits. Realising the interdependence between our business and our employees, Airports Company South Africa strives to create a mutually beneficial environment where our employees can realise their full potential, while being a part of our value creation process resulting in individual, company and societal prosperity.

We employed 3 343 people (FY2018/19: 3 380) consisting of 3 230 permanent employees (FY2018/19: 3 100), 55 temporary workers (FY2018/19: 57) and 58 young talent employees (FY2018/19: 223) in FY2019/20.

Our business is built on a foundation of effective transformation management (see page 52 ), improving the lives of our employees, ensuring stable trade union relations and effectively managing remuneration and performance. We monitor our enabling culture annually, through our employee satisfaction (ESAT) survey. Gradual improvements in employee perceptions year on year indicate an increasing pervasiveness of the new culture. In FY 2019/20, our ESAT score was 3.58 (FY2018/19: 3.55), compared to our target of 3.31.

Our organisational culture is influential in attracting and retaining key talent. In FY2019/20, we recorded an employee turnover rate of 2.1% (FY2018/19: 6%). Our high employee satisfaction and low turnover rates demonstrate that we are an employer of choice. This was reaffirmed as we once again received the Top Employer award for the 10th consecutive year, from the Top Employers Institute. See page 12  for more information.

To enhance long-term value creation, we identified critical positions in the business and implemented succession plans. We are developing a pipeline of talent to feed into these critical positions through a range of talent management structures and initiatives. In the year under review, we promoted 172 employees internally (FY2018/19: 266) and spent R42 million on skills development, with 5 729 interventions delivered (FY2018/19: R48 million).


Our focus in FY2019/20 was to improve our employee value proposition through employee relations management and engagement projects. To date, we have engaged with relevant employee segments to outline the attributes that are important to them. Processes are underway to conclude this project which will culminate in the design of an employee value proposition for the group.

Remuneration and performance management

Our remuneration mix consists of guaranteed pay, benefits and variable pay, which includes short-term incentives (STI) as well as long-term incentives (LTI). This approach to remuneration and performance management allows us to offer competitive total rewards and promote a high-performance culture.

Salary increases for employees in the outside bargaining unit are determined in line with their individual performance rating. Accordingly, poor performers receive a lower increase percentage, while exceptional performers receive a higher increase percentage, which is generally above the merit salary increase percentage approved by the Board of Directors. In contrast, inside bargaining unit employees receive a flat rate increase, as approved by the Board of Directors or as agreed with their union.

Eligible employees qualify for an STI, which is determined by the performance of the individual employee, their division and the Company. The STI amount could increase, decrease

or remain the same based on performance, thus rewarding high performance. At executive level, performance is also managed through our LTI scheme, which rewards executives for their performance in line with set stretched targets measured over a three-year period. Refer to page 30  of our Governance and Remuneration Report for a full account of remuneration in FY2019/20.

Improving the lives of our people

Our employees benefit from housing, transport schemes and learning support for employees and their children. We leverage our collective efforts and bargaining power to provide solutions to some of the challenges our employees face, beyond the workplace.

Housing scheme

In June 2016, Airports Company South Africa implemented a housing assistance scheme and financial wellness programme aimed at ensuring all our employees have access to dignified housing. Through the housing assistance scheme, we offer rental subsidies for employees saving to buy a house, a deposit subsidy to first-time homeowners and a housing subsidy to qualified salaried employees who are repaying a bond. We also assist employees in decreasing indebtedness through an interest-free debt-consolidation offering, which better positions them to buy property in future. Our impact in the year under review can be measured by the following:

- Granted 434 (FY2018/19: 228) employees a rental subsidy benefit, which significantly improved their living conditions
- Granted 1 459 employees monthly housing subsidies to assist with bond repayments.
- Assisted 105 (FY2018/19: 226) employees with debt consolidation and management
- Enabled 65 (FY2018/19: 280) employees to buy their first homes through our housing subsidy

Transport scheme

We continue to operate an employee transport scheme which offers safe, reliable and affordable transport to employees residing in surrounding airport precincts, especially during off-peak periods. As noted in previous integrated annual reports, a procurement process completed in 2017 appointed 22 transport service providers. These businesses are integrated into our enterprise supplier development programme, which empowers them to sustain and grow their transport businesses beyond the life cycle of their contract. In FY2019/20, 854 employees made use of the transport scheme, which equates to a utilisation rate of 81% (FY2019/20: 57%) at all sites where the scheme has been rolled out.

Supporting learning for employees and their children

We provide educational assistance to permanent employees as well as their children and dependants in the form of bursaries. Through our bursary scheme, introduced in 2011, we sponsor tertiary studies for a formal qualification offered by accredited South African tertiary or higher education training institutions. The scheme enables employees and their families to take initiative in developing their career prospects. Bursaries cover tuition, accommodation, books, stationary and a stipend for bursars. The scheme further covers tutorials for mathematics, science and accounting for high school children.

In the year under review, 75 bursaries were awarded to employees' children to the value of R2.5 million. We also supported 369 active employee bursaries to the value of R7 million.

Trade union relations

Management actively engages with the trade unions throughout the year. We are currently in the process of completing a recognition and procedural agreement with

the National Education, Health and Allied Workers' Union (NEHAWU), which represents 33% of employees, and the National Union of Metalworkers of South Africa (NUMSA), which represents 22% of employees, as they have elected to act jointly. This is testament to the effective relationship that all parties have in this process of engagement. At present, both NEHAWU and NUMSA have section 12 and 13 organisational rights.

In March 2019, the National Transport Movement was notified of our intention to terminate its organisational rights. This came into effect in May 2019 as the membership had decreased to 8%.

Outlook

The impact of the COVID-19 pandemic and our refreshed operating model priorities will lead to the review of capacities and resources while continuing to sustain employee engagement and productivity.

In FY2020/21, our planned focus was on improving the employee experience by rolling out an employee value proposition project which has, through the ESAT survey and employee focus groups, identified pain-points that will be addressed over the next 24 months.

We will also focus on talent management embarking on a process to develop career paths aimed at enabling employees to manage their own careers with the support of their line managers. This process will give employees clarity regarding the competencies and experience they need to obtain on the path towards their aspired positions.



IT AND DIGITISATION

Overview

To become a world-leading digital airport company, we must have a customer-centric focus to meet the needs of digitally demanding passengers and stakeholders. The airport experience has evolved considerably in the past decade with the introduction of biometric security, mobile check in, and baggage tracking. As our infrastructure develops, we continue our efforts in leveraging our technological assets to deliver improvements in speed to market, quality of service, turnaround times, accuracy, cost efficiencies and risk management.

The key objective of our digital strategy is to adopt and leverage appropriate technology to enhance operational efficiency and customer experience, while protecting our information and systems. Our strategy emphasises the enablement of non-aeronautical revenue growth. Our aim is to deliver the technology needs and growth aspirations of the Company through cost optimisation, increased operational efficiency, paperless travel, support for sound corporate governance and compliance, as well as key stakeholder engagement.

We are aggressively driving our digital programmes across the business by developing our people, with a focus on transformation at all levels, and leveraging our combined capacity and capability across our business partners. Our focus is integrating and streamlining technology operations and optimising our ability to efficiently scale technology. To achieve our aspirations, it is vital we build trusted partnerships with all stakeholder and optimise key relationships and sourcing arrangements. Our key strategic initiatives are focused on:

- Passenger experience
- Social and mobile
- Intelligent business and digital infrastructure

Last year, we embarked on a five-year IT upgrade programme with Board approval of R1.2 billion in capital expenditure. In FY2019/20, R202 million was implemented and has contributed to the good progress made in upgrading our IT systems. In the year ahead, in light of the impact of COVID-19, major capital expenditure may be reviewed and adjusted in line with new developments and requirements.

This year, the Group maintained its Level 2 rating in terms of IT security maturity, with basic process and technology infrastructure in place in risk management, vulnerability management, security information and event management as well as privileged access management. Security roadmaps for the next two years will focus on increasing the level of automation of infrastructure and processes ensuring more cost-sustainable and scalable solutions. We will introduce complex functions such as a security operation centre with automated vulnerability management and security monitoring systems that will be managed across hybrid public/private cloud environments and data loss prevention systems with advanced support for virtual, mobile and cloud endpoints.

Passenger experience

In December 2019, we operationalised smart lanes at O.R. Tambo International Airport, achieving a throughput of 248 passengers per hour while increasing the level of security threat detection. Our risk-based screening process and technology has screened more than 86 000 passengers travelling through 30 international airlines. The solution detects both metallic and non-metallic threats and uses e-Gate technology for passenger boarding pass processing.

Social media and mobile technology

We have successfully implemented a radio network at eight of our airports, with only George Airport outstanding. The radio frequency spectrum licence was issued by

Independent Communications Authority of South Africa (ICASA) to cover a 10-kilometre radius around our airports and facilitates communication between our staff and with other stakeholders within this area.

Due to the impact of COVID-19 on technology programmes, our passenger self-service solutions are being re-evaluated in order to comply with the laws and regulation. The introduction of business contactless processes and passenger self-service solutions also aims to conform to social distancing standards.

Intelligent business and digital infrastructure

Cyber security

Information and cyber security continue to be a priority in line with King IV, which requires that information assets are managed effectively and our business environment is safe, secure and resilient, despite the increase in cyber-attacks experienced globally. In the year under review, we did not record any significant cyber security incidents. We are making good progress in the execution of our information and cyber security strategy and roadmap, through projects and operational initiatives. Information and cyber security awareness sessions are currently underway across all our airports with a completion rate of 70%. To strengthen our cyber security controls and be proactive in our response to and remediation of cyber security events and logs, we have prioritised our Cyber Security Operations Centre for implementation and operationalisation by 1 August 2020.

Business intelligence

This year, we have implemented several business intelligence projects to track performance in various business units as part of our business intelligence strategy.

- Oracle Fusion Performance Analytics Dashboard tracks the whole performance management process from start to end, flags employees without performance

- management contracts and reports on compliance across divisions
- Oracle Enterprise Asset Management Maintenance Dashboard tracks frequently failing assets, total spend on asset maintenance across all EAM cost centres as well as actual spend compared to budgeted spend across all EAM cost centres
- Business Development Analytics Dashboard measures the growth impact of new and current airline routes across various aeronautical growth metrics
- Group Transformation Dashboard tracks our performance against current transport sector targets as well as quarter-on-quarter performance for B-BBEE procurement spend across qualifying small enterprises and exempt micro enterprises, black-owned, black-woman-owned, and disability metrics

Staff enablement

The digitisation of the IT service desk is in the testing phase and is expected to go live in May 2020. One of the highlights of this project is the enhancement of the ServiceNow IT Service Management tool that will digitise certain IT processes. Through a service portal, employees will be able to request IT equipment and other IT services. They will be able to stay informed with regard to the status of their logged tickets and engage with the service desk via the tool rather than emails or by telephone. Self-help guides and a knowledge base will also be created and will be available on the portal that will empower users.

Asset verification

A mobile application will be launched to assist our asset management team with audits and asset verification. Users will be able to load the application onto their phones to log incidents or query their status of incidents. The app aims to assist in the daily operations of the field service agents

to speed up resolution of tickets assigned to them, thereby meeting business service level agreements. Finally, we will launch a configuration and asset management database which allows our IT and the asset management team to track IT assets more effectively.

Outlook

We were on the brink of implementing a comprehensive digital strategy to ensure we adopt and leverage appropriate digital technology to enhance operational efficiency and customer experience, while protecting our information and systems. Our short- to medium-term strategic objectives are to:

- Create an innovative business-focused IT capability
- Optimise our enterprise architecture to innovate and enable a world-leading digital airport platform
- Realise efficiencies and cost savings through strategic sourcing
- Enable sustainable change through proactive management

To some extent these projects will have to be deferred or put on hold as a result of COVID-19 budget cuts. This will delay the full execution of the IT Digital Strategy. We will focus on those projects that support re-alignment to COVID-19 impact and those that generate revenues. However, driving business digital transformation of our business remains an imperative in the long term. While taking into account cash flow constraints, where possible, solutions will be deployed and functionality expanded over time to attend to COVID-19 issues such as touchless self-service offering as well as managing customer intelligence.



STATISTICAL REVIEW

FOR THE YEAR ENDED 31 MARCH 2019

Figures in Rand thousand	FY2019/20	FY2018/19	FY2017/18	FY2016/17	FY2015/16
GROUP					
Operations					
Aeronautical revenue	3 743 424	3 809 093	3 583 866	5 389 852	5 194 636
Non-aeronautical revenue	3 380 135	3 316 454	3 169 428	3 175 417	3 111 129
Revenue	7 123 559	7 125 547	6 753 294	8 565 269	8 305 765
EBITDA	2 608 332	2 864 514	3 003 478	5 082 219	5 209 306
Profit before tax	1 520 075	651 788	1 220 885	2 599 780	2 633 832
Profit for the year	1 195 009	223 645	552 422	2 005 882	1 844 704
Depreciation and amortisation	-1 316 896	-1 475 574	-1 247 477	-1 268 516	-1 307 885
Dividends paid	-56 017	-145 681	-353 452	-338 641	-270 882
Capital expenditure	1 234 649	1 012 490	913 992	-893 161	-1 163 363
Financial position					
Capital and reserves	22 856 047	21 583 774	21 734 255	19 346 555	17 515 005
Non-current liabilities excluding deferred tax	5 659 027	5 846 816	5 884 159	8 362 490	8 010 141
Deferred tax	1 457 647	1 275 838	1 232 860	1 250 084	2 010 573
Property and equipment, investment property and intangible assets	26 719 955	26 051 927	26 651 226	25 483 092	24 394 393
Investment in joint ventures	192 324	190 669	170 862	175 221	147 734
Investment in associates	226 600	1 073 321	1 564 315	998 527	1 761 660
Other non-current assets	282 307	225 563	225 308	241 551	331 771
Non-current assets held for sale	984 833	785 570	-	-	-
Current assets	3 360 003	3 151 642	4 669 431	4 351 985	3 236 066
Current liabilities	1 793 299	1 937 345	4 064 735	2 291 247	3 350 836
Cash flow					
Net cash inflow from operating activities	2 108 112	2 934 714	2 884 751	4 160 026	4 640 982
Net cash inflow/(outflow) from investing activities	-1 293 863	2 488	-1 514 469	-1 780 532	1 763 784
Net cash outflow from financing activities	-947 895	-3 187 399	-1 717 465	-2 028 039	-2 734 196
Net increase/(decrease) in cash and cash equivalents	-133 646	-250 197	-347 183	351 455	143 002
Profitability					
Earnings per share (cents)	231.77	45.27	111.82	406.02	383.201
Dividends per share (cents)	11.34	29.49	71.54	68.55	55.491
Productivity					
Number of employees	3 343	3 110	3 067	2 898	2 841
Revenue per employee (R)	2 131	2 291	2 201	2 956	2 924
Departing passengers per employee	6 259	6 790	6 794	6 902	6 820
Cost to income (%)	61	61	56	41	38

OTHER KEY STATISTICS

	FY2019/20	FY2018/19	FY2017/18	FY2016/17	FY2015/16
GROUP					
Other key statistics (in numbers)					
Aircraft landings					
International	38 524	38 948	38 632	37 722	36 803
Domestic	130 693	135 738	140 784	142 230	141 978
Regional	11 620	12 613	13 064	13 138	13 080
Unscheduled	67 682	71 870	71 977	88 613	92 424
	248 519	259 169	264 457	281 703	284 285
Departing passengers					
International	5 822 544	6 026 514	5 971 517	5 680 282	5 360 767
Domestic	14 526 386	14 483 061	14 242 494	13 692 647	13 401 807
Regional	517 960	548 047	560 569	565 804	540 530
Unscheduled	57 575	60 642	62 272	63 228	71 225
	20 924 465	21 118 264	20 836 852	20 001 961	19 374 329
Number of airlines					
International	69	46	44	44	43
Domestic	35	11	10	9	9
	104	57	54	53	52
Aeronautical tariffs (R)					
Passenger service charges					
Domestic	75.44	75.44	71.93	111.40	111.4
Regional	157.02	157.02	148.51	230.70	230.6
International	207.02	207.02	195.61	303.51	303.6
Landing fees (based on an aircraft with a maximum take-off weight of 60 000kg)					
Domestic	3 287.47	3 287.47	3 107.27	5 491.62	4 966.6
Regional	4 795.49	4 795.49	7 820.17	7 820.17	4 439.4
International	6 303.06	6 303.06	9 236.37	9 236.37	28 258.1
Operational volume (in numbers) aircraft landings					
O.R. Tambo International Airport	105 975	109 758	110 286	111 232	112 177
Cape Town International Airport	45 092	49 338	51 497	49 663	50 127
King Shaka International Airport	25 383	25 571	27 058	27 495	26 190
Port Elizabeth International Airport	24 140	22 655	26 992	30 256	32 516
East London Airport	13 287	12 427	13 521	15 004	14 998
George Airport	18 381	21 509	17 051	27 999	29 161
Bram Fischer International Airport	8 737	9 440	9 936	9 053	8 780
Kimberley Airport	4 445	4 892	4 445	4 851	5 044
Upington International Airport	3 079	3 579	3 671	6 504	5 292










GROUP INFORMATION

FOR THE YEAR ENDED 31 MARCH 2020


Country of incorporation and domicile	South Africa	
Company registration number	1993/004149/30	
Non-executive Directors	S Nogxina	I Phenyane
	N Nokwe-Macamo	Y Pillay
	K Esterhuizen	G Victor
	P Mokupo	N Zikalala Mvelase
Executive Directors	N Z Mpofu S Mthethwa	
Registered office	The Maples Riverwoods Office Park 24 Johnson Road Bedfordview 2008	
Postal address	PO Box 75480 Gardenview	
Bankers	Standard Bank Nedbank	
Secretary	Fefekazi Sefara	
Nature of business and principal activities	Airports Company South Africa is mandated to undertake the acquisition, establishment, development, provision, maintenance, management, operation and control of any airport, any part of any airport, or any facility or service at any airport normally related to an airport function.	

AIRPORT CONTACT DETAILS

Use the contact information below to engage with us on airport specific inquiries

Airport	Direct web address	Telephone number
O.R. Tambo International Airport	 https://www.airports.co.za/airports/or-tambo-international-airport	011 921 6262
Cape Town International Airport	 https://www.airports.co.za/airports/cape-town-international-airport	021 937 1200
King Shaka International Airport	 https://www.airports.co.za/airports/king-shaka-international-airport	032 436 6000
Port Elizabeth International Airport	 https://www.airports.co.za/airports/port-elizabeth-international-airport	041 507 7348
East London Airport	 https://www.airports.co.za/airports/east-london-airport	043 706 0306
George Airport	 https://www.airports.co.za/airports/george-airport	044 876 9310
Bram Fischer International Airport	 https://www.airports.co.za/airports/bram-fischer-international-airport	051 407 2200
Kimberley Airport	 https://www.airports.co.za/airports/kimberley-airport	053 830 7106
Upington International Airport	 https://www.airports.co.za/airports/upington-international-airport	054 337 7900

For all queries, visit www.airports.co.za or email us at customercare@airports.co.za.

 For integrated report comments or queries, email Refentse Shinnars, Group Executive: Corporate Affairs at Refentse.Shinnars@airports.co.za.

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

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