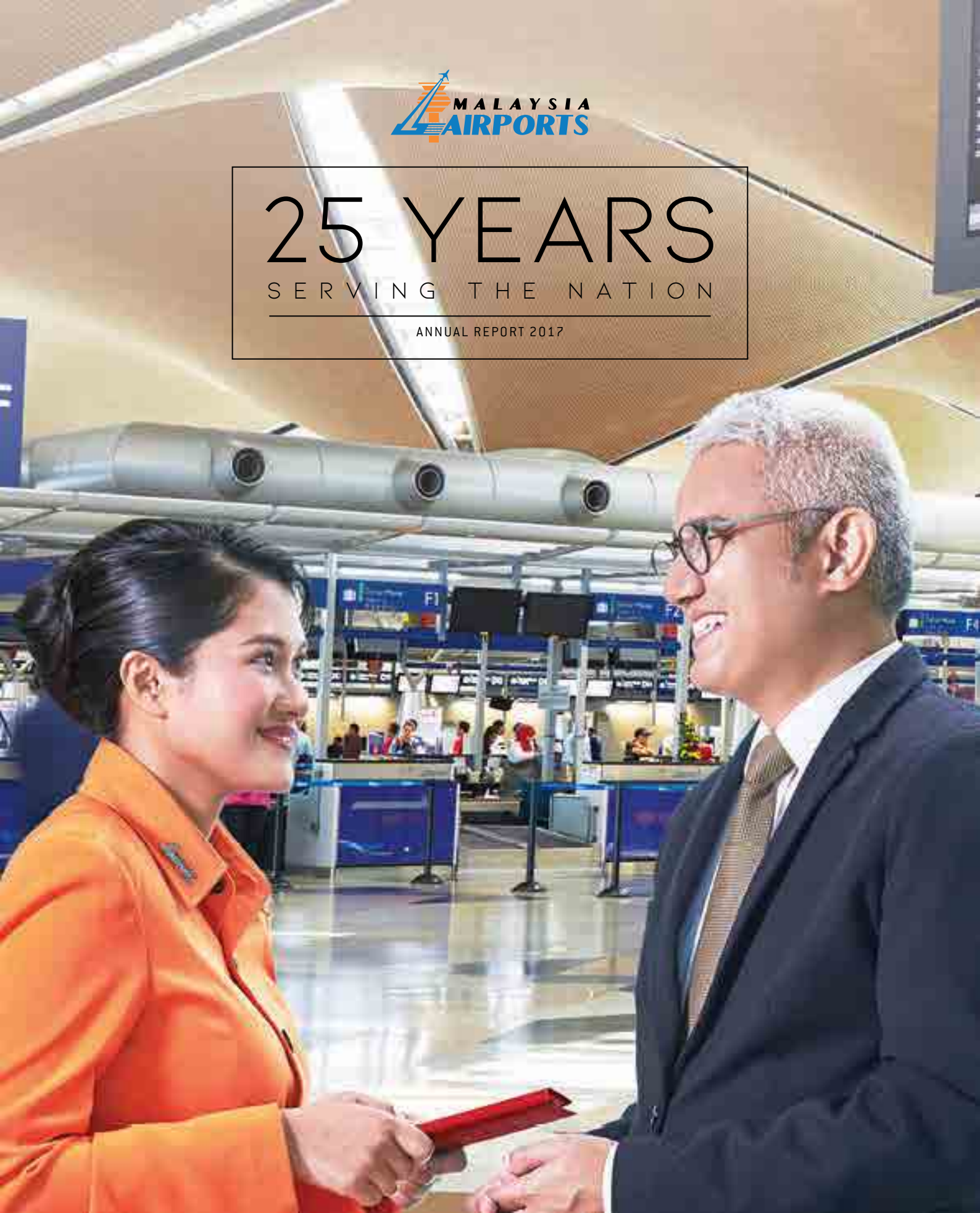




25 YEARS

S E R V I N G T H E N A T I O N

ANNUAL REPORT 2017





◀ COVER RATIONALE ▶

Malaysia Airports is proud to have served hundreds of millions of people who pass through our airports. As the custodian of major gateways into the country for the last two and a half decades, we are delighted to be the face of joyful Malaysia to all our visitors. We are also proud to continue flying the Malaysian flag high through our presence overseas.

Our success to date is owing to the worthy efforts of our loyal employees, many of whom work quietly and tirelessly in the background. This year's annual report is dedicated to the unsung heroes who have accorded us their unstinting service.



MALAYSIA AIRPORTS TODAY



ONE OF THE WORLD'S LARGEST AIRPORT OPERATOR GROUP

128.0 MILLION PASSENGERS
1.0 MILLION TONNE OF CARGO
> 120 CARRIERS



MALAYSIA OPERATIONS

96.6 MILLION PASSENGERS

5 INTERNATIONAL AIRPORTS

16 DOMESTIC AIRPORTS

18 STOLPORTS IN MALAYSIA



OVERSEAS OPERATIONS

31.3 MILLION PASSENGERS

ISTANBUL SABIHA GOKCEN INTERNATIONAL AIRPORT
100%-OWNED



1ST AIRPORT OPERATOR GROUP IN ASIA LISTED ON THE STOCK EXCHANGE

RM14.8 BILLION
MARKET CAPITALISATION
AS AT 22 MARCH 2018



DIVERSE AND HIGHLY SKILLED EMPLOYEES

- 11,000 EMPLOYEES WORLDWIDE

KL INTERNATIONAL AIRPORT - MALAYSIA'S MAIN GATEWAY



WORLD'S 12TH* BUSIEST FOR INTERNATIONAL PASSENGERS

** Based on 2017 preliminary results*



TOP 12 AIRPORT SERVICE QUALITY 2017 IN THE WORLD (> 40 MPPA CATEGORY)



Scan this QR code to view the 2017 Annual Report Microsite.



25 YEARS

SERVING THE NATION

ANNUAL REPORT 2017





OUR VISION

TO BE THE GLOBAL LEADER IN CREATING AIRPORT CITIES

OUR MISSION

TOGETHER WE CREATE JOYFUL EXPERIENCES BY
CONNECTING PEOPLE AND BUSINESSES

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From left to right

SHAHARIDAH SHEIKH OSMAN

MANAGER, FINANCE

“I would like to thank Malaysia Airports for 25 wonderful years. I have been blessed to have had great career opportunities which had led to my personal growth. Through working for the company, I have also had the chance to meet many people from different cultures and background. Having had the honour to represent Malaysia Airports overseas was also an experience that I will cherish forever”.

NORZALIZA SAID

MANAGER, CORPORATE
COMMUNICATIONS

“I joined the Malaysia Airports family on the same date as its establishment and since then it has been a fantastic roller coaster ride. When I think about how I was here from Day One to witness how we have evolved from just an airport operator to a diversified airport operator group with international presence, I feel immensely proud”.



Working as a team, we are ensuring all-around operational excellence

Right across Malaysia Airports, our diverse functional teams are pooling together their wealth of experience and expertise to ensure we meet our business objectives in a focused, cohesive and effective manner.



CORPORATE PROFILE

4



MALAYSIA AIRPORTS TURNED 25 IN NOVEMBER 2017. IT HAS COME A LONG WAY SINCE ITS INCORPORATION IN 1992 AND IS NOW ONE OF THE LARGEST AIRPORT OPERATOR GROUPS IN THE WORLD IN TERMS OF NUMBER OF PASSENGERS HANDLED. TODAY, IT MANAGES 39 AIRPORTS ACROSS MALAYSIA WITH FIVE INTERNATIONAL AIRPORTS IN MALAYSIA AND ONE IN TURKEY, 16 DOMESTIC AIRPORTS AND 18 SHORT TAKE-OFF AND LANDING (STOLPORTS).

Once a state-run airport operator, Malaysia Airports was corporatised as Malaysia Airports Berhad 25 years ago. Seven years later, Malaysia Airports Holdings Berhad was incorporated as a public limited company and listed on the Malaysian Stock Exchange (Bursa Malaysia) in 1999, becoming the first Asian airport operator to go public and only the sixth in the world to do so. It now employs nearly 11,000 people in Malaysia and around the world.

Our core business is the management, operation, maintenance and development of airports. Malaysia Airports draws its revenue from aeronautical operations – aircraft landing and parking fees, passenger service charges and other airline charges – and commercial activities from airport-related services such as duty free shops and other retail outlets, hotel operations and commercial leasing.



Each airport that is managed by Malaysia Airports is unique with widely different requirements – some of the Short Take Off and Landing Ports (STOLports) for example, are remote landing strips with few services, but the company's portfolio also includes full service international airports providing multiple runways and a fully-integrated travel experience.

Over the past several decades, we have developed a business model that focuses not only on the airport business, but

also on optimising the commercial and growth opportunities presented by the travel and aviation industry. As we move forward, our vision is to be the global leader in creating airport cities – ensuring sustainable growth by capitalising on the development opportunities presented through the availability of the vast land bank surrounding KL International Airport (KLIA).

The diversification of Malaysia Airports' business activities has not only allowed us to keep aviation charges at a competitive level, but also to maintain robust returns to our shareholders. Moreover, the model has allowed us to cross-subsidise the vital, but less lucrative operations of our smaller landing strips and airports where rural communities depend on air transport to connect with the closest townships or cities, especially in Sabah and Sarawak. Malaysia Airports sees the continuing operation of these remote airbases as a crucial part of its responsibility as a worthy corporate citizen.

A slew of awards and accolades is testament to our continued success. Not only has our flagship airport KLIA, won numerous awards, Malaysia Airports as a whole, has also received recognition and accolades in the areas of financial performance, governance, quality assurance, service excellence and stakeholder engagement, to name a few.

In strategising for the future, Malaysia Airports' five-year business plan is encapsulated in its Runway to Success 2020 (RtS2020) document where priority will be put on the establishment of KLIA as a preferred ASEAN hub, improving airport experience for all stakeholders, development of Aeropolis and strategic investments overseas.

RUNWAY TO SUCCESS 2020

Malaysia Airports 5-year business plan comprising 4 strategic pillars



1

KUL HUB

Establishing KLIA as a preferred ASEAN Hub with increased connectivity and seamless transfers



2

TOTAL AIRPORT EXPERIENCE

Creating an innovative airport experience and embedding a customer-centric culture



3

AEROPOLIS

Stimulating economic activities through logistics, aerospace and leisure segments through the airport city development



4

INTERNATIONAL EXPANSION

Increasing international footprint and exporting core airport capabilities

CORPORATE PROFILE

KL INTERNATIONAL AIRPORT

KL International Airport, the premier gateway to Malaysia, opened in June 1998 with one terminal and the design capacity to handle 25 million passengers per annum (mppa). Its capacity has been enhanced further through minor reconfiguration including more efficient use of check-in counters and redesign of passenger flow and retail areas to allow it to handle up to 30 mppa. With the opening of the second terminal klia2 in 2014, the KLIA airport system now enjoys a combined capacity of 75 mppa. KLIA is now recognised as one of South East Asia's leading aviation hubs offering direct connections to more than 120 destinations worldwide from both terminals. The airport is also currently the only one in the region to have three independent runways. Moving forward, KLIA Main Terminal will also be undergoing further expansion to allow it to handle between 15 to 20 million more passengers.

Total passenger traffic movements at KLIA was 58.6 million passengers in FY2017. KLIA is located in Sepang, in the western state of Selangor about 50 kilometres from the capital city, Kuala Lumpur. It is easily accessible via a network of highways that connect the airport to the rest of Peninsula Malaysia. An express rail link (ERL) connects KLIA to the city in only 28 minutes and other forms of public transport, including buses, taxis and limousines are readily available. It is one of Malaysia Airports' strategic priorities to establish KLIA as the preferred ASEAN hub offering passengers increased connectivity and seamless transfer experience.

klia2

The opening of klia2 has also strengthened KLIA's position as a Next Generation Hub

in the heart of ASEAN – a geographical area of some 600 million people all within a maximum flying time of just four to five hours. KLIA offers long and shorthaul capabilities with facilities that integrate both full-service and low-cost carrier operations. With a land bank measuring about 22,000 acres, there is also ample room for expansion, as well as space for a fourth runway. Malaysia Airports was proud to commence operations at klia2 in 2014, the world's largest terminal serving low cost carriers. The 257,000 square metre building with aerobridges and support facilities was built to replace the Low-Cost Carrier Terminal (LCCT), and redefined the budget traveller experience with world-class services and connectivity. Situated just two kilometres from KLIA Main Terminal, klia2 has 128 check-in counters, 52 self-check-in kiosks and a fully automated baggage handling system. A dedicated runway and control tower ensure efficient aircraft operations.

A crucial component of Malaysia Airports' vision of becoming a global leader in creating airport cities, klia2 is designed to handle as many as 45 million passengers a year, and has the flexibility to expand based on capacity growth, airline projections and trends in the travel industry. The terminal is designed not only for customer comfort and convenience, but also to ensure an exceptional travelling and retail experience. Some 35,200 square metres of space is dedicated to retail including food and beverage outlets and a supermarket as part of the 'Airport in a Mall; Mall in an Airport' concept. Passengers also enjoy seamless connectivity between the terminals and to the city centre through the ERL, which also provides onward travel to Kuala Lumpur. Buses, taxis and ample covered car parks are also available to travellers.

KLIA AEROPOLIS

The development of our airport city – KLIA Aeropolis – is one of the four strategic pillars identified in RtS2020. Focused on three key clusters – Air Cargo & Logistics; Aerospace & Aviation; and MICE & Leisure, the development is closely aligned to national development agenda and is expected to allow Malaysia Airports to emerge as a regional economic enabler. KLIA Aeropolis will have KLIA at the core of its development and will leverage on KLIA's strategic position within the Asia Pacific region as one of the fastest growing aviation market. Other added advantages will be the vast land bank surrounding KLIA and Malaysia's competitive cost of business. KLIA Aeropolis is envisioned to be a multimodal business nexus, serving both the aviation and travel industries.

ISTANBUL SABIHA GOKCEN INTERNATIONAL AIRPORT (ISG)

ISG is Istanbul's second airport, and our involvement in ISG had begun in 2008 in the planning and development of its new terminal. The Group had gradually increased its stake over the subsequent years. ISG is one of Europe's fastest growing airports and its current capacity is at 33 mppa with 53 airlines offering direct flights to more than 160 domestic and international destinations. A second runway is currently being constructed, and together with further terminal expansion, ISG's capacity will be increased to more than 60 mppa by 2020. In FY2017, ISG handled 31.3 million passengers.



BOARD OF DIRECTORS

Y.A.M. Tan Sri Dato' Seri Syed Anwar Jamalullail

(Chairman)

(Non-Independent Non-Executive)

Datuk Mohd Badlisham Ghazali

(Managing Director)

(Non-Independent Executive)

Datuk Seri Yam Kong Choy

(Senior Independent Non-Executive)

Dato' Mohd Izani Ghani

(Non-Independent Non-Executive)

Datuk Zalekha Hassan

(Independent Non-Executive)

Rosli Abdullah

(Independent Non-Executive)

Dato' Sri Dr Mohamad Isa Hussain

(Non-Independent Non-Executive)

Dato' Ir Mohamad Husin

(Independent Non-Executive)

Datuk Azailiza Mohd Ahad

(Independent Non-Executive)

Hajah Jamilah Dato' Hashim

(Non-Independent Non-Executive)

Mohd Khairul Adib Abd Rahman

(Non-Independent Non-Executive)

Mohd Shihabuddin Mukhtar

(Non-Independent Non-Executive)

(Alternate Director to Dato' Sri Dr Mohamad Isa Hussain)

?

COMPANY SECRETARY

Azni Ariffin
(LS 0008791)

REGISTERED OFFICE

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Fax : 603-2094 9940/2095 0292

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Pusat Bandar Damansara
50490 Kuala Lumpur
Tel : 603-7495 8000
Fax : 603-2095 9076/78

PRINCIPAL BANKERS

CIMB Bank Berhad
Malayan Banking Berhad
Citibank Berhad

STOCK EXCHANGE LISTING

Main Market of
Bursa Malaysia Securities Berhad
Stock code: 5014
Stock Name: AIRPORT

GROUP CORPORATE STRUCTURE

MALAYSIA AIRPORTS HOLDINGS BERHAD

MALAYSIA AIRPORTS SDN BHD

MALAYSIA AIRPORTS (SEPANG) SDN BHD

↳ 30% MFMA DEVELOPMENT SDN BHD

MALAYSIA AIRPORTS CONSULTANCY SERVICES SDN BHD

↳ 100% URUSAN TEKNOLOGI WAWASAN SDN BHD

↳ 49% MALAYSIA AIRPORTS CONSULTANCY SERVICES MIDDLE EAST LLC

MALAYSIA INTERNATIONAL AEROSPACE CENTRE SDN BHD

MALAYSIA AIRPORTS (NIAGA) SDN BHD

↳ 100% ERAMAN (MALAYSIA) SDN BHD

↳ 100% MALAYSIA AIRPORTS (MAURITIUS) PRIVATE LIMITED

MALAYSIA AIRPORTS (PROPERTIES) SDN BHD

↳ 100% K.L. AIRPORT HOTEL SDN BHD

↳ 51% SAMA-SAMA HOSPITALITY MANAGEMENT SDN BHD (in liquidation)

↳ 100% MAB AGRICULTURE-HORTICULTURE SDN BHD

↳ 20% KUALA LUMPUR AVIATION FUELLING SYSTEM SDN BHD

AIRPORT VENTURES SDN BHD

↳ 100% MALAYSIA AIRPORTS TECHNOLOGIES SDN BHD

↳ 100% MALAYSIA AIRPORTS MSC SDN BHD

↳ 40% ISTANBUL SABIHA GOKCEN INTERNATIONAL AIRPORT INVESTMENT DEVELOPMENT AND OPERATION INC.

↳ 40% LGM AIRPORT OPERATIONS TRADE AND TOURISM INC.

100%

GROUP CORPORATE STRUCTURE

01 Who We Are



100%	MAHB (MAURITIUS) PRIVATE LIMITED
	MALAYSIA AIRPORTS CAPITAL BERHAD
	MALAYSIA AIRPORTS CAPITAL (LABUAN) LIMITED
	MALAYSIA AIRPORTS (LABUAN) PRIVATE LIMITED
	↳ 23% GMR MALÈ INTERNATIONAL AIRPORT PRIVATE LIMITED
	MA CONSTRUCTION (LABUAN) PRIVATE LIMITED
	MALAYSIA AIRPORTS CITIES SDN BHD
	↳ 40% ISTANBUL SABIHA GOKCEN INTERNATIONAL AIRPORT INVESTMENT DEVELOPMENT AND OPERATION INC.
	↳ 40% LGM AIRPORT OPERATIONS TRADE AND TOURISM INC.
	KLIA AEROPOLIS SDN BHD
MALAYSIA AIRPORTS INTERNATIONAL SDN BHD	
MA ELOGISTICS SDN BHD	
↳ 30% CAINIAO KLIA AEROPOLIS SDN BHD	
30%	SEGI ASTANA SDN BHD
23%	AIRPORT COOLING ENERGY SUPPLY SDN BHD
20%	ISTANBUL SABIHA GOKCEN INTERNATIONAL AIRPORT INVESTMENT DEVELOPMENT AND OPERATION INC.
	LGM AIRPORT OPERATIONS TRADE AND TOURISM INC.

GROUP CORPORATE STRUCTURE

MALAYSIA AIRPORTS HOLDINGS BERHAD (MAHB)

100% OWNED BY MAHB

Malaysia Airports Sdn Bhd (MASB) (230646-U)	Management, operations, maintenance and provision of airport related services of designated airports in Malaysia other than KL International Airport (KLIA).
Malaysia Airports (Sepang) Sdn Bhd (MA (Sepang)) (320480-D)	Management, operations, maintenance and provision of airport related services in KL International Airport (KLIA).
Malaysia Airports Consultancy Services Sdn Bhd (MACS) (375245-X)	Provision of maintenance and technical services in connection with the airport industry.
Malaysia International Aerospace Centre Sdn Bhd (MIAC) (438244-H)	Planning, management and marketing for the development of Malaysia International Aerospace Centre at Sultan Abdul Aziz Shah Airport and other airports in Malaysia.
Malaysia Airports (Niaga) Sdn Bhd (MA (Niaga)) (281310-V)	Operating duty free, non-duty free outlets and providing management services in respect of food and beverage outlets at airports.
Malaysia Airports (Properties) Sdn Bhd (MA (Properties)) (484656-H)	Provision of non-passenger related services which involves property management and establishing fixed asset requirements.
Airport Ventures Sdn Bhd (AVSB) (512527-U)	Investment holding.
Malaysia Airports Capital Berhad (MACB) (906593-U)	Investment holding.
Malaysia Airports Cities Sdn Bhd (MA Cities) (1114062-X)	Investment holding.

100% OWNED BY MAHB

KLIA Aeropolis Sdn Bhd (KASB) (1212392-H)	Investment holding.
Malaysia Airports International Sdn Bhd (MAI) (1220825-V)	Investment holding for international and overseas ventures in airport businesses.
MA Elogistics Sdn Bhd (MA Elogistics) (1253685 -H)	Investment holding.
MAHB (Mauritius) Private Limited (64825 C1/GBL)	Investment holding.
Malaysia Airports Capital (Labuan) Limited (LL07679)	Investment holding.
Malaysia Airports (Labuan) Private Limited (MA (Labuan)) (LL05298)	Investment holding.
MA Construction (Labuan) Private Limited (LL08348)	Investment holding.

30% OWNED BY MAHB

Segi Astana Sdn Bhd (916663-H)	Development, management and operations of property.
--	---

23% OWNED BY MAHB

Airport Cooling Energy Supply Sdn Bhd (923025-D)	Development, management and operations of chilled water plant.
---	--

GROUP CORPORATE STRUCTURE

01 Who We Are



30% OWNED BY MA (SEPANG)

MFMA Development Sdn Bhd (1053024-K)	Development, operation and maintenance of a Factory Outlet Centre and its complementary components known as Mitsui Outlet Park at KLIA.
--	---

100% OWNED BY MACS

Urusan Teknologi Wawasan Sdn Bhd (459878-D)	Provision of mechanical, electrical and civil engineering services.
---	---

49% OWNED BY MACS

Malaysia Airports Consultancy Services Middle East LLC (MACS ME) (62645)	Facilities maintenance services at airports.
--	--

100% OWNED BY MA (NIAGA)

Eraman (Malaysia) Sdn Bhd (324329-K)	Dormant. Intended principal activity is general trading.
---	--

Malaysia Airports (Mauritius) Private Limited (59049 C1/GBL)	Investment holding.
--	---------------------

100% OWNED BY MA (PROPERTIES)

K.L. Airport Hotel Sdn Bhd (KLAH) (330863-D)	Owner of hotels known as Sama-Sama Hotel KLIA, Sama-Sama Express KLIA, and Sama-Sama Express klia2.
--	---

MAB Agriculture-Horticulture Sdn Bhd (467902-D)	Cultivation and selling of oil palm and other agriculture products, and engaging in horticulture activities.
---	--

20% OWNED BY MA (PROPERTIES)

Kuala Lumpur Aviation Fuelling System Sdn Bhd (395396-X)	Development, management and operations of aviation fuelling system at KLIA.
--	---

51% OWNED BY KLAH

Sama-Sama Hospitality Management Sdn Bhd (1029991-A)	Ceased operation (in liquidation).
---	------------------------------------

100% OWNED BY AVSB

Malaysia Airports Technologies Sdn Bhd (MA Technologies) (512262-H)	Operations and maintenance services of Information and Communication Technology business ventures.
---	--

100% OWNED BY MA TECHNOLOGIES

Malaysia Airports MSC Sdn Bhd (MA MSC) (516854-V)	Investment holding.
--	---------------------

23% OWNED BY MA (LABUAN)

GMR Malè International Airport Private Limited (C0490/2010)	Ceased operation.
---	-------------------

30% OWNED BY MA ELOGISTICS

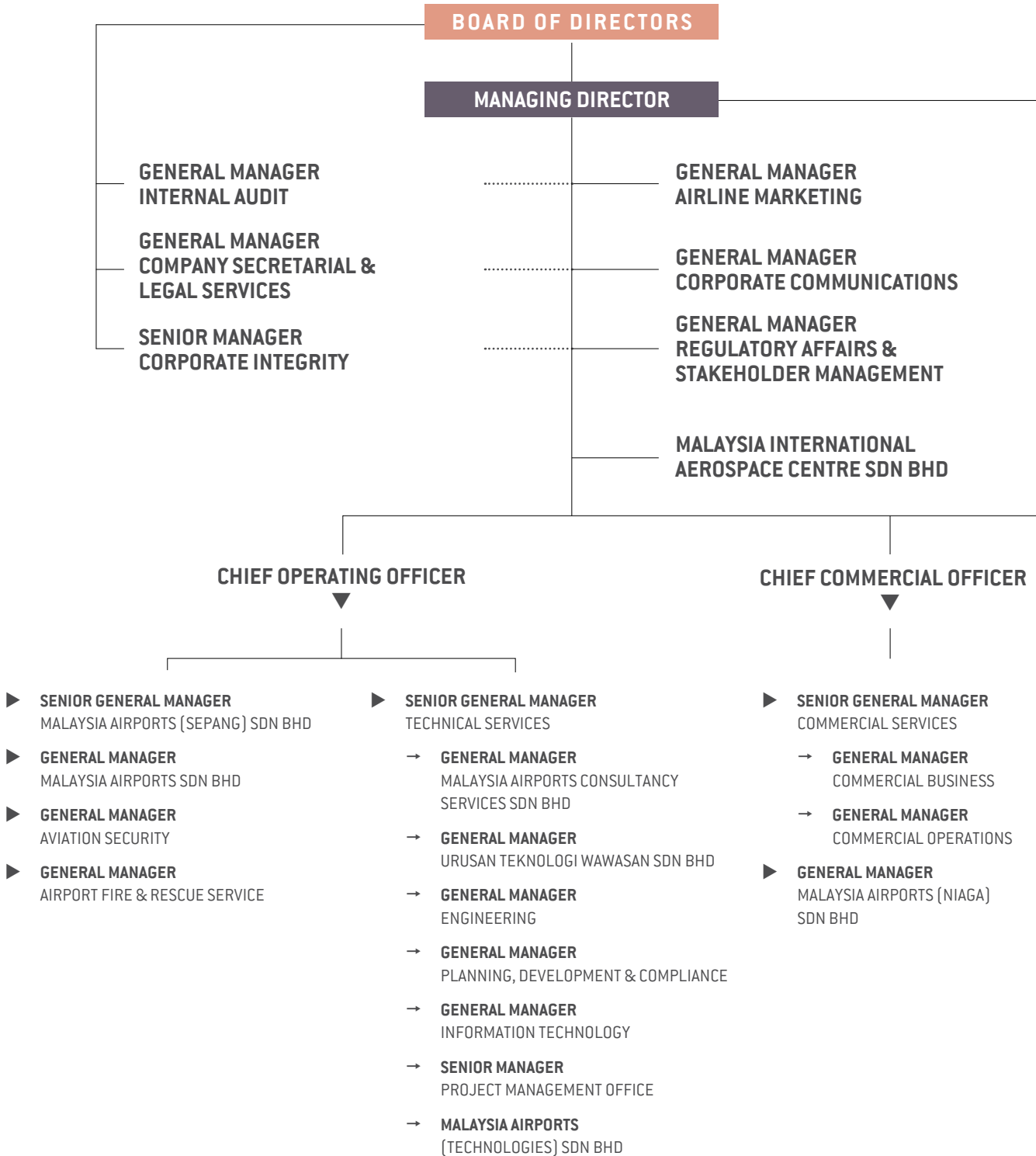
Cainiao KLIA Aeropolis Sdn Bhd (1258491-V)	Warehousing and storage services.
--	-----------------------------------

20% OWNED BY MAHB 40% OWNED BY MA CITIES 40% OWNED BY MA MSC

Istanbul Sabiha Gokcen International Airport Investment Development and Operation Inc. (ISG) (656447)	Operation, management, development and provision of airport related services.
---	---

LGM Airport Operations Trade and Tourism Inc. (LGM) (689548)	Provision of management services in respect of transportation, parking, food and beverages, cleaning at the airport, and construction of hotel and car park within the airport.
--	---

GROUP ORGANISATIONAL STRUCTURE

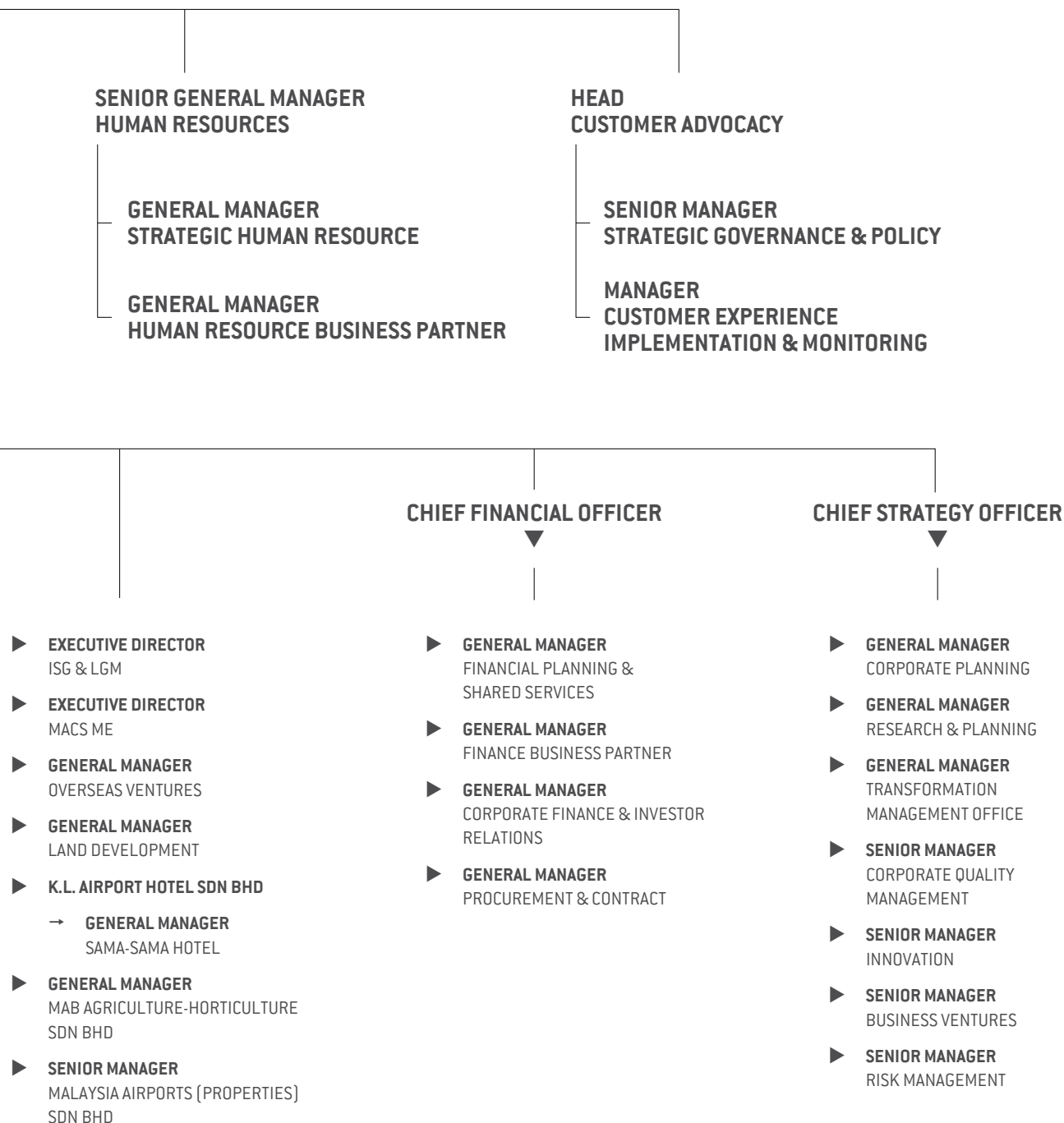


GROUP ORGANISATIONAL STRUCTURE

01 Who We Are



13



KEY MILESTONES

1992



ESTABLISHMENT OF MALAYSIA AIRPORTS

1998

OPENING OF KLIA



1999



MALAYSIA AIRPORTS LISTED ON KLSE MAIN BOARD (now Main Market of Bursa Malaysia)

2010



klia2 GROUND BREAKING CEREMONY

2009



SIGNING OF OPERATING AGREEMENT WITH THE GOVERNMENT OF MALAYSIA

2004



50% MINISTRY OF FINANCE INC. STAKE TRANSFERRED TO KHAZANAH NASIONAL

2013



LAUNCHING OF SAMA-SAMA HOTEL

2014



OPENING OF klia2



FULL ACQUISITION OF ISTANBUL SABIHA GOKCEN INTERNATIONAL AIRPORT IN TURKEY

2015



GRADUATION FROM GLC TRANSFORMATION PROGRAMME

2017



KLIA AEROPOLIS SELECTED AS INITIAL PHASE OF DIGITAL FREE TRADE ZONE (DFTZ)

- Conversion of LCCT to KL Air Cargo Terminal 1 (KACT1)
- Ground breaking of KLIA Aeropolis DFTZ Park

2016

RtS2020

- LAUNCH OF RUNWAY TO SUCCESS 2020
- LAUNCH OF KLIA AEROPOLIS
- GROUND BREAKING OF MITSUI OUTLET PARK KLIA SEPANG PHASE 2

2015



OPENING OF MITSUI OUTLET PARK KLIA SEPANG

2017 AWARDS



- 1** **World's Best Airport for Immigration Services Award** by Skytrax World Airport Awards
- 2** KLIA was **Platinum Winner at Asia-Pacific Green Airports Recognition 2017** by Airports Council International (ACI)
- 3** klia2 terminal received **Gold Leadership in Energy and Environmental Design (LEED)** certification and was the first airport terminal to earn this prestigious certification in Southeast Asia
- 4** Langkawi International Airport was **3rd Best Airport** (2 - 5 mppa) in the 2016 ASQ Awards by ACI
- 5** Datuk Mohd Badlisham Ghazali was announced as **'Best CEO for Investor Relations'** by the Malaysian Investor Relations Association
- 6** Datuk Mohd Badlisham Ghazali received the **Leadership Excellence in Airport Management Award** during the 7th Global Leadership Awards
- 7** Our Engineering team won the **Uptime Awards 2017 for Best Green Reliability** for their reduction in carbon emission, energy and electricity efforts
- 8** Sama-Sama Hotels KL International Airport won **Best Revenue/Sales' Award** at the Worldhotels Annual Conference, Luxury Airport Hotel and Regional Luxury Hotel - **Country Winner** at World Luxury Hotel Awards, **Eco/Green Hotel** for Sama-Sama Express klia2 and **Haute Grandeur's Best Airport Hotel Global and Best Business Hotel in Asia**
- 9** **Social Media Excellence Award 2017** for best social media engagement
- 10** Received **Anugerah Pengurusan Zakat Penerimaan Terbaik 2016** for our excellent commitment in the administration of company zakat contributions
- 11** MASB won the **SIRIM Quality Award 2017** for excellent quality management and services
- 12** Received the **MOE Appreciation Award** for our continuous commitment and contribution in education during the Ministry of Education Malaysia Public-Private Partnership Award Ceremony
- 13** ACI Recognition for **APEX in Safety Programme** for contribution in supporting airport performance excellence in safety at other airports
- 14** KLIA achieved Level 2 (Reduction) **Airport Carbon Accreditation** by ACI
- 15** Malaysia Airports' **2016 Sustainability Report** was shortlisted during the ACCA Malaysia Sustainability Reporting Award (MaSRA)
- 16** Malaysia Airports was **Industry Champion for Global Airport Management Award** and Datuk Mohd Badlisham Ghazali honoured as a **Visionary Icon: Most Eminent Brand Icon Leadership Award** during the BrandLaureate ICON Leadership Awards 2017

PAST AWARDS & ACCOLADES



Scan this QR code to view more awards on the Malaysia Airports website.

2016

- Quality Choice Prize 2016 for quality management strategies in aviation industry by European Society of Quality Research.
- Best Malaysian Company for Investor Relations at the IR Magazine Awards and Conference South East Asia 2016.
- Sama-Sama Hotel KLIA received Haute Grandeur Global Hotel Awards.
- Sama-Sama Hotel KLIA was awarded the 2016 Best Companies to Work For award by HR Asia.
- KLIA Engineering team received the Industry Award in the 'Best Complaint Management' category at the SPAD Land Public Transport Symposium 2016.
- Gold Timing Belt Maintenance Improvement Project at the International Convention on Quality Control Circle 2016.
- MSOSH OSH Gold Class 1 Award in recognition for commendable safety and health records.
- Sama-Sama Express KLIA & Sama-Sama Express klia2 received the Service Excellence Award 2015 by Booking.com for providing outstanding guest experience.
- Best Employer Brand Award 2016 by EBA.
- Honorary Award for the Top 50 Enterprise Awards Malaysia 2015.
- Social Media Excellence Award for the best corporate social media engagement.
- International Financing Review Asia Loan of the Year award for innovative refinancing solution for ISG's borrowings.
- Most Innovative Islamic Finance Deal of the Year in Southeast Asia at the Alpha SEA 9th Annual Best Deal & Solution Awards 2015.
- Sama-Sama Hotel won Best Airport Hotel - Asia by World Luxury Hotel Awards.

2015

- Awarded the Market Pioneer Award 2015 by RAM Holdings Berhad, a testament to the success of the RM1 billion Perpetual Subordinated Sukuk.
- KLIA acknowledged as Best Duty-Free Shopping Destination Award 2015 by Travel + Leisure online magazine.
- Certified by Airports Council International (ACI) under its Airport Carbon Accreditation Programme (Reduction) for KLIA's effort in reducing carbon dioxide emissions.
- Clinched the maiden Euromoney Award for innovation in Islamic Finance 2015 by Euromoney for our inaugural RM1 billion Perpetual Subordinated Sukuk.
- The Best Local Currency Sukuk and Best Corporate Hybrid Sukuk, presented by The Asset Triple A Islamic Finance Awards 2015 for being the world's first rated hybrid perpetual sukuk and the largest perpetual sukuk issuance by a Malaysian corporate in the capital markets.
- Won MSOSH OSH Gold Class 1 Award & MSOSH OSH Gold Class 2 Award for Malaysia Airports Corporate Office and KLIA for Occupational, Safety and Health efforts respectively.
- Received Gold for Service Category for PULSE BHS' Timing Belt Maintenance Improvement innovation project by the Malaysia Productivity Corporation.
- '2015 Best Companies to Work For', conferred by HR Asia to Sama-Sama Hotel KLIA.
- Sama-Sama Hotel won Best Airport Hotel by World Luxury Hotel Awards.
- Quality Management Excellence Award 2015 conferred by the European Society of Quality Research for our success in reducing the numbers of non-conformance report and efficiency in identifying and managing risks.
- Recognised by the FTSE Group for meeting globally recognised corporate responsibility standards under the FTSE4Good Index.
- Special Recognition Award for Best Culture of Reliability presented to the Engineering division by Uptime magazine for providing positive exposure on maintenance reliability.
- Received Social Media Excellence Award 2015 for Best Social Media Engagement by Malaysia Social Media Chambers.
- Green Tech Awards 2015 awarded by Malaysian Green Technology Corporation for being one of Malaysia's Top 30 Green Catalysts company.



2014

- The Malaysia Book of Records
 - Biggest Low-Cost Carrier Terminal
 - First Airport Terminal Skybridge in Asia
- MSOSH-Occupational Safety and Health Awards 2013
 - MSOSH OSH Gold Class I Award Winner for 2013 – Kuala Lumpur International Airport
 - MSOSH OSH Gold Class II Award Winner for 2013 – Kota Kinabalu International Airport
 - MSOSH OSH Silver Award Winner for 2013 – Malaysia Airports Corporate Office
- Human Resources Excellence Awards 2014
 - Silver Winner Excellence In Employee Development
 - Bronze Winner Excellence In Workplace Well-Being
- Large Airport of the Year Award at CAPA Awards for Excellence in Asia Pacific Aviation 2014.
- National Award for Management Accounting (NAFMA) 2014, CFO of the Year – Faizal Mansor.
- The BrandLaureate Aviation Man of the Year – Tan Sri Bashir Ahmad.
- 1Malaysia Employer Award 2014, Large Corporations Category.
- Skytrax 2014 World Airport Awards – 2nd World's Best Airport (40 - 50 mppa) KLIA.
- Top Hotels in 2014 Travellers' Choice Awards – 10th place in Luxury and Romance category, Sama-Sama Hotel KLIA.
- Best Small Airport (Asia-Pacific) 2013 ASQ Awards – Langkawi International Airport.
- DRI Malaysia KL 2014 – Best BCM Organisation in GLC/Public Sector.
- KLIA ranked the Third Best Airport Worldwide by SmartTravelAsia.com readers – Kuala Lumpur International Airport.
- Malaysia's 100 Leading Graduate Employers – Most Popular Graduate Employer Finalist in Government Linked Companies.
- Sama-Sama Hotel won Best Airport Hotel - Regional by World Luxury Hotel Awards.

2013

- Singapore-based Crescentrating's ranked KLIA as the No. 1 in the Top Halal Friendly Airports for Crescentrating's Halal Friendly Travel Ranking 2013.
- Malaysia Airports won the Gold Award for Excellence in Public Relations Internal and the Silver Award for Public Relations Corporate Communications for the TOUCH Campaign in the Marketing Excellence Awards 2013.
- KLIA won the World's Best Immigration Service in the 2013 Skytrax World Airport Award.
- Best CFO in FinanceAsia's 13th annual poll of Asia's top companies - Faizal Mansor.
- KLIA was third in the Top 10 Airports Worldwide category of the Smart Travel Asia 2013 Best in Travel Poll.
- Indulge Till You Fly Campaign 2012/2013 came up tops under the Best of Country (Malaysia) Trade Campaign.

- Silver Award in the Employer of Choice award category in the Malaysia HR Award 2013.
- Managing Director, Tan Sri Bashir Ahmad was conferred the Lifetime Achievement Award at the Malaysia Business Awards (MBA) 2013 organised by the ASEAN Business Advisory Council Malaysia.
- KLIA won the Gold Award for *Anugerah Tandas Bersih – 1Malaysia* in Public Stop Restroom category.

2012

- Finalist in the Air Cargo Award of Excellence for the category Airports Asia 400,000 to 999,999 tonnes by the readers of Air Cargo World Magazine.
- KLIA won the Best Airport Staff Asia Award 2012 in the Skytrax 2012 World Airport Awards as voted by customers from all over the world.
- Inaugural award for Exceptional Service to Aviation by Pacific Asia Travel Association (PATA).
- Managing Director, Tan Sri Bashir Ahmad, received the Lifetime Achievement Award during the Global Leadership Awards 2012.
- Malaysia Airports won *Anugerah Peratus Prestasi Kutipan Terbaik 2011*, by the Lembaga Zakat Selangor (LZS).
- Best Malaysia CFO for Investor Relations during the Investor Relations Awards 2012 - Faizal Mansor.

LETTER FROM THE CHAIRMAN



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DEAR SHAREHOLDERS,

On behalf of the Board of Directors, it is my pleasure to enclose herewith a copy of the Annual Report and Audited Financial Statements of Malaysia Airports Holdings Berhad (the Company or MAHB) for the year ended 31 December 2017. The Annual Report also contains the Notice of the 19th Annual General Meeting (the AGM or the Meeting) and a map showing the location of the meeting. The AGM will be held at Gateway Ballroom, Level 1, Sama-Sama Hotel, Kuala Lumpur International Airport, Jalan CTA 4B, 64000 KLIA, Sepang, Selangor Darul Ehsan on Tuesday, 8 May 2018 at 11.00 a.m.

The Annual Report and Audited Financial Statements provide a comprehensive account of our strategic direction, latest undertakings, achievements and awards, corporate responsibilities and government initiatives, as well as the Company's financial disclosures for the shareholders' attention and review. These documents can also be accessed at our corporate website at www.malaysiaairports.com.my.

For the year 2018, 10 resolutions are proposed for the consideration of shareholders at the AGM. The purpose and reason for each resolution are explained under the Explanatory Notes in the Notice of AGM. I hope that you will find the brief explanations helpful in order to make an informed decision.

In line with the Company's dividend policy to distribute a dividend payout ratio of at least 50% of the consolidated annual net profit after taxation and minority interest annually, subject to availability of distributable reserves, the Board is recommending the payment of a final single-tier dividend of 8 sen per ordinary share in respect of the financial year ended 31 December 2017, subject to the shareholders' approval at the AGM.

LETTER FROM THE CHAIRMAN

01 Who We Are



The Board is recommending for retirement and re-election of Directors in accordance with the following Articles of the Company's Constitution:

(a) Article 129 of the Company's Constitution stipulates that any newly appointed Director shall hold office only until the next following AGM of the Company at which the Director is due to retire under this Article, when he/she shall retire but shall then be eligible for re-election. The Directors who are standing for re-election at the 19th AGM, pursuant to Article 129 are as follows:

- (i) Y.A.M. Tan Sri Dato' Seri Syed Anwar Jamalullail;
- (ii) Mohd Khairul Adib Abd Rahman; and
- (iii) Hajah Jamilah Dato' Hashim.

(b) Article 131 of the Company's Constitution expressly states that in every subsequent AGM, at least one-third of the Directors for the time being or the number nearest to one-third shall retire from office and the retiring Directors shall be eligible to seek for re-election thereof. The Directors who are standing for re-election at the AGM, pursuant to Article 131 are as follows:

- (i) Datuk Seri Yam Kong Choy;
- (ii) Datuk Zalekha Hassan; and
- (iii) Rosli Abdullah.

I also believe that you should be able to comprehend the rest of the agenda/ proposed resolutions which include, amongst others, the presentation of the Audited Financial Statements, the proposed payment of Directors' fees and benefits payable for the Non-Executive

Directors on the Boards of MAHB and its Subsidiaries, the re-election of Directors and the re-appointment of the auditors, whereby brief explanations are also provided under the "Explanatory Notes" for your understanding.

The Board believes that all the proposed resolutions as set out in the Notice of AGM are in the best interest of the Company and its shareholders and further recommends the shareholders to vote in favour of all the resolutions.

Shareholders who are unable to attend the AGM would still be able to exercise their rights to vote, by completing the Proxy Form enclosed in the Annual Report, according to the instructions as provided in the Proxy Form, and submitting it to the Registered Office of the Company at Malaysia Airports Corporate Office, Persiaran Korporat KLIA, 64000 KLIA, Sepang, Selangor Darul Ehsan, not less than 24 hours before the time appointed for the taking of the poll, in accordance with Section 334(3) of the Companies Act 2016.

I look forward to meeting all the shareholders at the forthcoming AGM and to share the latest issues and activities concerning the Company.

Yours sincerely,

**Y.A.M. Tan Sri Dato' Seri Syed Anwar
Jamalullail**
Chairman

2017 MEDIA HIGHLIGHTS



Scan this QR code to view more news on the Malaysia Airports website.

TANDAS BERBINTANG

Malaysia Airports Holdings Berhad (MAHB) has been awarded the 2017 Star Award for Best Airport Terminal by the International Air Transport Association (IATA). The award recognizes MAHB's commitment to providing world-class passenger services and facilities at its airports.

MAHB signs MoUs with GNT, Skysways, Technics

MAHB has signed Memoranda of Understanding (MoUs) with GNT, Skysways, and Technics to enhance airport operations and services. These partnerships are expected to improve efficiency and passenger experience at the airports.

MAHB bakal perkenalkan perkhidmatan pertama dari KLIA ke KLIA2

MAHB is set to introduce a new service connecting Kuala Lumpur International Airport (KLIA) and Kuala Lumpur International Airport 2 (KLIA2). This service will provide a more convenient and faster travel option for passengers between the two airports.

SERAH SIMBANGAN ZAKAT RM5,000

MAHB has organized a zakat handover ceremony, donating a total of RM5,000 to support social welfare activities. The ceremony was attended by airport staff and representatives from the zakat authority.

Alibaba to take up to 110 acres in KLIA Aeropolis

Alibaba Group has secured a plot of up to 110 acres in the KLIA Aeropolis area. This development is part of MAHB's strategy to attract major international corporations and create a vibrant business and innovation hub at the airport.

KLIA 2017 AWARDS

KLIA has been recognized with several awards for its exceptional performance in 2017. The awards highlight the airport's commitment to excellence in service, safety, and operational efficiency.

Malaysia Airports kendali hab penerbangan ASEAN

Malaysia Airports Holdings Berhad (MAHB) has taken control of the ASEAN aviation hub, strengthening its position as a key regional transit point. This move is expected to boost passenger traffic and economic activity in the region.

Alipay Now Accepted At Eramas

Alipay Now is now accepted at Eramas, providing a convenient and secure payment option for passengers. This initiative is part of MAHB's efforts to modernize airport services and improve the passenger experience.

MAHB Q2 NET PROFIT SURGES 61%

MAHB's second-quarter net profit has surged by 61% compared to the same period last year. This significant increase is attributed to higher passenger traffic and improved operational efficiency across all airports.

MAHB sasar nilai transaksi jualan runcit naik 15 peratus

MAHB aims to increase its retail sales transaction value by 15% in 2017. The airport is focusing on enhancing the retail experience and offering a wider range of products to attract more passengers.

Wipacids for Chinese tourists set up in KLIA, Muz

Wipacids, a popular Chinese retail chain, has set up stores in Kuala Lumpur International Airport (KLIA) and Malacca (Muz). This move is aimed at providing Chinese tourists with a convenient shopping experience during their travels.

MAHB bets on big data to improve services

MAHB is investing in big data analytics to improve airport services and passenger experience. By leveraging data, the airport can optimize operations, reduce wait times, and provide personalized services to passengers.

MAHB eyes 94m inbound passengers by year-end

The Malaysia Airports Authority (MAHB) is targeting to receive 94 million inbound passengers by the end of 2017, up from 88 million in 2016. MAHB Chairman and Chief Executive Officer, Datuk Seri Dr. Mohd. Yusoff Yusoff, said the increase in passenger numbers is a reflection of the growth in the aviation industry in Malaysia. He added that MAHB is committed to providing world-class services to its passengers and to ensuring the safety and security of the airports under its management.



Digital Transformation: The Way Forward

Layanan

MAHB perkhidmatan terbaik 100 100 Anugerah 2017

KLIA

5 new airlines may fly into KLIA next year

TO PHOTOS: AIRLINE MAY LAND AT KLIA

100,000 pelancong China dijangka guna KLIA, KLIA2

Malaysia's tremendous progress throughout the years

Teaching the young to practise good toilet etiquette

Teaching the young to practise good toilet etiquette is a key initiative of the Malaysia Airports Authority (MAHB). MAHB staff are conducting workshops and training sessions for children at various airports to ensure they understand the importance of maintaining cleanliness and hygiene in public places. The initiative is part of MAHB's commitment to providing a safe and comfortable environment for all passengers.



Mandarin speaking volunteers to assist China visitors

MAHB moves closer to creating airport city

MAHB catat RM1b segmen runcit lapangan terbang

MAHB has recorded a RM1 billion segment in the airport terminal retail market. This achievement is a testament to the authority's efforts in enhancing the passenger experience through the introduction of various retail and dining options. The segment includes duty-free shops, convenience stores, and food outlets, providing passengers with a wide range of choices to meet their needs during their travels.

Weekly Snapshots

MAHB moves closer to creating airport city

2017 EVENT HIGHLIGHTS

CORPORATE



WELCOMING NEW AIRLINES

Throughout the year we welcomed 11 new airlines such as Lucky Air from Kunming and Linjiang to Kuala Lumpur, Xiamen Airlines from Fuzhou to Kota Kinabalu, and China Southern Airlines from Guangzhou to Langkawi.



CORRUPTION-FREE PLEDGE BY SENIOR MANAGEMENT OF MALAYSIA AIRPORTS

Through our Corporate Integrity Unit, we established the Corporate Integrity Plan which is meant to serve as a framework in instilling integrity in work practices for employees. The pledging and signing of *Ikrar Bebas Rasuah* was also extended to all employees of Malaysia Airports.

MALAYSIA AIRPORTS AND CAINIAO NETWORK JOINED HANDS TO DEVELOP REGIONAL E-COMMERCE AND LOGISTICS HUB

KLIA Aeropolis was selected as the site for the initial phase of the Digital Free Trade Zone (DFTZ). During the launch of DFTZ on 23 March 2018, a Memorandum of Understanding (MoU) was signed between Malaysia Airports and Cainiao Network to explore the establishment of a regional e-commerce and logistics hub. Cainiao Network is Alibaba group's logistics arm. This was later followed by the inking of a joint venture agreement to develop the KLIA Aeropolis DFTZ Park - the world's first electronic world trade platform (eWTP). The ground breaking ceremony for KLIA Aeropolis DFTZ Park was officiated by the Prime Minister of Malaysia in conjunction with DFTZ Goes Live on 3 November 2017.



WORLD'S FIRST PROOF OF CONCEPT FOR PRE-CLEARANCE OF HAJJ PILGRIMS AT KLIA

The world's first proof of concept for pre-clearance of Hajj pilgrims at the point of departure was conducted for the first time at KLIA on 24 August 2018. This was an initiative led by the government of the Kingdom of Saudi Arabia (KSA) under KSA Vision 2030. This initiative is aimed at facilitating the arrivals of all pilgrims into KSA. Specifically, this initiative will eliminate the need for long queues by pilgrims at immigration points in KSA.



MOU WITH TOURISM MALAYSIA TO PROMOTE AND DEVELOP INBOUND TOURISM

We signed an MoU with Tourism Malaysia to promote, develop and increase inbound tourism globally, particularly from India, China and Europe during World Travel Market 2017 held in London.

2017 EVENT HIGHLIGHTS

01 Who We Are



GOLD LEED BUILDING CERTIFICATION FOR KLIA2

klia2 terminal achieved another remarkable milestone for its environmental efforts by being the first airport terminal to earn the prestigious Gold LEED building certification in Southeast Asia. The prestigious LEED or Leadership in Energy and Environmental Design certification is based on standards set by the U.S. Green Building Council. LEED-certified buildings are resource efficient in terms of water and energy usage as well as carbon dioxide gas emission reduction.



KLIA AWARDS 2016

We continue to recognise the best in the aviation industry at KLIA Awards 2016. As part of our many initiatives to establish KLIA as a preferred ASEAN Hub, the prestigious event is an annual event that honours its partners for their outstanding performances and services. The event is meant to spur the KLIA airport community to constantly push the boundaries of distinction in their respective fields, thus raising KLIA's and Malaysia's stature in the eyes of the world.

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AIRPORT FIRE RESCUE SERVICE 70TH ANNIVERSARY

Our Airport Fire & Rescue Service (AFRS) division celebrated their 70th anniversary since their establishment in 1947. The celebration was initiated to provide greater awareness and understanding to communities in and out of the airport on AFRS roles and responsibilities.



PAY IT FORWARD CAMPAIGN

Aiming to make a difference by championing toilet cleanliness through a public awareness campaign, we initiated a campaign called 'Pay It Forward.' The objective of the campaign was to educate the public on proper toilet etiquette and encourage them to pay forward the kindness of ensuring a clean and hygienic environment for subsequent users. The campaign was also in line with the government's call to create a civic-minded society as Malaysia forges ahead in its goal to become a fully developed nation.

2017 EVENT HIGHLIGHTS

EMPLOYEE



AVIATION SECURITY PASSING OUT PARADE

We celebrated 143 aviation security personnel who had completed their training. The event which took place at Bunga Raya Complex, KLIA on 26 January 2017 was also attended by their family members.

15TH LOYAL SERVICE AWARD

A total of 525 employees were celebrated at the event with 53 of them being the recipients for the 20-year category and 472 recipients for the 10-year category. During the same event, for the first time a total of 110 retiring employees were honoured in appreciation of their services to Malaysia Airports.

25TH ANNIVERSARY KICK-OFF CELEBRATION

We kicked-off our 25th anniversary celebration with a fun-filled employee event where popular band, Hujan performed our 25th Anniversary Theme Song entitled *Jutaan Jiwa* for the first time.



AIRPORT FIRE AND RESCUE SERVICE PASSING OUT PARADE

We continue to strive for excellence in meeting the standards set by the International Civil Aviation Organization in all aspects including airport fire and rescue services. A total of 41 trainees successfully completed their training and they were celebrated at the *Majlis Perbarisan Tamat Latihan Asas Kebombaan Lapangan Terbang Siri 08/17* at the Malaysia Airports Training Centre.



KLIA – 19 YEARS OF SERVING THE NATION

KLIA celebrated its 19th anniversary, growing and flourishing each year as the nation's premier gateway and national icon. This event is held annually in KLIA as a celebration of the hard work and dedication of the whole airport community.



FIRE FIGHTER COMBAT CHALLENGE 2017

Our Airport Fire & Rescue Service (AFRS) division hosted Fire Fighter Combat Challenge 2017, which tested physical and mental fitness levels of AFRS personnel, as well as their readiness in facing emergency situations. At the same time, the competition also gauged the efficiency and expertise of AFRS officers in handling fire equipment.

KL2017 TORCH RUN

More than 1,000 people, consisting of Malaysia Airports' employees and the surrounding community within Sepang participated in the Kuala Lumpur 2017 (KL2017) Torch Run for the Sepang district level. Malaysia Airports as a gold sponsor and official Welcoming Partner was proud to flag off this leg of the torch run in KLIA.

The KL2017 Torch was handed over by Dengkil State Assemblyman YB Tuan Shahrum Mohd Sharif to Malaysia Airports to signify the start of the leg.



25 FRUITS FESTIVAL

Another exciting employee event to celebrate our 25th Anniversary was the 25 Fruits Festival. This celebration was held simultaneously at all airports nationwide.

2017 EVENT HIGHLIGHTS

COMMUNITY

JOYFUL MALAYSIA - COLLABORATION WITH STATE TOURISM

We collaborated with several state tourism agencies to feature the diverse cultural heritage of Malaysia at the airport under our Joyful Malaysia initiative to support national agenda in positioning Malaysia as a leading tourist destination. The year-long initiative saw the showcase of cultural performances, heritage, cuisine and unique destinations of various states in Malaysia.



SUPER 6 SCHOOL RUGBY FIFTEENS

We returned as the main sponsor of the Super 6 Tournament as we continue to focus our corporate social responsibility initiatives on building leadership abilities in students through sports. The tournament has been recognised and endorsed by the Ministry of Education, Ministry of Youth and Sports and the Malaysian Rugby Union.



AIRPORT@COMMUNITY PROGRAMME IMPROVES LIVING STANDARDS OF LOCAL COMMUNITY

Airport@Community is one of several programmes under our Community Enrichment pillar of our corporate social responsibility framework. The project focuses on improving lives of communities

around the airports in which we operate. Projects under Airport@Community include Joyful Homes and Ceria Ramadan.

BLOOD DONATION CAMPAIGN

In conjunction with Airport Fire Rescue Service's 70th anniversary, a blood donation campaign was held at KLIA. This blood donation campaign saw participation from visitors, passengers and the airport community. The campaign involved employees from 17 other airports who carried out the blood donation campaign at their respective airports.



2017 EVENT HIGHLIGHTS

01 Who We Are



SKUAD CERIA AT BANTING HOSPITAL

Our *Skuad Ceria* team visited the Paediatric ward in Banting Hospital with the aim to create joyful experiences for the children. We also took the opportunity to redecorate the entire ward with a colourful theme and launched Galaxy of Joy - The Sky is the Limit play and reading corner to give hope and inspiration to the children in realising their dreams.



HARI SUKAN NEGARA 2017

Supporting the government's aim to transform Malaysia into a sporting nation, we celebrated *Hari Sukan Negara 2017* with the entire airport community at KLIA. We were proud to celebrate the 3rd edition of the *Hari Sukan Negara* that saw participation from more than 300 employees and airport visitors in the various activities held during the event.



FESTIVAL ZAPIN TERBUKA BELIA MALAYSIA 2017

We held the first-ever *Zapin* festival in KLIA in line with our mission to create joyful experiences at the airport while upholding our culture and keeping traditions alive. More than 200 youths took part in the successful event.

LAUNCH OF BEYOND BORDERS PROGRAMME (PHASE 4)

We adopted four new schools under our Beyond Borders School Adoption Programme. The four new schools which were on-boarded in 2017 were selected to undergo a three-year programme that aims to improve English language proficiency among primary school students through innovative teaching and learning concepts. The four schools that were selected were SK Dengkil, SJK(C) Wah Lian, SJK(T) Dengkil and SK Bukit Bangkong (Asli) in Sepang. The selection of the schools was based on certain academic and social criteria as well as their location within the vicinity of our business operations.



WORLD CHILDREN'S DAY CELEBRATION AT SK SUBANG

We celebrated World Children's Day at SK Subang by holding a fun-filled day led by our *Skuad Ceria* on Wheels who cycled more than five kilometres from Sultan Abdul Aziz Shah Airport, Subang to the school. We also refurbished nine Standard Six classrooms in an effort to provide a conducive learning environment for students who will be undergoing their UPSR exams. On top of that, we contributed rugby and archery sports equipment to the school.

From left to right

ZAMREE SULONG

EXECUTIVE, ENGINEERING

“Being part of Malaysia Airports has taught me so much - from being always ready to face challenges to embracing setbacks positively. This has helped me to evolve into a better person. Thank you Malaysia Airports.”



MOHAMMAD ZAINAL MOHAMMAD

EXECUTIVE, ENGINEERING

“It feels surreal when I think of how long I have been working for Malaysia Airports. Being here is indeed one of the best things that has happened to me and I will continue to be here for as long as possible. This place has taught me a lot about friendship, togetherness and loyalty. I wish for Malaysia Airports to enjoy continued success.”



Through quality services, we deliver an enriching airport experience

By leveraging on their expertise to deliver efficient and high-quality services, our engineering team is ensuring our assets operate in an optimal manner, which translates into a consistent, enriching experience for airport users.



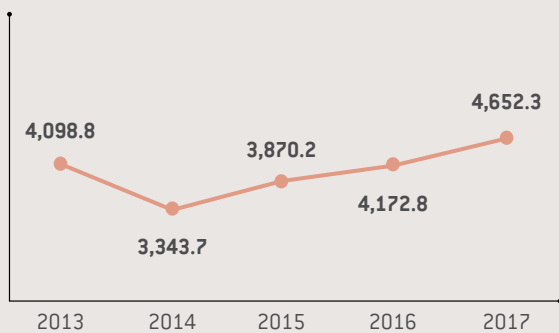
FIVE-YEAR FINANCIAL HIGHLIGHTS

REVENUE

(RM MILLION)

RM4,652.3

million

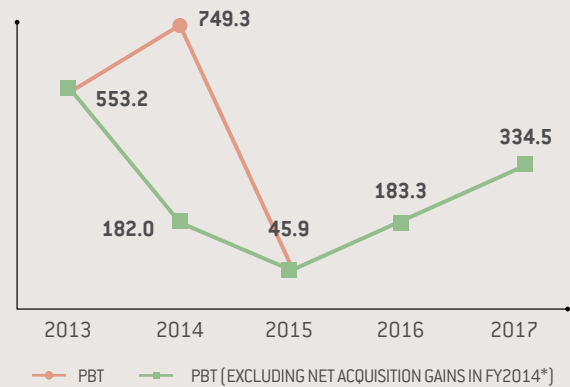


PROFIT BEFORE TAXATION (PBT)

(RM MILLION)

RM334.5

million

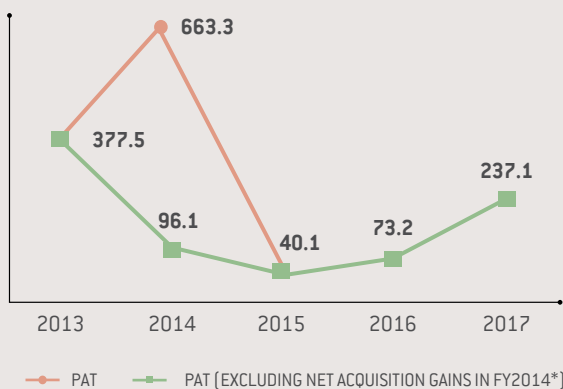


PROFIT NET OF TAXATION (PAT)

(RM MILLION)

RM237.1

million

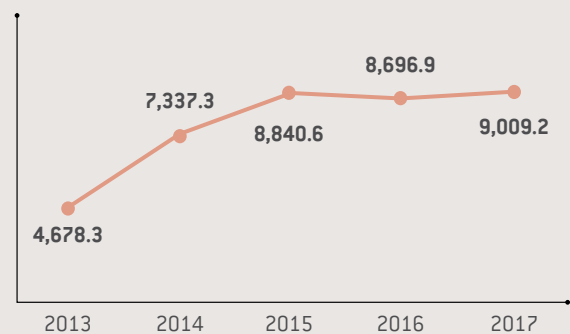


TOTAL EQUITY

(RM MILLION)

RM9,009.2

million



* Net acquisition gains in FY2014 includes gain on bargain purchase, gain arising from re-measurement of fair value of investment and impairment of goodwill totalling RM567.3 million

GROUP FIVE-YEAR SUMMARY



STATEMENT OF PROFIT OR LOSS

For the financial years ended 31 December

	2017 RM Million	2016 RM Million	2015 RM Million	2014 RM Million	2013 RM Million
Revenue	4,652.3	4,172.8	3,870.2	3,343.7	4,098.8
Profit before tax and zakat from continuing operations	334.5	183.3	45.9	749.3	553.2
Taxation and zakat	(97.4)	(110.2)	(5.8)	(85.9)	(175.5)
Profit from continuing operations, net of tax	237.1	73.2	40.1	663.4	377.7
Loss for the year from discontinued operations, net of tax	-	(0.0)	(0.0)	(0.1)	(0.1)
Profit for the year	237.1	73.2	40.1	663.3	377.5
Profit attributable to:					
Owners of the parent	236.5	70.4	40.9	663.4	377.4
Non-controlling interest	0.6	2.8	(0.8)	(0.1)	0.1
Profit for the year	237.1	73.2	40.1	663.3	377.5
Earnings per share attributable to equity holders of the Company (sen)					
Basic, for profit/(loss) from continuing operations	10.82	0.94	(1.09)	49.10	30.80
Basic, for loss from discontinued operations	-	-	-	-	(0.01)
Basic, for profit/(loss) for the year	10.82	0.94	(1.09)	49.10	30.79

GROUP FIVE-YEAR SUMMARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the financial years ended 31 December

	2017 RM Million	2016 RM Million	2015 RM Million	2014 RM Million	2013 RM Million
Assets					
Non-current assets	19,092.0	18,698.8	19,415.3	19,285.9	9,485.1
Current assets	3,403.7	2,589.6	2,576.9	2,912.2	1,038.2
Asset of disposal group classified as held for disposal	-	0.2	0.2	0.1	0.1
Total assets	22,495.6	21,288.6	21,992.3	22,198.2	10,523.3
EQUITY					
Share capital	5,114.3 ¹	1,659.2	1,659.2	1,374.2	1,232.4
Perpetual sukuk	997.8	997.8	997.8	997.8	-
Share premium	-	3,455.1	3,455.1	2,373.1	1,409.4
Distributable retained earnings	2,320.2	2,321.2	2,449.5	2,591.9	2,037.4
Fair value adjustment reserve	272.6	8.3	5.3	(1.9)	(0.6)
Hedging reserve	(28.6)	(37.4)	(13.5)	-	-
Other reserves	6.9	6.8	5.1	2.6	2.5
Foreign exchange reserve	325.8	283.8	282.8	(0.5)	(2.9)
	9,009.2	8,694.9	8,841.4	7,337.3	4,678.3
Non-controlling interest	-	2.0	(0.8)	-	-
Total equity	9,009.2	8,696.9	8,840.6	7,337.3	4,678.3
Non-current liabilities	11,252.8	10,825.9	10,927.7	11,129.7	4,674.5
Current liabilities	2,233.7	1,765.7	2,224.0	3,731.1	1,170.4
Liability of disposal group classified as held for disposal	-	0.0	0.0	0.0	-
Total liabilities	13,486.5	12,591.7	13,151.7	14,860.8	5,845.0
Total equity and liabilities	22,495.6	21,288.6	21,992.3	22,198.2	10,523.3
Net asset per share (RM)	5.43	5.24	5.33	5.34	3.80

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

GROUP QUARTERLY PERFORMANCE

02 Performance Review



Year 2017 In RM Million	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2017
Financial Performance					
Operating revenue	1,093.6	1,100.0	1,212.0	1,246.8	4,652.3
Profit before tax and zakat from continuing operations	99.9	92.3	90.7	51.5	334.5
Profit from continuing operations, net of tax	63.0	66.5	79.7	27.9	237.1
Earnings per share (sen)	2.94	2.29	3.93	(0.07)	10.82
Year 2016					
Year 2016 In RM Million	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2016
Financial Performance					
Operating revenue	1,019.5	997.6	1,075.7	1,080.0	4,172.8
Profit before tax and zakat from continuing operations	38.2	17.5	43.0	84.6	183.3
Profit from continuing operations, net of tax	16.5	8.6	11.0	37.1	73.2
Earnings per share (sen)	0.13	(1.21)	(0.21)	0.49	0.94

KEY FINANCIAL HIGHLIGHTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the financial year ended 31 December 2017

	2017 RM Million	2016 RM Million	% Change
Revenue	4,652.3	4,172.8	11.5
Operating profit	1,030.0	857.4	20.1
Finance costs	(716.2)	(689.8)	3.8
Share of results of associates	5.8	1.7	246.1
Share of results of joint ventures	14.8	14.1	5.5
Profit before tax and zakat from continuing operations	334.5	183.3	82.4
Taxation and zakat	(97.4)	(110.2)	(11.6)
Profit from continuing operations, net of tax	237.1	73.2	224.0
Profit attributable to:			
Owners of the parent	236.5	70.4	236.0
Non-controlling interests	0.6	2.8	(78.0)
	237.1	73.2	224.0
Earnings per share attributable to owners of the parent (sen per share)			
- Basic, for profit from continuing operations	10.82	0.94	1,057.0

KEY FINANCIAL HIGHLIGHTS

02 Performance Review



CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2017

	2017 RM Million	2016 RM Million	% Change
Assets			
Property, plant and equipment	424.1	455.5	(6.9)
Investments	555.7	353.6	57.2
Intangible assets	17,409.6	17,231.0	1.0
Other non-current assets	702.5	658.7	6.6
Current assets	3,403.7	2,589.6	31.4
Asset of disposal group classified as held for disposal	-	0.2	(100.0)
Total assets	22,495.6	21,288.6	5.7
Equity and liabilities			
Share capital	5,114.3 ¹	1,659.2	208.2
Perpetual sukuk	997.8	997.8	-
Share premium	-	3,455.1	(100.0)
Distributable retained earnings	2,320.2	2,321.2	(0.0)
Fair value adjustment reserve	272.6	8.3	3,197.7
Hedging reserve	(28.6)	(37.4)	(23.6)
Other reserve	6.9	6.8	1.3
Foreign exchange reserve	325.8	283.8	14.8
	9,009.2	8,694.9	3.6
Non-controlling interest	-	2.0	(100.0)
Total equity	9,009.2	8,696.9	3.6
Non-current liabilities	11,252.8	10,825.9	3.9
Current liabilities	2,233.7	1,765.7	26.5
Liability of disposal group classified as held for disposal	-	0.0	(100.0)
Total liabilities	13,486.5	12,591.7	7.1
Total equity and liabilities	22,495.6	21,288.6	5.7
Net asset per share (RM)	5.43	5.24	3.6
Return on assets	1.1%	0.3%	206.6

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

GROUP SEGMENTAL ANALYSIS

REVENUE 2017 RM4,652.3 MILLION

Airport Services #	2,422.5	2,223.0
Duty Free & Non- Dutable Goods	855.2	740.9
Agriculture & Horticulture	39.2	34.3
Hotel	94.5	82.9
Project and Repair Maintenance	17.7	18.1
Other ®	0	0

MALAYSIA

Airport Services	1,085.7	958.8
Project and Repair Maintenance	137.6	114.7

OVERSEAS

PROFIT BEFORE TAXATION 2017 RM334.5 MILLION

Airport Services #	547.6	366.0
Duty Free & Non- Dutable Goods	41.4	25.6
Agriculture & Horticulture	7.9	5.8
Hotel	10.3	1.4
Project and Repair Maintenance	30.8	38.2
Other ®	(230.6)	(183.3)

MALAYSIA

Airport Services	(75.3)	(56.7)
Project and Repair Maintenance	2.4	(13.7)

OVERSEAS

■ 2017 ■ 2016

Note: The group revenue segmental analysis excludes inter-segment transactions

Airport Services revenues include IC 12 construction revenues amounting to RM57.9 million in FY2017 (FY2016: NIL)

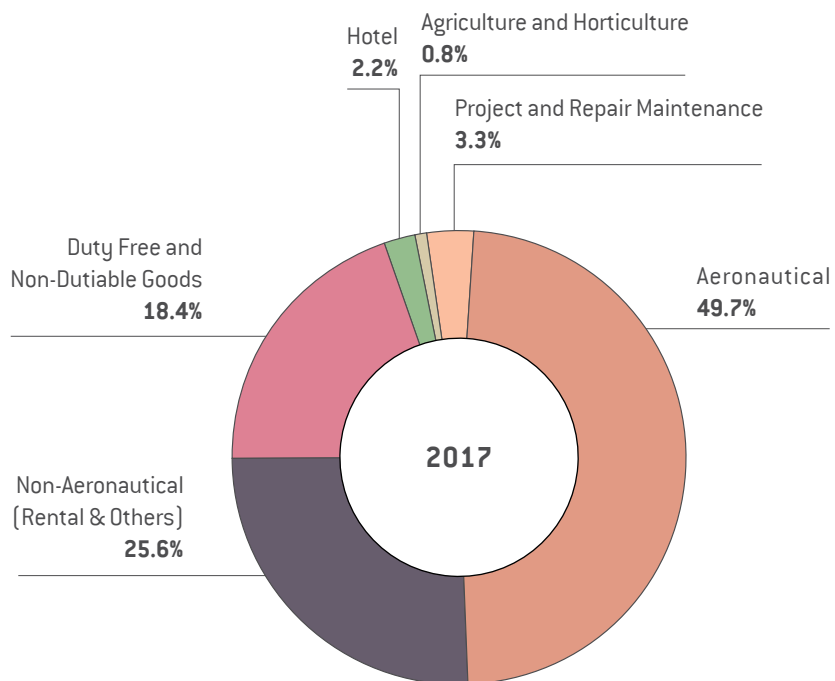
® Other segmental profit before taxation includes inter-segment eliminations and consolidation entries

GROUP SEGMENTAL ANALYSIS

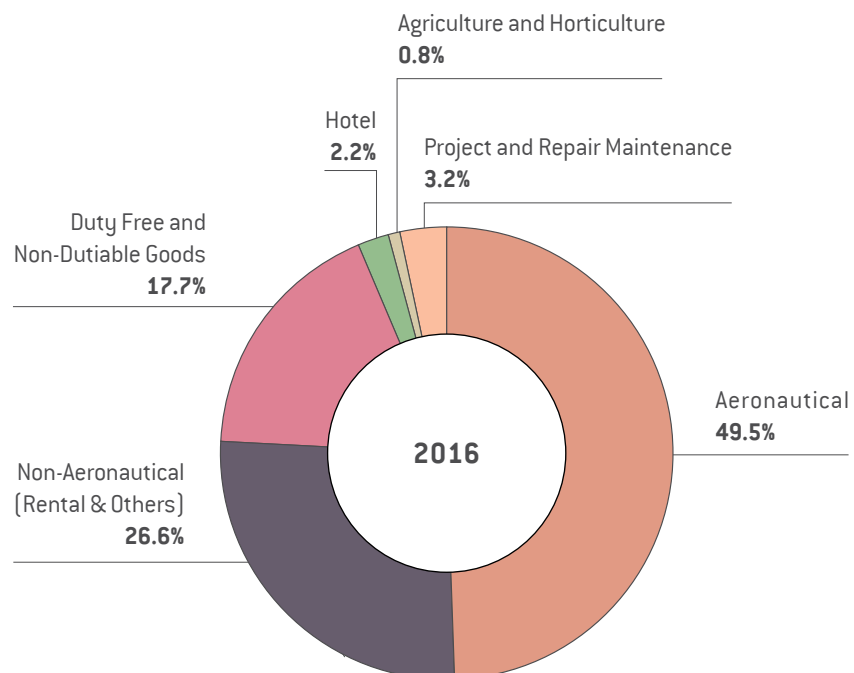
02 Performance Review



REVENUE 2017
RM4,652.3 MILLION

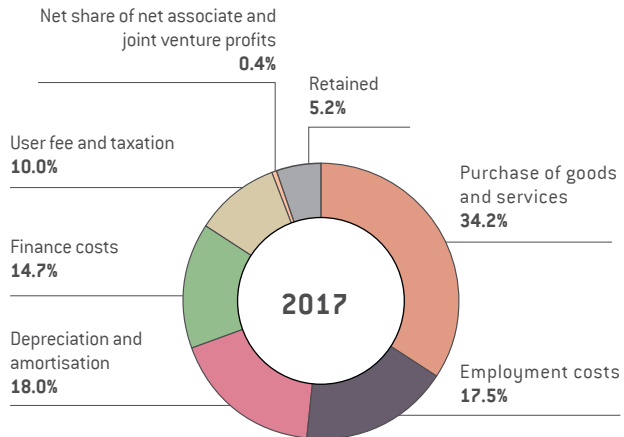


REVENUE 2016
RM4,172.8 MILLION

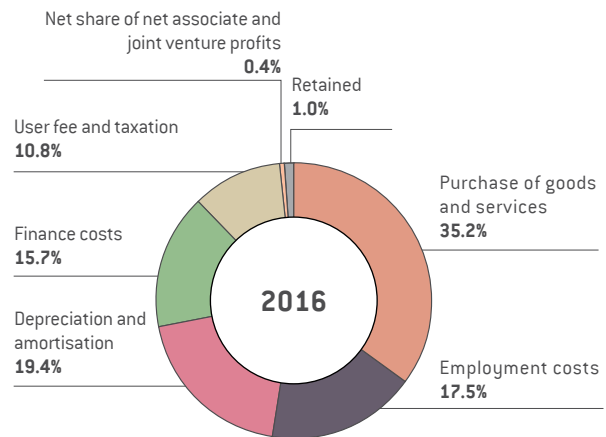


STATEMENT OF INCOME DISTRIBUTION

RM4,883.3 MILLION



RM4,393.5 MILLION



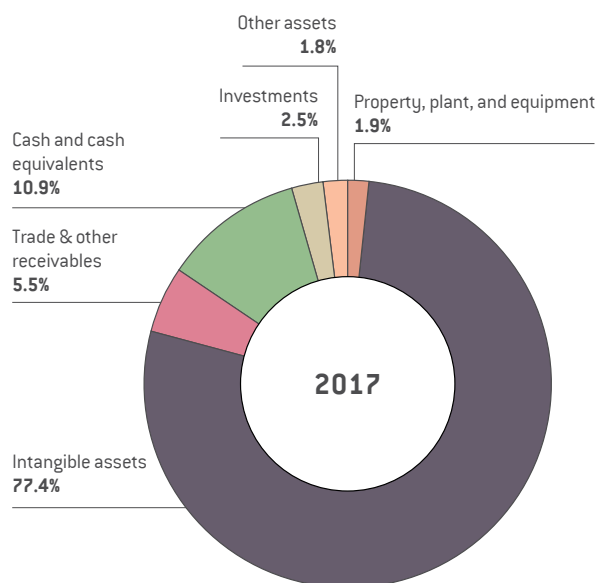
RM Million	2017	%	2016	%
Current income available for distribution	4,883.3	-	4,393.5	-
To supplier				
Purchase of goods and services	1,670.6	34.2	1,550.6	35.2
To employees				
Employment costs	852.1	17.5	770.3	17.5
Utilisation of assets				
Depreciation and amortisation	880.8	18.0	852.5	19.4
To financier				
Finance costs	716.2	14.7	689.8	15.7
To government				
User fee and taxation	489.2	10.0	472.6	10.8
To share of net associate and jointly venture profits				
Net share of net associate and joint venture profits	20.6	0.4	15.7	0.4
Retained for re-investment and future growth and dividend payment				
Current year	253.8	5.2	42.0	1.0
	4,883.3	100.0	4,393.5	100.0

STATEMENT OF FINANCIAL POSITION

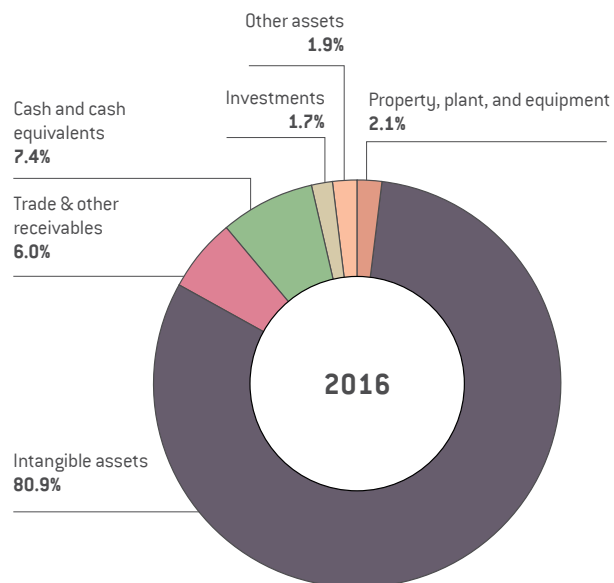
02 Performance Review



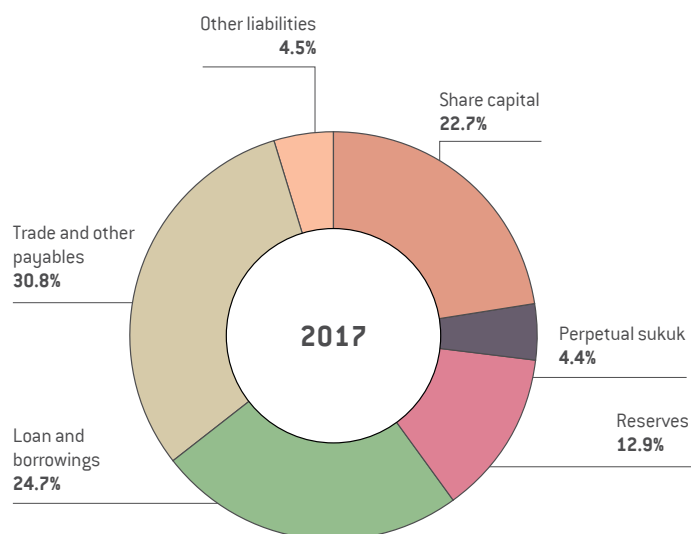
TOTAL ASSETS 2017
RM22,495.6 MILLION



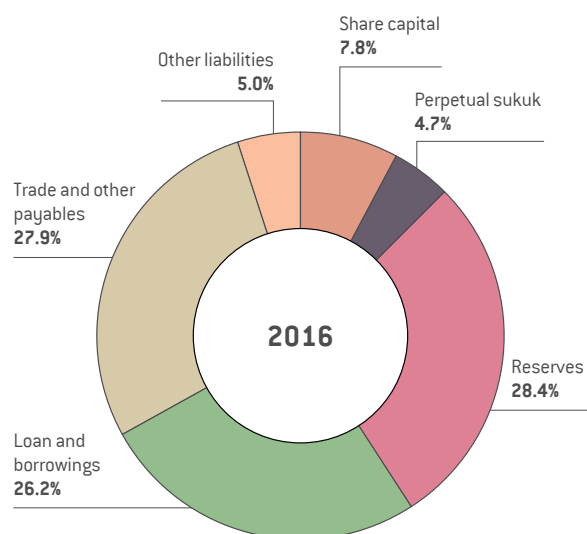
TOTAL ASSETS 2016
RM21,288.6 MILLION



EQUITY AND LIABILITIES 2017
RM22,495.6 MILLION

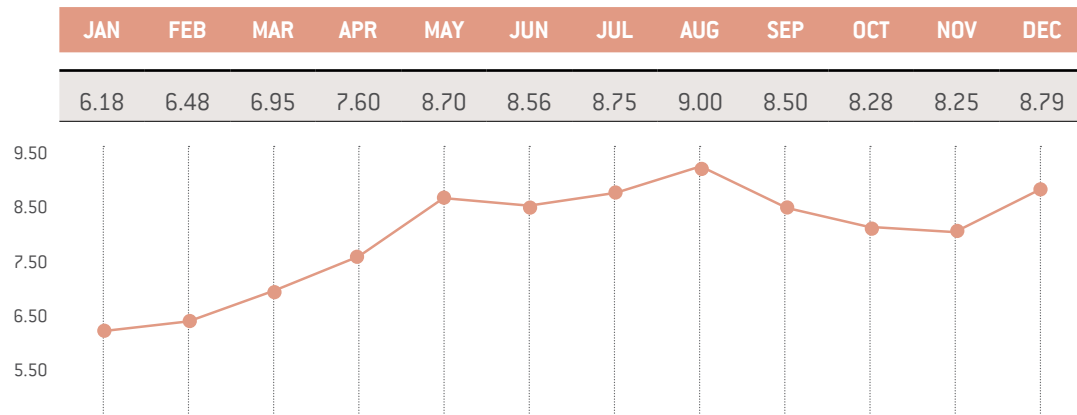


EQUITY AND LIABILITIES 2016
RM21,288.6 MILLION



SHARE PRICE, VOLUME TRADED, MARKET CAPITALISATION

2017 SHARE PRICE MOVEMENT

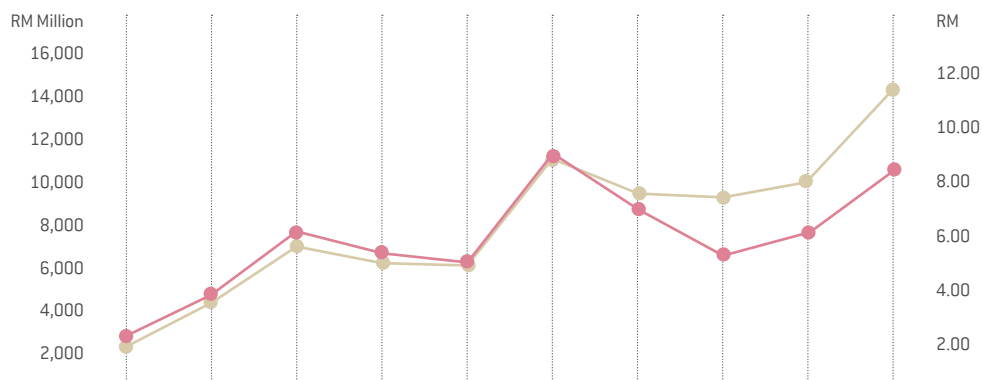


2017 MONTHLY TRADING VOLUME & SHARE PRICE STATISTICS

MONTH	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Volume (million)	36.71	63.90	102.80	86.46	142.31	91.99	51.29	55.75	43.38	74.73	52.30	58.48
High (RM)	6.36	6.84	7.30	7.68	8.97	9.45	8.93	9.12	9.17	8.62	8.79	8.98
Low (RM)	5.98	6.15	6.43	6.98	7.65	8.45	7.86	8.32	8.46	8.16	8.06	8.16
Closing Price (RM)	6.18	6.48	6.95	7.60	8.70	8.56	8.75	9.00	8.50	8.28	8.25	8.79

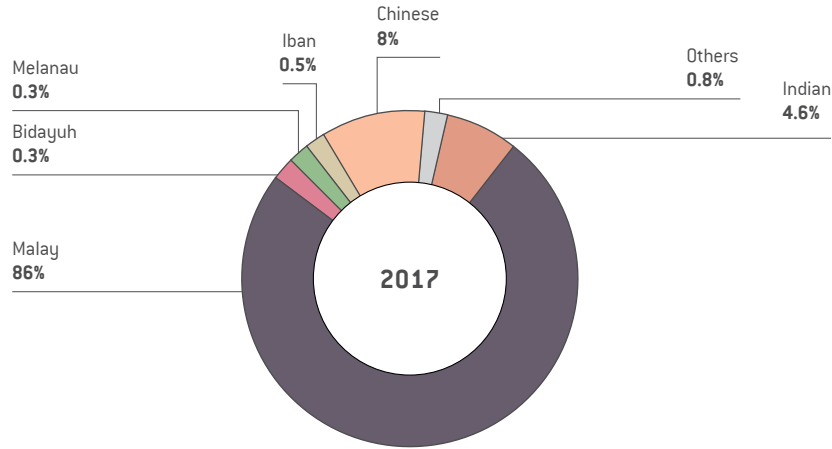
CLOSING PRICE AND MARKET CAPITALISATION

YEAR	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Closing price for the year (RM)	2.21	3.97	6.28	5.80	5.21	9.00	6.80	5.61	6.06	8.79
Market capitalisation (RM million)	2,431	4,367	6,908	6,380	6,304	11,092	9,344	9,308	10,055	14,584

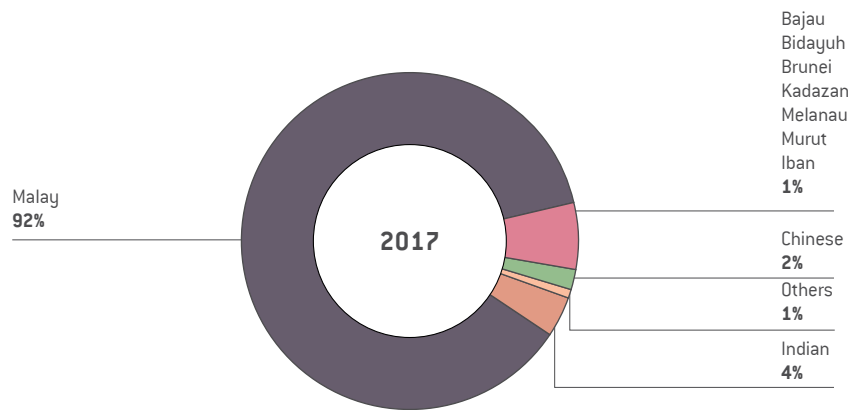


STATEMENT OF WORKFORCE

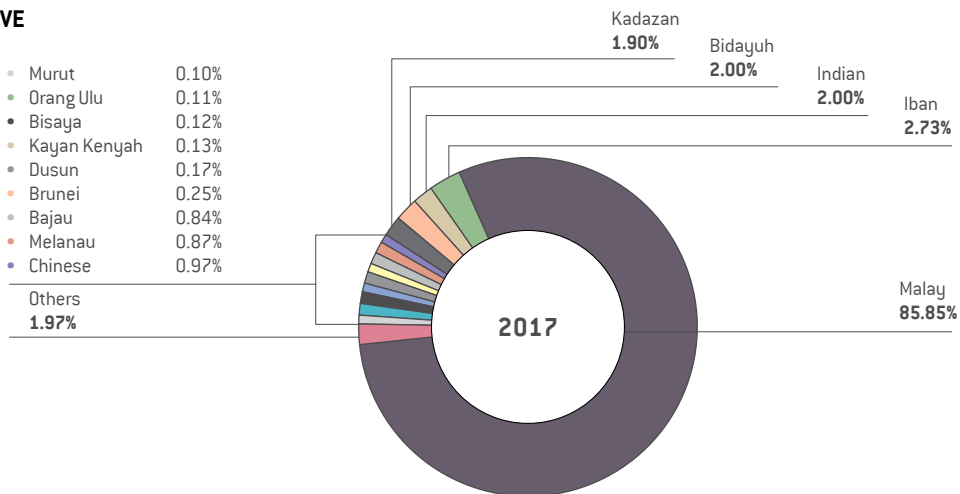
MANAGEMENT



EXECUTIVE



NON-EXECUTIVE



GROUP FINANCIAL PERFORMANCE

KEY FINANCIAL PERFORMANCE

Malaysia Airports Holdings Berhad (the Group) had registered earnings before interest, tax, depreciation and amortisation (EBITDA) of RM1,910.9 million for the financial year ended 31 December 2017 (FY2017), representing a growth of 11.8% when compared to the financial year ended 31 December 2016 (FY2016). The achievement was on the back of the strong growth in revenue, primarily arising from the Group's Malaysian Operations.

IC INTERPRETATION 12: SERVICE CONCESSION ARRANGEMENT

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

In accordance with the Financial Reporting Standard 138: Intangible Assets (FRS 138), the Group recognises the intangible asset at its fair value. In line with the requirement of Financial Reporting Standard 111: Construction Contracts (FRS 111), the Group recognises the construction revenues and costs by reference to the stage of completion of the construction works of the development of Istanbul Sabiha Gokcen International Airport's (ISG) boarding hall expansion. In FY2017 the Group recognised the construction revenues in relation to the aforesaid project amounting to RM57.9 million. The Group also recognised the construction costs amounting to RM57.9 million for the above project in FY2017.

GROUP PROFITABILITY

Excluding construction revenue and costs, the Group registered revenue of RM4,594.4 million for FY2017 which was 10.1% higher than the RM4,172.8 million registered in its corresponding period in FY2016. Profit before tax (PBT) had increased by 82.4% to RM334.5 million while profit after tax (PAT) had also increased by 224.0% to RM237.1 million from RM73.2 million in FY2016.

The higher operating revenues were attributable to the improved results from airport operations segment which grew by 9.8% to RM4,296.8 million. Revenue in non-airport operations segments grew by 14.5% to RM297.6 million. The Group recorded a favourable PBT and PAT in line with improved revenue, despite an increase in costs. The increase in the Group's total cost was mainly due to increase in user fees, repair and maintenance cost, employee benefit expenses as well as other expenses within its Malaysian operations.

OPERATIONS REVIEW

The increase in airport operations revenue segment as mentioned above continued to be driven by the 9.3% growth in aeronautical revenue to RM2,253.6 million. This was largely attributed to the strong passenger growth of 7.9% to 128.0 million passengers. Total commercial aircraft movements grew by 2.6% to 1,059,037 movements while cargo movements rose by 7.9%, registering a volume of 1,024,011 metric tonnes.

The growth in non-aeronautical revenue also contributed to the overall increase in the airport operations segment. Non-aeronautical revenue recorded a growth of 10.4% to RM2,043.2 million on the back of improved performance in the retail and commercial businesses. Revenue from rental of space, advertising and other commercial segments grew 7.1% to RM1,189.5 million, contributed by higher occupancy rate and higher average rental resulting from increased in rental space at KLIA Main. The Group's own retail business, Eraman also registered a growth of 15.4% in FY2017.

TYPES OF REVENUE: AERONAUTICAL AND NON-AERONAUTICAL REVENUE

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

GROUP FINANCIAL PERFORMANCE

02 Performance Review



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

Total commercial activities above continues to be a key earnings driver, accounting for 43.9%, or RM2,043.2 million, to the Group's revenue. This is in line with the Group's long term plan to further grow this branch of business.

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

REVENUE BREAKDOWN	FY2017 (RM'000)	FY2016 (RM'000)	VARIANCE (%)
Airport Operations	4,354,725	3,912,824	11.3
1. Airport Services:			
Aeronautical	2,253,625	2,062,585	9.3
Non-Aeronautical (Rental & Others)	1,189,516	1,110,220	7.1
2. Duty Free and Non-Dutiable Goods	853,679	740,019	15.4
3. Construction Revenue	57,905	-	-
Non-Airport Operations	297,613	259,944	14.5
Hotel	103,151	92,839	11.1
Agriculture and Horticulture	39,213	34,341	14.2
Project and Repair Maintenance	155,249	132,764	16.9
Total Revenue	4,652,338	4,172,768	11.5

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BUSINESS SEGMENTS

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

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

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

SEGMENTAL REVENUE MALAYSIA OPERATIONS

1. Airport operations

(a) Airport services: This business segment comprises aeronautical and non-aeronautical revenues. Aeronautical revenue consists of collection of PSC, landing and parking fees, and other ancillary charges to airlines; while non-aeronautical revenue is generated from rental and other commercial activities. Aeronautical revenue increased by 8.0% to RM1,689.4 million in tandem with growth in passenger traffic. The improvement was also attributed to the recognition of Marginal Cost Support for Passenger Service Charge (MARCS PSC) as the PSC rates are lower than the benchmark rate as stipulated in the Operating Agreements signed with the Government.

Non-aeronautical revenue rose by 11.3% to RM734.6 million. This favourable variance was due to more aggressive marketing campaign and higher spending by passengers at KLIA.

GROUP FINANCIAL PERFORMANCE

(b) Duty free and non-dutiable goods: This business segment includes the operations of duty free and non-duty free outlets and management of F&B outlets at designated airports. This business segment grew by 15.4% to RM853.7 million in FY2017 attributed to stronger spending from passengers.

2. Non-airport operations

(a) Agriculture and horticulture: The agriculture and horticulture business segment activities include the cultivation and sale of oil palm and other agriculture products. The higher revenue contribution is due to the higher price attained for Fresh Fruit Bunch (FFB) per tonne, and higher production volume (FY2017: RM611/63,629MT; FY2016: RM588/57,629MT) resulting in revenue for the agriculture and horticulture segment to increase to RM39.2 million in FY2017, or 14.2% higher than the RM34.3 million registered in FY2016.

(b) Hotel: The hotel segment manages and operates Sama-Sama Hotel and Sama-Sama Express in Malaysia. The hotel segment revenue increased by 14.0% to RM94.5 million, mainly attributed to higher average occupancy rate (FY2017: 81%; FY2016: 73%) and higher average room rate (FY2017: RM413; FY2016: RM405).

(c) Project and repair maintenance services: The main activities include provision of mechanical, electrical and civil engineering services and the airport business consulting, maintenance and technical services. This segment

recorded negative growth of 2.2% in revenue to RM17.7 million in FY2017.

Overseas Operations

1. Airport operations

(a) Airport services: Excluding construction revenue, the increase in airport services revenue by 7.2% to RM1,027.8 million was mainly due to improved aeronautical revenue which grew by 13.1% to RM564.2 million. The growth is in line with the positive passenger growth at ISG by 5.6%.

2. Non-airport operations

(a) Project and repair maintenance services: The project and repair maintenance segment revenue relates to MACS Middle East LLC which provides facilities maintenance services at Hamad International Airport. The segment recorded positive growth of 20.0% at RM137.6 million in FY2017.

2. Non-airport operations

(a) Agriculture and horticulture: The agriculture and horticulture business PBT had increased by 36.0% to RM7.9 million from a PBT of RM5.8 million in FY2016 due to higher price attained for FFB per tonne and higher production output.

(b) Hotel: The hotel business recorded PBT of RM10.3 million in FY2017, showing a tremendous improvement compared to PBT of RM1.4 million recorded in FY2016. This was mainly due to higher average occupancy and room rate.

(c) Project and repair maintenance services: This segment recorded a PBT of RM30.8 million in FY2017 compared to a PBT of RM38.2 million in FY2016.

Overseas Operations

1. Airport operations

(a) Airport services: Overseas operations recorded an increase in LBT of RM75.3 million compared to a LBT of RM56.7 million in the previous year. The unfavourable variance was mainly due to higher depreciation and amortisation costs and finance costs.

2. Non-airport operations

(a) Project and repair maintenance services: The segment recorded a PBT of RM2.4 million as compared to a LBT of RM13.7 million in the previous year due to higher revenue generated by MACS ME.

SEGMENTAL PROFITABILITY

Malaysia Operations

1. Airport operations

(a) Airport services: In line with the increase in the airport services revenue, Malaysia operations recorded a PBT of RM547.6 million or 49.6% higher compared to RM366.0 million in FY2016.

(b) Duty free and non-dutiable goods: This segment generated a PBT of RM41.4 million in FY2017 from a PBT of RM25.6 million in FY2016, in tandem with the higher growth in sales.

GROUP FINANCIAL PERFORMANCE

02 Performance Review



ECONOMIC PROFIT

Economic Profit (EP) is used as a yardstick to measure shareholder value. EP is a measure of value created by a business during a single period reflecting how much return a business makes over its cost of capital, that is, the difference between the Company's rate of return and cost of capital. The Group recorded an economic loss of RM675.3 million for FY2017 as compared to a loss of RM661.5 million in FY2016. The higher economic loss in FY2017 was mainly due to higher operating earnings and weighted average cost of capital.

DIVIDENDS

A single-tier interim dividend of 5.00 sen per ordinary share in respect of the financial year ended 31 December 2017 amounting to 82.9 million was paid in 25 August 2017.

The board will propose a final dividend in respect of the financial year ended 31 December 2017 of 8.00 sen per ordinary share amounting to RM132.7 million for shareholders' approval at the forthcoming Annual General Meeting. Subject to approval of the shareholders, the total dividend declared will translate into a payout of 55.1% of total adjusted PAT, surpassing the Group's Dividend Policy of a minimum 50% payout ratio.

HEADLINE KEY PERFORMANCE INDICATORS (KPIs)

The Headline KPIs are targets or aspirations meant to drive the Group's performance in 2018. These Headline KPIs are disclosed publicly on a voluntary basis, signalling the Group's commitment towards transparent performance measures and good corporate governance.

HEADLINE KPIs

These Headline KPIs shall not be construed as forecasts, projections or estimates of the Group or representations of any future performance, occurrence or matter as the Headline KPIs are merely a set of well-intended targets and positive aspirations of future performance aligned to the Company's strategy, mission and objectives.

The Headline KPIs are set based on the assumption that there will be no significant changes in the prevailing economic and political conditions, present legislation and/or government regulations, as well as with the expectation that business will continue to grow as expected.

FINAL	FY2018
(i) Group Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	RM2,092.0 million
Malaysia Operations	RM1,189.3 million
Overseas Operations	
Turkey Operations	EUR179.4 million (RM880.9 million - constant currency*)
Qatar Operations	QAR19.8 million (RM21.8 million - constant currency*)
(ii) Airport Service Quality Awards	Above 40 million passengers category: KLIA Ranking Top 10

* Exchange Rate: EUR: MYR - 4.91; QAR: MYR - 1.10

The Group's EBITDA KPI target for FY2018 is RM2,092.0 million. The increase in the Group EBITDA will be in tandem with the expected growth in passenger traffic, both in Malaysia and Turkey.

FY2018 holds the promise of being another exciting year for the Group. The Group remains committed in delivering high quality services to our stakeholders by embedding a customer-centric culture in airport operations to provide an innovative and digitalised airport experience for passengers, airlines and retailers. This is in line with the Total Airport Experience strategic pillar under Runway to Success 2020 in enhancing the airport experience across all touch points for our stakeholders.

AIRPORT PERFORMANCE BENCHMARK

Airports tend to operate under different circumstances in terms of aviation activities, commercial activities, site constraints, governance and ownership structure, etc., and as a result, there are no specific performance indicators that individual airports would find consistently relevant and useful. For example, privatised airports are likely to focus on different financial performance indicators than non-profit government-owned airports. Larger airports are likely to focus on different performance indicators compared to smaller airports. Airports with large developable land areas are likely to focus on different performance indicators than tightly constrained airports in large urban areas. As such, benchmarking becomes relatively complex. These are well-illustrated in the International Civil Aviation Organisation's (ICAO) Airports Economics Manual and Airport Council International's (ACI) Guide to Airport Performance Measures.

Even among airports with similar characteristics, managers may have different views regarding which performance indicators are most important, and how many performance indicators the airport should track. A smaller set of closely monitored performance indicators tend to be a more effective performance management tool than a larger set of performance indicators that attracts less focus.

Airport benchmarking is divided into two types of comparisons; firstly the internal or self-benchmarking, where an airport compares its performance with itself over time; and secondly external or peer benchmarking where an airport compares its performance against other airports, either at a single point in time or over a period of time. Malaysia Airports' Annual Report and the accompanying Sustainability Report cover both these areas to some detail. In addition, this section attempts to cover only those areas of benchmarking not covered elsewhere in this report but considered as being of some relevance to the esteemed stakeholders and shareholders.

When comparing one airport to another, some of the typical factors that drive different results and should be considered in making comparisons include passenger volume, capacity constraints, mix of international and domestic traffic, mix of local and transfer passengers, mix of passenger carrier service (full-service network, low-cost, charter), mix of passenger versus cargo activity, degree of outsourcing, range of services provided by the airport, airport development programme status, weather conditions, geographic location, urban versus rural location, physical size of the airport,

public transportation access and usage, regulatory environment, local labour conditions, and ownership and governance structure.

Internal benchmarking, where an airport compares its performance with itself over time, is less complex than external benchmarking because the number of variables that change at an airport from one year to another is limited. However, year-over-year comparisons may not be simple as the variables involved may have changed. The complexities involved in making airport comparisons do not suggest that external benchmarking is totally meaningless but rather to show that many indicators will be useful primarily for internal benchmarking and even internal benchmarking should be viewed not as an end in itself. For external benchmarking results to be meaningful, it is essential to find truly comparable "peer" airports in terms of the many factors that drive the indicator and many performance indicators measure or include as a denominator, passengers, aircraft movements, or other factors which are largely beyond the airport's control.

The common benchmarks reflected in the ICAO and ACI documents are as below:

- (i) Core measurements that shows the activity level at the airports such as passengers and categories of passengers, aircraft movements, cargo movements, airlines and destinations.
- (ii) Safety and security statistics such as runway accidents and incursions, bird strikes and occupational injuries. Safety indicators are used to track air field safety issues as well as safety issues involving other portions of the airport, including roadways and general employee safety. Security indicators may be used to track security violations, thefts and crimes, and responsiveness.
- (iii) Service quality levels such as customer satisfaction, delay statistics, security, passport, check in and baggage clearing times. Service quality indicators focus both on how passengers perceive the level of service provided by the airport, and on objective measures of service delivery.
- (iv) Productivity/cost effectiveness such as passengers/aircraft movements per employee, aircraft movements per gate, total cost per passenger/aircraft movement, operating cost per work load unit etc. These indicators of airport efficiency measure the resources used to produce a certain volume of activity, e.g., departures per gate or total passengers per airport employee.

AIRPORT PERFORMANCE BENCHMARK



- (v) Financial and commercial measurements such as aeronautical/non-aeronautical revenue per passenger/aircraft, non-aeronautical operating revenue as a percentage of total revenue, EBITDA per passenger etc. Financial/commercial performance indicators are used to track the airport's financial performance, including airport charges, airport financial strength and sustainability, and the performance of individual commercial functions.
- (vi) Environmental-related such as carbon footprint, waste reduction percentage, utilities/energy usage per passenger, water consumption per passenger etc. Environmental indicators are used to track an airport's progress in minimising the environmental impacts of its operations.

ICAO produces annually airport financial statistics but it is published not early enough while the financial information on airports is limited and difficult to obtain. In addition, for airport operators that are listed, the available data from published accounts is for the whole Group. Even Malaysia Airports' published accounts does not carry detailed accounts of individual airports. Other organisations which have done airport benchmarking include ACI, LeighFisher, Skytrax and International Air Transport Association (IATA). Data obtained from IATA suggest that KL International Airport (KLIA) is competitive in terms of passenger service charges and passenger security service charges and landing charges compared against other airports in the region. LeighFisher's Report 2017 that tracks the world's top 50 airports (or airport group), indicate that aero revenue per passenger as well as per aircraft movement at Malaysian airports is only around one-third of the benchmarked average.

RANKING	AIRPORT	AERO REVENUE/PASSENGER (SDR)	RANKING INDEX
	WORLD AVERAGE	8.56	100.0
4	Tokyo Narita	13.46	157.3
18	Seoul Incheon	8.97	104.8
25	Hong Kong	8.00	93.5
28	Singapore	7.56	88.4
44	Airports of Thailand	5.15	60.2
48	Malaysia	3.25	38.0

Source: Page 108 of LeighFisher's 2017 Airport Performance Indicators

On the passenger traffic side, KLIA continues to register high growth in the region in 2017. The traffic performance of some airports in the region is as follows:

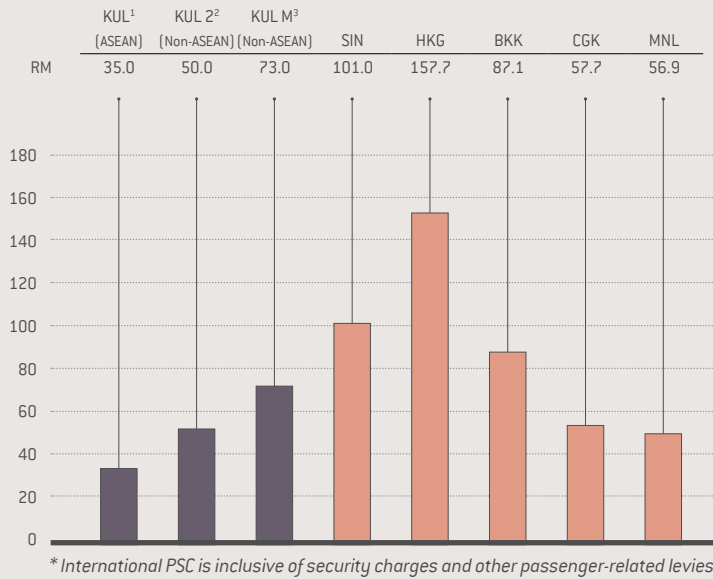
AIRPORT	2017	% CHANGE
Hong Kong International Airport (HKG)	72,728,000	+3.5
Changi International Airport Singapore (SIN)	62,221,000	+6.0
Soekarno-Hatta International Airport Jakarta (CGK)	62,913,700	+8.1
Suvarnabhumi Airport Bangkok (BKK)	60,860,600	+8.9
Incheon International Airport Seoul (ICN)	62,157,800	+7.4
KL International Airport (KUL)	58,554,627	+11.2

Source: ACI (Preliminary)

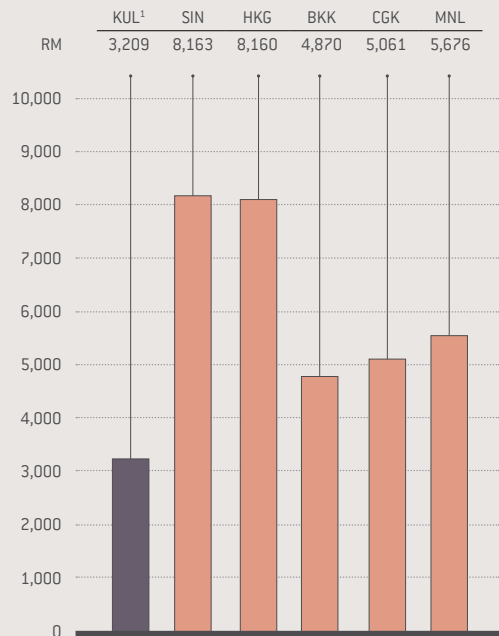
AIRPORT PERFORMANCE BENCHMARK

Benchmarking of airport charges provides a glimpse of airlines and passengers cost for using an airport. Passenger service charges and aircraft landing at some airports in the region is as follows:

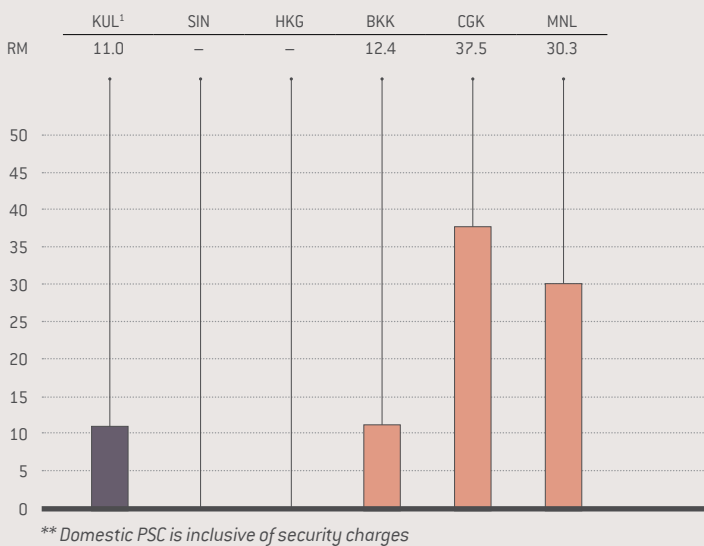
INTERNATIONAL PSC*



LANDING CHARGE (A330)



DOMESTIC PSC**



With respect to benchmarking of airport charges, airports globally structure their charges in different ways. Some airports may have higher charges than other airports due to revenue optimisation reasons, charge structure reasons, as well as due to provision of higher level of facilities and services. For measure of productivity, airports which are congested may appear to have higher productivity, in the form of higher passenger and aircraft movements per hour when in fact they reduce the economic efficiency of commercial aviation.

¹ KUL refers to KL International Airport

² KUL 2 refers to the klia2 Terminal

³ KUL M refers to the KLIA Main Terminal

DIVIDEND POLICY



Dividend policy is one of Malaysia Airports' most important financial policies as shareholders' equity is an important source of a company's working capital.

A good dividend policy always serves in the best interests of the company and its shareholders.

A company may use dividends as a signal to inform investors regarding the stability and growth prospects of the company. Apart from maximisation of shareholders' wealth, the company may be able to earn the confidence of its shareholders and attract prospective investors to invest in its shares, which further increases the value of the company. A dividend policy may also reduce investors' uncertainty as they seek to secure income from stable or steadily increasing dividend.

Commencing from the financial year ended 31 December 2007, Malaysia Airports adopts a dividend policy with a dividend payout ratio of at least 50% of the consolidated annual net profit after taxation and minority interest, subject to availability of distributable reserves. The rationale for the dividend policy is as follows:

- (i) to return excess cash of Malaysia Airports to shareholders
- (ii) improves the return on equity of the Group
- (iii) consistent with best practices of public listed companies

The summary of dividends declared and paid to the shareholders of Malaysia Airports for the financial years ended 31 December 2007 to 2017 are tabulated below:

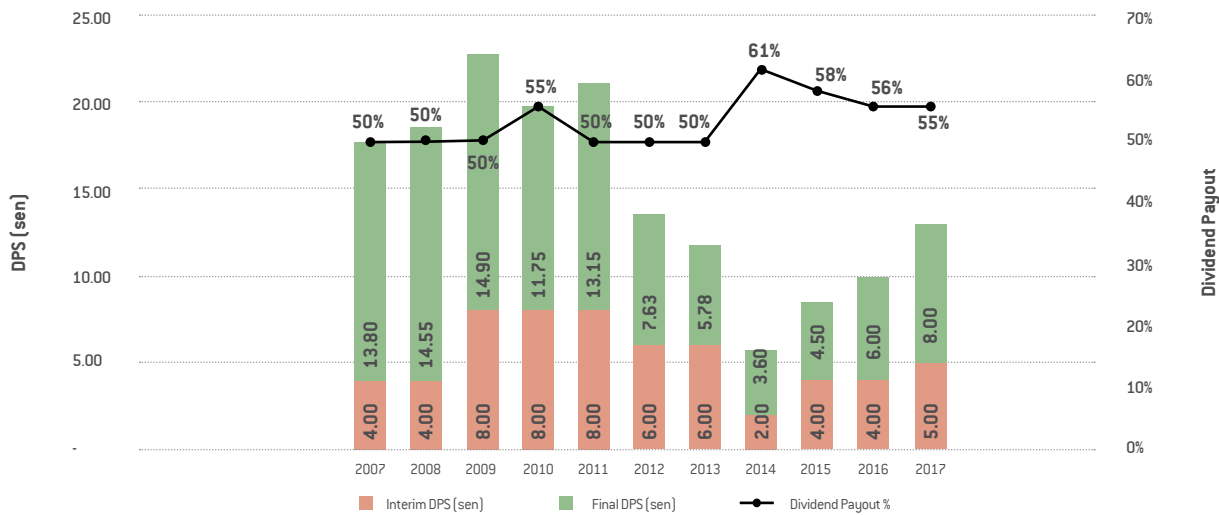
DIVIDENDS DECLARED FROM 2007 TO 2017

FINANCIAL YEAR	INTERIM DIVIDEND (SEN)		FINAL DIVIDEND (SEN)		PAYOUT RATIO (%)
	FRANKED	SINGLE TIER	FRANKED	SINGLE TIER	
2007	4.00		13.80		50.00
2008	4.00		14.55		50.00
2009	8.00		14.90		50.00
2010	8.00		11.75		55.40
2011	8.00		12.85	0.30	50.00
2012		6.00		7.63	50.00
2013		6.00		5.78	50.00
2014		2.00		3.60	61.20
2015		4.00		4.50	58.10
2016		4.00		6.00	55.50
2017		5.00		8.00	55.10

DIVIDEND POLICY

DIVIDEND PER SHARE (DPS) SEN

The graph above shows that Malaysia Airports has been able to maintain high dividend levels resulting from the robust earnings of the Company. The dividend payments signal management's expectation of high future earnings as well as commitment to rewards its shareholders.



DIVIDEND REINVESTMENT PLAN

In our commitment to reward shareholders as well as to strengthen the Group's capital base, Malaysia Airports had established a dividend reinvestment plan (DRP). The DRP allows shareholders of Malaysia Airports to reinvest their dividends into new ordinary share(s) of RM1.00 each in Malaysia Airports shares. The rationale for the DRP is as follows:

- (i) enhance shareholders' value via the subscription of new Malaysia Airports shares where the new Malaysia Airports shares issued typically bears a discount
- (ii) provide the shareholders with greater flexibility in meeting their investment objectives by providing a choice of receiving cash or reinvesting in Malaysia Airports
- (iii) dividends that are reinvested are utilised to fund the continuing business growth of the Group
- (iv) improve liquidity of Malaysia Airports' shares traded on the Main Market of Bursa Malaysia Securities Berhad

The details of the past six DRP exercises completed by the Company is as shown in the table below:

Financial Year	Type of dividend	Dividend per share	Total dividend amount (RM Million)	Number of shares made available for investment	Number of shares re-invested	Subscription (%)
2012	Interim	6.00	72.60	15,343,229	7,088,046	46.2%
	Final	7.63	92.86	18,060,421	15,355,833	85.0%
2013	Interim	6.00	73.95	9,169,678	8,102,473	88.4%
	Final	5.78	78.87	10,901,346	9,553,502	87.6%
2014	Interim	2.00	27.48	4,479,556	2,391,485	53.4%
	Final	3.60	59.47	9,909,098	7,342,222	74.1%

FINANCIAL CALENDAR

02 Performance Review



GENERAL MEETING

9 APRIL 2018

NOTICE OF 19TH ANNUAL
GENERAL MEETING

8 MAY 2018

19TH ANNUAL GENERAL
MEETING

FINANCIAL YEAR 2017

QUARTERLY RESULTS ANNOUNCEMENTS

28 APRIL 2017

Unaudited consolidated results for the
1st quarter ended 31 March 2017

31 JULY 2017

Unaudited consolidated results for the
2nd quarter ended 30 June 2017

24 NOVEMBER 2017

Unaudited consolidated results for the
3rd quarter ended 30 September 2017

21 FEBRUARY 2018

Unaudited consolidated results for the
4th quarter ended 31 December 2017

HEADLINE KEY PERFORMANCE INDICATORS ANNOUNCEMENT

21 February 2018

2018 Headline Key Performance Indicators

DIVIDENDS

Final Single-Tier Dividend of 6.0 sen per ordinary share		Single-Tier Interim Dividend of 5.0 sen per ordinary share	
25 May 2017	Notice of book closure date	31 July 2017	Notice of book closure date
9 June 2017	Entitlement date	15 August 2017	Entitlement date
16 June 2017	Payment date	25 August 2017	Payment date

INVESTOR RELATIONS



Scan this QR code to view Malaysia Airports' Investor Relations Portal.

INVESTOR RELATIONS

At Malaysia Airports, we dedicate our efforts in continuously creating and maximising values for our esteemed shareholders. We understand the importance to continually engage our existing shareholders and prospective investors to keep them up to date with insights, strategies, business performance and latest developments within the Group. Our comprehensive Investor Relations Programme was implemented to consistently deliver effective, timely and transparent communication with the investment community.

QUARTERLY FINANCIAL RESULTS AND ANALYST BRIEFING

Malaysia Airports organises presentations with teleconferencing facilities during quarterly financial result briefings to the media, equity and fixed income analysts as well as the fund managers. Site visits and meetings held at our facilities are also held regularly with members of the investment community, including with the Minority Shareholder Watchdog Group (MSWG), to keep them abreast with the Group's latest developments. Our proactive Investor Relations initiatives ensure timely dissemination of relevant information to the public and investment community for better understanding of the financial, operational performance as well as key strategies of the Group.

Malaysia Airports further emphasises on timely disclosure through the circulation of investor presentation. Presentation of financial results and performance are prepared in a concise and transparent manner and are made available on our website in conjunction with the release of financial results announcement to Bursa Malaysia Securities Berhad. Hardcopies of the presentations are disseminated to participants who attended the briefings.

INVESTOR ENGAGEMENT

One-on-one Meetings, Conference Calls and Investor Conferences

The senior management and Investor Relations teams have been actively participating in meetings and conference calls with institutional investors, fund managers, analyst and rating agencies held in Malaysia as well as abroad. We participated in over 540 meetings, conference calls and presentations organised either internally or by local and foreign research houses, as an effort to continuously reach out to a wider investor base.

The team's efforts have not come unnoticed, as the company ranked as the 2nd Best Malaysian Company for Investor Relations at the 2017 IR Magazine Awards & Conference South East Asia. Malaysia Airports was also well recognised at the 2017 Malaysia Investor Relations Association (MIRA) Awards. Among the categories which Malaysia Airports was ranked highly for were:

- 1st place for Best CEO for IR (Mid Cap) – Datuk Badlisham Ghazali
- 6th place for Best CFO for IR (Mid Cap) – Raja Azmi Raja Nazuddin
- 2nd place for Best IR Professional (Mid Cap) – Zeid Abdul Razak
- 7th place for Best Company for IR (Mid Cap)
- 4th place for Quality of One-on-One Meetings (Overall)
- 5th place for Business Knowledge & Insights of an IR Team (Overall)

Investor Relations Portal

In further efforts to enhance access by various stakeholders, the Investor Relations unit maintains an Investor Relations portal, on the company's website, <http://www.malaysiaairports.com.my>. The website offers an effective communication platform with a wide range of information for shareholders, prospective investors and the general public including the key financial highlights, annual reports, financial results, investor presentation, press releases, and disclosures to Bursa Malaysia Securities Berhad.

Investor Feedback

To further strengthen the relationship with the investing community, we value their feedback or enquiries which can be communicated directly to us via our dedicated email address at ir@malaysiaairports.com.my.

The Investor Relations team endeavours to provide timely responses to feedback or queries by ongoing engagement and direct communication with the stakeholders.

MALAYSIA AIRPORTS' CREDIT RATING

Malaysia Airports is committed towards sound financial position and robust balance sheet. In FY2017, Malaysia Airports continues to exhibit strong financial and operating fundamentals; as evident by its strong investment grade credit ratings:

RATING AGENCY	CREDIT RATING
RAM	AAA
Moody's	A3

Malaysia Airports is committed to maintain the above ratings, which is achieved via prudent and pragmatic capital management approach taken by the Group in the course of doing its business.

Investor Relations Contact:

Zeid Abdul Razak, Investor Relations
 Tel : +603 8777 7495
 Fax : +603 8777 7830
 Email : ir@malaysiaairports.com.my

INVESTOR RELATIONS

02 Performance Review



CONFERENCES, ROADSHOWS AND EVENTS IN 2017

5 JANUARY

CIMB Annual Malaysia Corporate Day, Kuala Lumpur

6 JANUARY

DBS Pulse of Asia Conference, Singapore

27 - 28 MARCH

Credit Suisse Asian Investment Conference, Hong Kong

2 - 3 MAY

CIMB Non Deal Roadshow, Stockholm & Frankfurt

4 - 5 MAY

Maybank Invest Asia, London

15 - 16 MAY

dbAccess Asia Conference, Singapore

28 JUNE

Goldman Sachs Non Deal Roadshow, Hong Kong

29 JUNE

HSBC Annual Transport & Logistics Conference, Hong Kong

5 JULY

RHB One Belt, One Road, One Asia Regional Conference, Kuala Lumpur

25 - 26 JULY

Bursa Malaysia Invest Malaysia, Kuala Lumpur

2 - 3 AUGUST

UBS Non Deal Roadshow, Sydney

11 - 12 SEPTEMBER

CLSA Investor's Forum, Hong Kong

27 NOVEMBER -

1 DECEMBER

Nomura Investment Forum, Tokyo

4 DECEMBER

Macquarie Non Deal Roadshow, Singapore

Equity Research Coverage

Affin Hwang Investment Bank Berhad	KAF Seagroatt & Campbell Securities Sdn. Bhd.
Alliance DBS Research Sdn. Bhd.	Kenanga Investment Bank Berhad
AmResearch Sdn. Bhd.	Macquarie Capital Securities (Malaysia) Sdn. Bhd.
CIMB Investment Bank Berhad	Maybank Investment Bank Berhad
Citi Research	MIDF Amanah Investment Bank Berhad
CLSA Limited	Nomura Securities Malaysia Sdn. Bhd.
Credit Suisse Securities (Malaysia) Sdn. Bhd.	RHB Research Institute Sdn. Bhd.
Deutsche Bank Equity Research	TA Securities Holdings Berhad
Goldman Sachs Global Investment Research	UBS Securities Malaysia Sdn. Bhd.
Hong Leong Investment Bank Berhad	UOB Kay Hian Pte. Ltd.
JP Morgan Securities (Malaysia) Sdn. Bhd.	

CHAIRMAN'S STATEMENT

DEAR STAKEHOLDERS

The year in review was noteworthy for the Group as we registered an 11.5% and 11.8% rise in revenue and earnings respectively on the back of a 7.9% increase in passenger traffic for the Group's network of airports. Moreover, Group net earnings grew by a remarkable 224.0%. Our good performance is indicative of the strong foundations and robust strategies we have set in motion under our five-year business plan, Runway to Success 2020 (RtS2020).

Y.A.M. TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL
CHAIRMAN

Since I came on board as your new Chairman in June 2017, I have had the privilege of seeing the Malaysia Airports' team step up to deliver above and beyond what they had set out to achieve for the year, striding forward on both financial and operational fronts. I am delighted to present you the Annual Report and Audited Financial Statements of the Group for the financial year ended 31 December 2017 (FY2017).



CHAIRMAN'S STATEMENT



COMMENDABLE PERFORMANCE

FY2017 saw us making good progress in terms of our operational metrics. With the combined operating performance of Istanbul Sabiha Gokcen International Airport (ISG), the Group's network of airports handled 128.0 million passengers in FY2017, representing 7.9% growth. Passenger traffic movements for our Malaysia operations grew by 8.6% to 96.6 million passengers in FY2017, with KL International Airport (KLIA) recording an 11.2% growth to 58.6 million passengers and other airports in Malaysia recording an aggregate growth of 4.8% to 38.1 million passengers in FY2017. Meanwhile, international passenger traffic movements was more than 50% of total passenger traffic in FY2017.

On the financial front, the Group turned in a revenue of RM4,652.3 million and earnings before interest, tax, depreciation and amortisation (EBITDA) of RM1,910.9 million for FY2017, an 11.5% and 11.8% rise respectively in comparison to the preceding year's results. Revenue from both aeronautical and non-aeronautical segments grew by 9.3% and 10.4% respectively. The improvement in aeronautical revenue was mainly attributable to the 13.2% rise in overall international passenger traffic. Retail and commercial revenue too continued to register double-digit growth of 15.4% and 11.3% respectively to RM853.7 million and RM734.6 million respectively. I am also pleased to report that the Group surpassed its headline financial Key Performance Indicator for FY2017 EBITDA of RM1,796.6 million by 6.4%. The Group's profit before tax (PBT) grew by 82.4% to RM334.5 million while net earnings increased by 224.0% to RM237.1 million over the same period.

KEY CORPORATE DEVELOPMENTS

There were several significant developments in FY2017 that strengthened our positioning as a strong hub in this region. One was the launch of the Digital Free Trade Zone (DFTZ) in November 2017 by the Prime Minister of Malaysia Dato' Sri Mohd Najib Tun Abdul Razak and Alibaba Group Executive Chairman Jack Ma in KLIA Aeropolis, at the selected site for the initial phase of DFTZ. This event also marked the ground breaking of KLIA Aeropolis DFTZ Park, a B2B e-commerce ecosystem that would be the world's first electronic world trade platform (eWTP). Ultimately, this initiative



is expected to position KLIA Aeropolis as a leading e-commerce trans-shipment hub in the region.

The same month also saw Malaysia Airports entering into a strategic collaboration with Tourism Malaysia as part of a robust plan to increase tourist arrivals. We will be working together with Tourism Malaysia to promote inbound traffic globally, focusing on tourists from India, China and Europe. This initiative was aimed at deriving greater impact from tourism and was a significant milestone in the development of the country's international gateways. In 2017, we received a total of eleven new airlines including Lucky Air from Kunming and Lijiang to Kuala Lumpur, Xiamen Airlines from Fuzhou to Kota Kinabalu and China Southern Airlines from Guangzhou to Langkawi.

REVENUE
**RM4,652.3
million**

↑ 11.5%

EBITDA
**RM1,910.9
million**

↑ 11.8%

NET EARNINGS
**RM237.1
million**

↑ 224.0%

CHAIRMAN'S STATEMENT

GOOD SHAREHOLDER VALUE CREATION

As at the end of FY2017, the Group's basic earnings per share (EPS) stood at 10.82 sen in comparison to 0.94 sen as at end of FY2016. We also continue to maintain a healthy balance sheet and a comfortable level of gearing. As at the year's end, our gearing had dropped slightly to 0.63 times against 0.64 times in the previous year.

Malaysia Airports is ranked first among Khazanah Nasional investee company in total shareholder returns at 17.3% for the period from 2004 to 2017, beyond the ten-year GLC Transformation Plan (GLCTP) programme that was aimed at transforming Malaysia's government-linked companies into high-performing businesses. The fact that this performance was achieved in a highly-regulated environment underscores our commitment to maintaining a robust and sustainable performance by creating solid frameworks for procurement, leadership development and corporate responsibility.

The strong foundations we have built under RtS2020 are certainly bolstering our fundamentals. In view of our stronger performance and our confidence in the business prospects moving into 2018, your Board is recommending a final dividend of 8 sen per share for FY2017. Together with the earlier interim dividend of 5 sen per share, the total dividend for the year is 13 sen per share which is 30% above the 10 sen per share dividend paid out for FY2016. Moving forward, the Board is exploring how we can create value for shareholders on a



more regular basis with due consideration given to our cash flow and other capital considerations for growth. Approximately 40% of our shares are owned by foreign investors – a testament to its good investment value.

Malaysia Airports continues to be recognised for excellence. Among awards received for the year were environmental awards such as Asia Pacific Green Airports Platinum Winner by Airports Council International (ACI) and Gold Leadership

in Energy and Environmental Design Building Certification for klia2 terminal by the US Green Building Council. We also excelled in service awards with Langkawi International Airport ranked 3rd Best Airport in the Airport Service Quality Awards also by ACI. Another major one was Best CEO for Investor Relations by Malaysian Investor Relations Association.



RESPONSIBLE CORPORATE PRACTICES

Good governance translates into good business and your Board is dedicated to maintaining robust standards of corporate governance, risk management and internal control measures. This is so that we can ensure sustainable, long-term growth of our businesses and continued shareholder value creation. We subscribe to the principles, guidelines and recommendations set out in the Corporate Governance Guide issued by Bursa Malaysia, Malaysian Code of Corporate Governance (MCCG) and the enhanced Companies Act 2016. We continue to uphold the gender diversity pledge and are actively working towards ensuring at least 30% women representation on the Board of Directors and Senior Management Team.

The regulatory environment for us has evolved significantly. We welcome the establishment of the Malaysian Aviation Commission (MAVCOM) as an independent regulator that will ensure that Malaysia has a commercially viable, consumer-oriented and resilient civil aviation industry. With an oversight for improving airport service levels and regulating airport charges, we are confident that this will serve to enhance our competitiveness within the global aviation industry. We will continue to reinforce our position as an industry service leader by continuously elevating service standards, establishing a customer-centric culture at our airports, and reimagining the airport experience.

Sustainability remains at the heart of Malaysia Airports' business strategy as it plays an important role in creating sustainable stakeholder value and ensuring our long-term success. As a conscientious corporate citizen, the Group is committed to conducting our business in a responsible manner with respect for the wider economic, social and environmental impacts of our activities. Further details of our sustainability efforts can be read in our standalone Sustainability Report 2017 issued together with this report.

GROUP
PASSENGER
TRAFFIC
MOVEMENTS
**128.0
million**
↑7.9%

MALAYSIA
PASSENGER
TRAFFIC
MOVEMENTS
**96.6
million**
↑8.6%

ISG PASSENGER
TRAFFIC
MOVEMENTS
**31.3
million**
↑5.6%

CHAIRMAN'S STATEMENT

MOVING FORWARD INTO 2018

As we move into 2018, global economic growth is expected to edge up to 3.9% as the recovery in investment, manufacturing, and trade continues. Malaysia's economy is expected to expand between 5.0% and 5.5% (2017: 5.9%), on the back of healthy consumer spending and private investments. In the aviation arena, international passenger movements for the China, India and South East Asia sectors are expected to make up 75% of international traffic in 2018. Based on prevailing economic conditions and seat capacity offered by airlines, Malaysia passenger traffic is expected to grow by 6.3% in 2018 with international and domestic passenger traffic growing at 8.3% and 4.2% respectively. Meanwhile, ISG is expected to register 34 million passenger traffic movements in 2018 in line with the stable economic growth in Turkey.

Our commitment on delivering high quality services to our stakeholders remains unchanged. We will continue to leverage on technology and a digitalisation strategy to improve airport experience. We acknowledge that there will be challenges. Among others, the 20-year old KLIA Main Terminal will need upgrading and we have already planned for its capacity expansion to handle between 15-20 million more passengers in the next five years. A number of infrastructure upgrades such as the Aerotrains and baggage handling system are also underway in preparing KLIA to meet the targets set in MAVCOM's Quality of Service framework.

As we reinvent ourselves under RtS2020, operational efficiency, cost optimisation and technological innovation will continue to play a big part in our strategy. Under RtS2020 we are targeting revenue for the Group to be at RM7.5 billion with EBITDA increasing to RM3.3 billion by 2020. The finer details of our strategies for growth are set out in the Management Discussion and Analysis section of our Annual Report.

IN APPRECIATION

Malaysia Airports turned 25 in November 2017. Throughout the last two and a half decades, we have risen up to make the most of the opportunities presented to us. This would not have been possible without the worthy support of multiple parties.





I wish to convey my sincere appreciation to the government of Malaysia for devising the framework for our future development. My heartfelt thanks to our valued passengers, and all airport stakeholders for your steadfast support.

My deepest gratitude to the management team for their vision and leadership, as well as to our dedicated employees for their commitment to excellence in delivering a remarkable year.

The Board continues to be an invaluable part of the Group's success and I thank my colleagues for their astute insights and wise counsel. In particular, I wish to acknowledge the worthy contributions of our past Chairman, Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah, who faithfully served the Board for five years. In addition, my thanks also goes to several other board members for their contributions - Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin who had retired at the last Annual General Meeting of the Company held on 25 May 2017; and Datuk Ruhaizah Mohamed Rashid together with her alternate Dato' Chua Kok Ching who had resigned on 7 July 2017.

Please join me in welcoming Jamilah Dato' Hashim and Mohd Khairul Adib Abd Rahman who joined the Board as Non-Independent Non-Executive Directors on 1 June 2017 and 15 November 2017 respectively. We certainly look forward to their insights and contributions.

Last but not least, I wish to extend my deepest appreciation to our shareholders for your unwavering loyalty and steadfast faith in us. We ask that all our stakeholders lend us their unrelenting support as we pursue our agenda of sustainable, long-term growth for Malaysia Airports and our nation. Thank you.

Y.A.M. TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

DATUK MOHD BADLISHAM GHAZALI
MANAGING DIRECTOR

2017 was a good year for the aviation industry and Malaysia Airports Holdings Berhad (Malaysia Airports or the Group) leveraged on the good growth momentum gained by higher international and domestic passenger movements to reinforce its position as a key regional airport hub. I am pleased to report that we turned in stronger performances on the operational and financial fronts for the financial year ended 31 December 2017 (FY2017) – our good results underpinned by our strategic focus, a highly capable talent pool, and a culture of continuous improvement and innovation across the Group. It is especially heartening to note that many of the strategic priorities that we had rolled out in 2016 under our five-year business plan 'Runway to Success 2020', began to bear fruit in 2017. This attests to the effectiveness of our strategic blueprint and the worthy efforts of our diligent workforce and partners within the airport community.

As Malaysia Airports propels forward toward achieving its vision of becoming 'The Global Leader in Creating Airport Cities', I am confident that we are today in a much stronger position to fulfil our aspirations. I present here the finer details of Malaysia Airports operational and financial performance for the financial year ended 31 December 2017 (FY2017).



FINANCIAL PERFORMANCE

In FY2017, the Group turned in a stronger financial performance against the previous financial period with sustained growth in passenger and aircraft movements continuing to impact the Group's earnings for the better. The year saw the Group's earnings before interest, tax, depreciation and amortisation (EBITDA) rising by 11.8% to RM1,910.9 million on the back of an 11.5% rise in revenue to RM4,652.3 million. The stronger performance was all the more noteworthy given the challenging market conditions that the Group's respective operations faced in the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS



The Group's Malaysia operations posted revenue of RM3,429.1 million in FY2017, up by 10.6% over the preceding year. Meanwhile, revenue from the Group's operations in Turkey rose by 13.2% to RM1,085.7 million, on the back of a 5.6% improvement in passenger traffic at Istanbul Sabiha Gokcen International Airport (ISG). Included in the revenue for the Turkey operations was RM57.9 million in respect of construction revenue relating to the boarding hall expansion of ISG. The year also saw the revenue from the Group's facilities management and maintenance operations* in Doha, Qatar increasing by 19.9% to RM137.6 million in FY2017.

Malaysia Airports' good performance in FY2017 was attributable to steady growth in both our airport and non-airport operations. The Group's airport operations recorded revenue growth of 9.8% to RM4,296.8 million, mainly driven by higher revenue from the aeronautical and non-aeronautical segments. Supported by strong passenger growth, aeronautical revenue grew by 9.3% to RM2,253.6 million against FY2016, while the non-aeronautical segment registered robust revenue growth of 10.4% to touch RM2,043.2 million. This year-on-year revenue growth underscores the strength of our core airport operations as well as the proactive initiatives we have brought into play to grow our business in tandem with our partner airlines' route development efforts.

* refers to project and repair maintenance business segment



The stronger performance was all the more noteworthy given the challenging market conditions that the Group's respective operations faced in the year under review.



MANAGEMENT DISCUSSION AND ANALYSIS

Non-aeronautical revenue per passenger in Malaysia rose by 4.6% to RM16.45 per passenger driven by stronger sales registered by the concessionaires and retailers. Retail and commercial revenue continued to achieve double-digit growth of 15.4% and 11.3% to touch RM853.7 million and RM734.6 million respectively. Sales per passenger stood at RM24.1 in FY2017. This represents an increase of 13.9% compared to FY2016 - a growth rate higher than that of passenger traffic movements* at 8.6%. Meanwhile for KL International Airport (KLIA), we had registered RM46.4 and RM30.0 sales per passenger at the Main Terminal and klia2 respectively for the same period.

For the year in review, revenue from the Group's non-airport operations grew 14.4% to RM297.6 million, mainly on the back of contributions from the hotel, agriculture and facilities management and maintenance operations* business.

* refers to project and repair maintenance business segment



The Group surpassed its headline financial Key Performance Indicator for EBITDA of RM1,796.6 million by 6.4%. EBITDA for the Malaysia operations rose by 11.6% to RM1,116.1 million while EBITDA for the Turkey operations for the same period rose by 8.6% to RM780.9 million.

The year's double-digit revenue growth also led to an 82.4% increase in the Group's profit before tax (PBT) of RM334.5 million, despite a 6.8% increase in costs. The higher costs were mainly due to the increase in costs of inventories sold, user fees, repair and maintenance costs, employee benefit expenses as well as the provision for doubtful debts. The PBT of our Malaysia operations grew 27.4% to RM611.9 million in FY2017, while our Turkey operations registered a loss before tax of RM287.5 million. The Qatar operations chalked up a PBT of RM10.1 million. The Group's net earnings increased by a stellar 224.0% to RM237.1 million over the same period.

Malaysia Passenger Service Charge

On 1 January 2017, the Passenger Service Charge (PSC) was revised and a new rate introduced for passengers travelling to ASEAN destinations. The PSC now has three categories - Domestic at RM11.00, ASEAN at RM35.00 and International at RM73.00. The lower PSC for ASEAN destination was introduced by the Malaysian government to promote further growth in tourism traffic within ASEAN. Our PSC remains competitive and is one of the lowest compared to other airports in the region.

MANAGEMENT DISCUSSION AND ANALYSIS



The Marginal Cost Support for PSC (MARCS PSC) is the compensation for the difference between the actual PSC and the benchmark PSC by the government as per the provisions of the Operating Agreement (OA) that we signed with the government of Malaysia in February 2009. Under the OA, benchmark PSC rates are revised every five years. The second tariff cycle revision took effect on 12 February 2014. Shortfalls if any, has been addressed by the MARCS provision.

We remain supportive of any efforts to drive passenger traffic, including in instances where lower charges may be potentially effective. We have also been assured that the charging structure and approach will be reconsidered, should the lower PSC not result in a corresponding increase in passenger traffic.

Liquidity

As at the end of FY2017, the Group's net debt position improved by 22.0% to RM2,977.8 million on the back of improved operating cash flows from our Malaysia and Turkey operations. Cash and cash equivalents, and available for sale investments (including quoted bonds and unit trusts) too rose by 45.9% to RM2,571.5 million. The Group's current cash and cash equivalents are sufficient to meet our working capital, borrowings and interest payments as well as capital expenditure needs over the next 12 to 18 months.

As at the year's end, the Group's total assets stood at RM22,495.6 million while total liabilities amounted to RM13,486.5 million including some RM5,549.3 million in respect of borrowings. The Group's next debt repayment relating to the Senior Sukuk of RM250.0 million is due on 6 September 2018.

Capital Management

In FY2017, the Group continued to maintain its AAA credit rating with Ratings Agency Malaysia as well as its A3 credit rating with Moodys, with both citing a stable outlook for the Group. The Group's gross debt to equity ratio also improved to 0.63 times in FY2017 as compared to 0.64 times in FY2016. The Group continues to strictly observe the financial covenants in terms of compliance against funding requirements and internal guidelines.

ECONOMIC PROFIT

The Economic Profit Statement is a measure of value created by a business during a single period and reflects the returns made by a company over its cost of capital. It is typically provided on a voluntary basis. In FY2017, the Group recorded an economic loss of RM675.3 million as compared to the RM662.0 million recorded in the previous year. This was primarily due to higher operating earnings and weighted average cost of capital.

TRAFFIC PERFORMANCE

Passenger Traffic Movements

In FY2017, total passenger movements for the Group's network of airports (including ISG in Turkey) increased by 7.9% to reach 128.0 million movements – the highest passenger movements ever recorded by Malaysia Airports. We registered 59.8 million passenger movements in terms of international passenger traffic, a year-on-year increase of 13.2%, and 68.2 million passenger movements on the domestic sector, a 3.6% increase in comparison to FY2016.

In FY2017, our airports in Malaysia registered 96.6 million passenger movements representing an 8.6% surge in growth over FY2016's 88.9 million passengers. This is a new record and a key milestone in that we have exceeded the 90 million-passenger movement mark for the first time.

It is encouraging to note that passenger traffic was mainly driven by the international sector which recorded 49.5 million passenger movements, an increase of 14.2% over FY2016. The international component of the overall passenger traffic has been steadily increasing from about 40% in the late 1990s to 51% in 2017. This is the first time that the international traffic has exceeded the domestic traffic. Overall international growth in Malaysia was contributed by both local and foreign carriers. 35 airlines registered double or triple digit increases including AirAsia X, Malindo Air, China Airlines, All Nippon Airways, Shanghai Airlines, Xiamen Airlines, Saudi Arabian Airlines, Ethiopian Airlines, Eva Air, Indonesia AirAsia, Indonesia AirAsia X, Lion Air, Pakistan International Airlines, Regent Airways, Shenzhen Airlines, Silk Air, SriLankan Airlines, Thai AirAsia, Thai International Airways, Vietjet, AirAsia Zest, Oman Air and Air Astana.

We also experienced double-digit growth for international passengers for South Asia, South East Asia and North East Asia sectors. There were incremental contributions on the international passenger front for passenger nationalities from China, Indonesia, India, Korea, Taiwan, Singapore, Thailand, the United Kingdom, the United States, Australia, Russia, Germany, Canada, Spain, Netherlands, Japan, New Zealand, Vietnam and the Philippines.

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The increase in international passenger traffic was driven mainly by visa relaxation measures for Chinese and Indian tourists, an increase in Umrah traffic and tourism promotions. The cultural similarities between the peoples of China, India and Malaysia continue to be a good drawing card and a key driver in passenger growth for Chinese and Indian tourists. In August 2017, the world's first proof-of-concept (POC) for Hajj pre-clearance was done at KLIA in collaboration with the government of the Kingdom of Saudi Arabia. The POC was a success and proved that by conducting pre-clearance at the point of departure, the immigration process in Saudi Arabia would be significantly shortened thus providing great benefits to the passengers. This G2G initiative is expected to be operationalised upon the finalisation of the agreement between the two governments.

The year's higher international passenger growth also received a boost from relatively low oil prices, plus the readjustment of the Ringgit valuation which made Malaysia a preferred and less expensive tourist destination.

Despite a month-on-month decline in Malaysia's domestic sector growth from July 2017 onwards, the domestic sector registered 47.2 million passenger movements with 3.3% growth in FY2017. Domestic demand for air travel remained steady based on a high average load of



75.1%, the highest since 2012. The lower domestic growth was partly due to the reduction in airlines' seat capacity in the second half of FY2017, as well as increasing connectivity due to the introduction of direct international flights by airlines at our other international airports such as Kota Kinabalu, Pulau Pinang and Langkawi.

The year saw KLIA hub recording 58.6 million passengers, an 11.2% rise over the 52.6 million passengers registered in FY2016. The KLIA Main Terminal handled 28.3 million passengers, 10.8% higher than FY2016's 25.5 million passengers, while klia2 handled 30.3 million passengers, a growth of 11.6% over the preceding year's 27.1 million passengers.

KLIA and Kota Kinabalu International Airport (BKI) were among the airports that registered double-digit growth in passenger movements. Other airports that also registered positive growth were Pulau Pinang, Kuching, Langkawi, Kota Bharu, Melaka, Tawau and Bintulu. In FY2017, a total of 16 airlines registered passenger growth of more than 20% at KLIA.



In Turkey, ISG recorded a 5.6% rise in passenger traffic to 31.3 million passengers in FY2017 – the first time that total passenger numbers at ISG surpassed the 30 million mark. Following moderate growth in the previous year, passenger traffic at ISG began to pick up momentum after February 2017. The international sector recorded monthly double-digit growth from June 2017 onwards. On the whole, international and domestic traffic at ISG increased by 8.5% and 4.3% respectively in FY2017. 96.0% of the overall traffic was contributed by three major carriers, namely, Pegasus Airlines, Turkish Airlines and Anadolujet. Pegasus Airlines, Qatar Airways and Flynas registered more than 20% growth for international passengers.

Aircraft Movements

Overall commercial aircraft movements for airports in Malaysia increased by 4.5% in FY2017 to 848,112 commercial aircraft movements. International movements increased by 11.1% while movements in the domestic sector increased by 0.7%. The overall average load factor for FY2017 was 76.0%, the highest achieved since 2012. Despite the high increase in international aircraft movements, average load factor for the international sector was at an all-time high of 77.0%.

Cargo Movements

Overall cargo movements increased by 8.0% in FY2017 to 956,616 metric tonnes, the first positive growth since 2014. International cargo movements increased by 10.3% while the domestic sector recorded a 0.6% decline.



**MANAGEMENT DISCUSSION
AND ANALYSIS**

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RUNWAY TO SUCCESS 2020

In 2016, Malaysia Airports formally launched its five-year business plan 'Runway to Success 2020' (RtS2020) guided by our vision of becoming 'The Global Leader in Creating Airport Cities'. The RtS2020 business plan encapsulates our business goals and our vision for the future. It sets out how we intend to create a sustainable business that delivers growth and allow us to capitalise on future opportunities, providing a firm financial base from which to expand and make further investments.



The plan has two main thrusts – to strengthen our core airport business, and to expand and diversify our operations. This calls for us to strengthen KLIA's position as an established hub amongst ASEAN and improve the total airport experience for all our stakeholders. Our mandate will also see us developing KLIA Aeropolis, leveraging on KLIA's substantial land bank to develop a thriving airport city that will serve as an economic enabler not only for Malaysia but also the region. Finally, we are to set our sights on increasing our international footprint.

A governance structure has been implemented to ensure the smooth roll out of RtS2020. For a start, four working committees have been established. They are:

KUL Hub

Total Airport Experience (TAE)

Aeropolis

International Expansion

To ensure we meet our business objectives, our Transformation Management Office division has been tasked with ensuring that all our planned initiatives are integrated and implemented in a cohesive manner across the entire Group.

We believe that RtS2020 is key to ensuring sustainable growth not only for Malaysia Airports but also for the nation's aviation industry. While we forge ahead to create a

better future, we will give careful consideration in balancing our economic ambitions with societal and environmental responsibilities.

To date RtS2020 has provided Malaysia Airports with clear strategies that aim to directly strengthen our financial performance. For example, under the KUL Hub strategy is the Route Development programme where it calls for us to drive passenger traffic growth from target markets such as China, India and ASEAN through engaging with airlines, participating in trade forums, as well as collaborating with key agencies such as Tourism Malaysia and state government authorities. Likewise, our non-aeronautical business has been strengthened by the Total Airport Experience (TAE) strategy that includes strategic retail campaigns such as KULinary - which promotes the top F&B outlets at KLIA through a collaboration with an independent food network media, and KUL Dad - a shopping campaign in conjunction with Father's Day celebration. As part of TAE, service enhancement initiatives were also carried out to improve basic services such as check-in, security screening, immigration, baggage handling and washroom cleanliness. These serve at increasing passenger 'dwell time' at our airports through more efficient passenger processing.

The remaining two strategies under RtS2020, namely KLIA Aeropolis and International Expansion have longer-term gestation periods and it will be a while before any financial benefits materialise. Nevertheless, strong foundations have already been laid for both these initiatives with KLIA Aeropolis and International Expansion on track to deliver financial upside in due course.

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KUL* HUB

(*KUL is the IATA code for KLIA)

In line with our efforts to strengthen our core airport business and achieve our RtS2020 ambitions, we are leveraging on our KUL Hub strategy and global passenger traffic uptrends to establish KLIA as the preferred hub for ASEAN. KLIA's central location within the Asia-Pacific region, its combined terminal capacity of 75 million passengers per annum (mppa), its three independent runway system that are set to improve the efficiency of flight operations, and its competitive cost structure, are all factors that give our flagship airport a strategic advantage within the region. KUL also continues to benefit from sustained economic expansion in Asia's emerging markets, and China's deepening relationships with the region.

The presence of klia2, the second terminal of KLIA will ensure we are able to cater for future growth. With three independent airport runways and the addition of the new KL Air Traffic Control Centre (KL ATCC), KLIA will soon be able to move beyond its capacity of handling 78 flight movements per hour to handling up to 108 flight movements per hour.

To strengthen connectivity at KLIA, we continue to engage with our airline partners and ensure we implement mutually beneficial arrangements. In 2017, we engaged with over 50 airlines, with the goal of fostering and supporting network growth in Malaysia by soliciting prospective airlines to begin their operations at KLIA. These efforts led to an increase in international routes and frequencies across Asia, the Middle East and Africa. In order to engage more closely with our airline partners and other

Introduced the
KLIA-klia2
Terminal
Transfer service

**Free 24/7
shuttle
service**

Engaged with
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in Malaysia

stakeholders at KLIA, our Airline Marketing division relocated their office to Level 3 in KLIA.

Another key imperative under the KUL Hub initiative is to improve connectivity and streamline transfers between the two terminals in KLIA. In view of the rising demand for inter-terminal transfers, we introduced the KLIA-klia2 Terminal Transfer service. Travellers with connecting flights now have the convenience of moving from one terminal to the other via a free 24/7 shuttle service. The free shuttle service route also includes a stop at the Long-Term Car Park and can be enjoyed by everyone - not just travelling passengers. By offering passengers a seamless and smoother journey between terminals, we are not only improving the passenger experience at KLIA, but also contributing towards the growth of our airline partners at both terminals. We also began to implement more automated processes in 2017, such as self baggage drop (SBD) facility. In March 2018, 15 SBD counters in klia2 became operational. These initiatives will be strengthened further during the course of 2018.

The year in review saw Malaysia Airports continuing to collaborate with stakeholders such as the Ministry of Tourism, Tourism Malaysia, state tourism boards, Ministry of Transport, Malaysian Aviation Commission and related parties through joint missions and joint marketing programmes to draw foreign airlines into Malaysia and KLIA. We also entered into a collaboration with Tourism Malaysia to establish a joint marketing fund to support marketing campaigns by airlines and travel industry players so as to promote inbound tourism from India, China and Europe.



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On top of this, we have lent support to various events to put the Malaysia Airports and KLIA brands at top of mind of our target audiences. These included aviation-related forums such as Routes Asia 2017 in Okinawa, World Routes 2017 in Barcelona, and ITB Asia 2017 in Singapore. We also participated in travel trade events such as World Travel Mart events in Pulau Pinang, Singapore and London where we were able to expand our sphere of influence.

Moving forward, we will continue to focus our efforts on enhancing airport efficiencies so as to promote seamless connectivity and facilitate the growth of our partner airlines.

AIR SERVICES DEVELOPMENT

As an airport operator, we are committed to building a strong and mutually beneficial relationship with all our airline partners so that they are able to increase their connectivity into Kuala Lumpur and other airports operated by Malaysia Airports. In 2017, we continued to intensify our engagement with airlines by inviting potential airlines to begin operations at KLIA. We also managed to collaborate with existing partner airlines to extend their network or increase their flight frequencies.

As a result of these concerted efforts, five new airlines came on board KLIA in 2017 while a familiar face, Philippine Airlines from Manila, returned. The five new airlines included Lucky Air from Kunming, Himalaya Airlines from Kathmandu, US-Bangla Airlines from Dhaka, Batik Air from Jakarta and JC Cambodia from Phnom Penh. Kota Kinabalu International Airport [BKI] saw the arrival of Xiamen Airlines from Fuzhou, Thai Smile from Bangkok, and Batik Air from Jakarta. On top of this, Langkawi International Airport welcomed



China Southern Airlines from Guangzhou. Meanwhile, Miri Airport attracted Xpress Air flying from Pontianak.

We are also pleased to see airlines such as Uzbekistan Airways and Saudi Airlines making the decision to modernise their fleet, not only to manage the increasing growth of passengers but also to ensure greater comfort for their passengers. The year also saw the international seat capacity at KLIA and regional international airports growing by 11.5%, whilst passenger movements from China and India at KLIA increased by 18.2%. China, India and ASEAN have always been our priority markets due to their growth potential and we continue to increase our efforts to expand our network to secondary cities in China, India and ASEAN.

Existing airlines also opened new routes and increased their flight frequencies to cater to growing demand, thus driving the growth of passenger traffic through our terminals. Malaysia Airlines came in strong with its new expansion plan to open five new destinations from KLIA including Nanjing, Wuhan, Fuzhou, Chongqing and Surabaya. Malindo Air continued with its expansion to launch new destinations operating from KLIA, namely, Dhaka, Jeddah (via Ahmadebad),

Guangzhou, Haikou, Chittagong, Brisbane (via Denpasar), Chennai, Phnom Penh and Bangalore. At klia2, AirAsia resumed its expansion plans adding new destinations to its offering including Bhubaneswar, Sihanoukville, Nha Trang and Davao.

AirAsia X launched its maiden long-haul service from Kuala Lumpur to Honolulu via Osaka while both Oman Air and Shanghai Airlines increased their daily flights to Kuala Lumpur from Muscat and Shanghai respectively from once daily to twice daily. Apart from KLIA, Malindo Air opened new routes from Penang to Singapore and Hat Yai, while introducing a new service from Kota Kinabalu to Taipei. AirAsia also introduced two new services from Kuching, namely Pontianak and Shenzhen.

We continue to work closely with our airline partners on market intelligence and traffic forecasts as well as provide carriers with the chance to market their services through Airlink, a special section of the KL Lifestyle magazine. We are consistently upgrading users' experience of FlyKLIA, our interactive experience-sharing portal that showcases the travel experiences of airport users in Malaysia. To increase awareness of the portal, we introduced the "My Passport to Brag" campaign which offered prizes ranging from flight tickets

MANAGEMENT DISCUSSION AND ANALYSIS

and Sama-Sama Hotel stays, to the use of the KLIA Premier Access service as well as shopping vouchers at the Mitsui Outlet Park KLIA, Eraman and Express Rail Link.

In view of the good response from airlines to the Airline Incentive Programme (AIP) II, we extended the incentive programme for another three years effective 1 January 2018. Under the AIP III, all participating airlines receive a waiver of landing charges and are accorded the benefits of a productivity-driven reward scheme and marketing support. The AIP is proving to be a useful mechanism in attracting airlines to operate from airports under the management of Malaysia Airports. Member airlines continue to receive some of the most affordable aeronautical and landing charges in the region even with the latest fee revisions.

TOTAL AIRPORT EXPERIENCE

Malaysia Airports' Total Airport Experience (TAE) pillar is a key strategic priority to enrich the airport experience. It underlines our commitment to continuously improve service standards across our operations. This is in line with our mission to 'Create Joyful Experiences by Connecting People and Businesses' and our target of placing KLIA among the top airports in the Airports Council International's Airport Service Quality (ASQ) listing. The ASQ is the world-renowned and globally established benchmarking programme which measures passengers' satisfaction whilst they travel through an airport. By continuing to set our sights on world class standards and implementing the same, we are well on our way to enhancing the airport experience across all touch points for all stakeholders.

Passengers are the core of the TAE, while retailers and airlines also define and support the overall airport experience. The TAE strategy encompasses enhancing the passenger journey across all touch points, addressing passenger experience gaps as well as enriching the airport experience with unique and memorable experiences. It also calls for us to deliver better airport-airline and airport-retailer relationships as well as transform Malaysia Airports into a customer-centric organisation. In designing the TAE, some 40 initiatives have been identified across the passenger journey to enhance the passenger experience.

To serve the increasingly sophisticated needs of passengers who are no longer awed by world-class infrastructure alone, it becomes increasingly important for an airport operator to place a high priority on ensuring that airport users have a satisfying experience at every touch point within the airport. To this end, we have rolled out several initiatives to provide our visitors with world class services and facilities.

The KUL VIP access is a premium door-to-gate service that offers departing and arriving passengers the option to access fast track lanes for check-in, customs and immigration, transportation services, as well as buggy and concierge services. As at end 2017, nearly 23,000 passengers had enjoyed the KLIA Premier Access service which is part of the overall KUL VIP Access service.

As mentioned earlier, travellers with connecting flights can now avail themselves of the new KLIA-klia2 Terminal Transfer service which provides a free 24/7 shuttle service, including the option



of stopping off at the Long-Term Car Park. We are confident that as we ramp up awareness on the availability of this service, it will contribute to the increase in transfer passengers for our airline partners. This service is a precursor to what we, as an airport operator, would like to ultimately offer to our passengers – namely, an airside transfer facility that will enable the interlining between full service and low-cost carriers.

We continue to undertake a major maintenance and overhaul programme for KLIA's Aerotrains to provide better reliability and service to our passengers. With passenger numbers at KLIA on the rise, we have activated full time shuttle bus services as another people mover mode between the main terminal and satellite building to augment the Aerotrain services.

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We continue to upgrade our facilities at KLIA for the convenience of passengers and visitors. Apart from improving and opening additional suraus or Muslim prayer rooms, we are also currently undertaking a major refurbishment project for 224 washrooms at KLIA. This project is expected to be fully completed by 2020. It will see new user-friendly toilets being equipped with features such as automatic hand dryers, built-in bidets and floor blowers which will allow for easier maintenance. As at the end of 2017, we had finished refurbishing a total of 13 washrooms.

Malaysia is a country rich with diverse cultures and attractions. In support of our tourism industry, we collaborated with several state tourism bodies under our Joyful Malaysia initiative to showcase our local culture, cuisine and destinations. The initiative which

began in January 2017 saw a tourism showcase from the various states in Malaysia being highlighted every month. Through collaborations with various government agencies and retail partners, we also rolled out our Proudly Malaysian and KULinary initiatives which aimed to provide visitors with memorable moments at our airports through immersive experiences.

We are extremely appreciative of the support shown by government agencies in helping us achieve our mission of creating a joyful experience for airport users. Tourism Malaysia's launch of the Chinese Affairs Travellers Help Desk at KLIA makes it the first airport in Southeast Asia to do so. This will help greatly in facilitating the arrival of tourists from China into Malaysia. The KLIA Immigration Department's move to reconfigure its immigration counters and install counter guiding lights in an effort to reduce long queues is another case in point. Initiatives such as these are certainly helping us meet the common goal of creating a seamless and memorable travelling experience for our passengers.

The inflow of tourists into Malaysia also bodes well for our retail partners with retail sales growing vibrantly at all our international airports. In 2017, we partnered with Alipay to provide cashless convenience to travellers and have seen a considerable rise in sales from Alipay transactions at KLIA thus far. More than 60% of outlets in both terminals at KLIA are transacting via Alipay.

To stay competitive and market-relevant, we have embarked on a Big Data Analytics (BDA) and Digitalisation initiative in partnership with a Canada-based provider of Enterprise Information Management (EIM) products and services. This initiative is a revolutionary step in our pursuit of a greater competitive advantage, greater customer experience, optimal productivity and higher operational efficiency.

The RtS2020 blueprint calls for us to evolve from being a compliant airport to being a proactive airport, and ultimately a real-time airport. By leveraging BDA, we aim to move towards insightful decisions based on real time data analytics. Our BDA implementation rides on Unified Digital Platform with an emphasis on a 'single source of truth'. The first phase implementation of the BDA covers several areas and will involve the implementation of continuous service improvements in specific areas. These include reducing congestion and optimising the queue check-in time, security and immigration processes; providing alerts and communication to airlines and passengers on wait times at various

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touch points for efficient journey planning; as well as providing inputs to agencies on the expected passenger volumes for effective resource planning.

Other areas will involve the implementation of an airport-wide incident management system to improve the operations response time; facilities improvement based on passenger dwell time analytics; as well as passenger profiling for airport operations and commercial improvement. BDA will also cover the monitoring and replenishment of trolleys as well as financial analytics, while according passengers a journey-based experience on omni-channel mobile apps.

We expect to complete Phase 1 of BDA implementation (which will initially cover KLIA) by the end of 2018. Phase 2, which will kick off at the end of 2018, will involve the extension of BDA to other international airports in Malaysia. We are also embarking on a collaborative effort with multiple airport stakeholders to implement an Airport Collaborative Decision-Making (ACDM) platform. This will enable allocation of airport resources and facilities in real time by multiple stakeholders, resulting in seamless and efficient airport operations.

The development of this Unified Digital Platform will enable Malaysia Airports to differentiate engagement with passengers and other customers, drive operational efficiency, enable passenger productivity and experience, as well as drive new and existing revenue streams. Structured and unstructured data that are fed to the digital platform from various existing systems will be analysed with machine learning and artificial intelligence. This will provide insights for better decision making to enhance the passenger experience as well as business and operational excellence.

As an airport operator, our role is not limited to providing and maintaining infrastructure. We are also a service organisation. In order to emerge as a service leader, we must re-imagine the airport experience for all airport users and stakeholders. The one thing that will truly set us apart from others would be our commitment to service excellence. Our goal should always be to uphold standards that are nothing short of excellent in catering to all our passengers. To this end, our Customer Experience Management unit continues to spearhead the revamp of our customer service model while frontline staff continue to be given

training and the tools to better engage with customers. These employees are expected to be more mobile and visible at key touch points of the passenger journey and are to serve as 'ambassadors' not only for Malaysia Airports, but also the country.

Following its opening in 1998, KLIA continues to garner a host of awards and accolades for its position as one of the best airports in the region if not the world. Every year since 2011, the ACI has included KLIA in its Director General's 'Roll of Excellence' for Airport Service Quality (ASQ) in recognition of this airport's good ranking among the top airports by size or region. In 2017, however, KLIA dropped out of the Top 10 ranking to garner 12th place as several new airports, namely Shenzhen, Shanghai Hongqiao and Taipei Taoyuan, had entered the fray in the more than 40 million passengers per annum category. Moving forward, KLIA aims to strengthen its efforts to regain its place among the Top 10 airports for 2018 under the ASQ by leveraging on the TAE which is a key strategy for us to take our service levels up several notches.

AEROPOLIS

A major part of the Aeropolis initiative is KLIA Aeropolis which underscores Malaysia Airport's efforts to diversify our business by developing our own airport city of logistics and aviation parks together with world-class business and leisure facilities. We envisage KLIA Aeropolis as an ecosystem development that is synergistic with the airport business and aligned with Malaysia's development agenda.

KLIA is steadily evolving from being a major transportation interchange into a maturing centre of economic activity. By bolstering KLIA's functional core as an airport, the KLIA



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Aeropolis development will propel further domestic economic growth and enable KLIA to emerge as a regional economic enabler. We will leverage our strategic location within the Asia Pacific region which boasts one of the fastest growing air traffic growth rates, our readily available land bank and our competitive costs to do business. These attributes, coupled with the fact that the GDP growth of ASEAN is expected to double to approximately USD5 trillion by 2020, bodes well for KLIA Aeropolis.

The development of KLIA Aeropolis, which is expected to take place over the next 14 to 24 years, is expected to attract some RM7 billion in investments. The development encompasses three key clusters:

- **Aerospace & Aviation,**
- **Air Cargo & Logistics, and**
- **MICE* & Leisure**

**Meetings, Incentives, Conventions & Events*

These clusters are synergistic to the larger airport system and will serve to benefit the aviation supply chain as a whole. These three clusters are also aligned to the national development agenda specifically the Malaysia Aerospace Industry Blueprint (2015-2030), the Logistics Trade and Facilitation Masterplan (2015-2020) and the Kuala Lumpur Tourism Master Plan (2015-2025). The KLIA Aeropolis Master Plan which was completed in 2016 has earmarked about 60% out of the total 22,000-acre land bank for airport and aeronautical use.

In 2017, we made good strides forward by way of all three clusters of the KLIA Aeropolis initiative.

The Subang Regeneration initiative is part of the **Aerospace & Aviation** cluster development. Subang is already a mature aerospace ecosystem with several successful catalytic developments. The regeneration initiative is expected to create a spillover effect into KLIA Aeropolis.

Among the first developments will be the 60-acre Subang Aerotech Park which will include the development of manufacturing and office facilities for Skyways Technics and Senior UPECA. Skyways Technics caters to the Asia Pacific market specifically for spare parts, component repair, and aircraft on ground services for ATR & Bombardier CRJ aircraft, while Senior UPECA is part of the Senior group of companies who is an international manufacturer of high technology components and systems and a supplier to Boeing, Airbus and other major aerospace customers. These developments are expected to complete by the end of 2018.

We achieved a significant milestone under the **Air Cargo & Logistics** cluster with the ground breaking of KLIA Aeropolis DFTZ Park. Housing a host of facilities for centralised customs clearance, warehousing and logistics to facilitate double digit growth of trans-shipment air cargo volumes, it will ultimately position KLIA Aeropolis as a leading eCommerce trans-shipment hub in the region. Our strategic collaboration with Cainiao Network, the logistics arm of the Alibaba group sets the KLIA Aeropolis DFTZ Park apart as the first electronic world trade platform or eWTP hub outside of China. Meanwhile, Pos Aviation and Lazada Express have already commenced operations in 2017 of their regional e-commerce distribution centre at the KLIA Air Cargo Terminal 1 (KACT 1) - the facility that used to be the Low-Cost Carrier Terminal (LCCT).

Under the **MICE & Leisure** cluster, Mitsui Outlet Park KLIA Sepang (MOP) completed its second development phase which encompassed another 60 new stores on top of Phase 1's current 128 stores. A third and final phase of construction is planned for completion in 2021 when the park will host 260 shops over 46,000 square metres. Upon completion, MOP will potentially be one of the largest outlet malls in Southeast Asia.

MOP is developed and managed through MFMA Development Sdn Bhd, a joint venture between Mitsui Fudosan Co. Ltd. and Malaysia Airports. Not only do the new shops under Phase 2 broaden the selection of brands and product categories at the MOP, shoppers can also look forward to some "first in Malaysia" stores such as The Beauty Laboratory by Shiseido and Hummer bags store. The expansion also introduced more premium brands into the MOP and enabled shoppers to explore new ambient experiences with its Sky Walk, River Walk and Forest Walk themes.

The MOP project, which is expected to create an estimated 2,577 jobs and a Gross National Income (GNI) impact of RM220.1 million by 2020, will also be the largest outlet establishment by Mitsui Fudosan. We see this joint venture as a pacesetter for the development of KLIA Aeropolis which is expected to boost the confidence of investors and developers in terms of the commercial potential of KLIA land. In developing KLIA Aeropolis, our aim was to maintain a 'capital expenditure-light' approach modelled on the development of the MOP joint venture which entails Mitsui Fudosan owning a 70% stake and Malaysia Airports, the remainder.

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Malaysia Airports continues to actively engage with the relevant governmental agencies, private sector organisations and task forces or councils to drive the KLIA Aeropolis cluster agenda. Today, we are an active participant of the following platforms:

➤ **The DFTZ Performance Improvement Taskforce (PITForce)** which includes MDEC, MITI, POS Aviation and Customs that has oversight for improving the service levels and facilitation of air cargo movement at KLIA.

➤ **The DFTZ Investment & Promotion Taskforce** which is co-chaired by MDEC and MIDA, and includes INVESTKL and Invest Selangor, that is responsible for attracting industry players and investors into the DFTZ.

➤ **The National Logistics Taskforce**, co-chaired by ministers of the Ministry of Transport and the Economic Planning Unit which serves as a steering committee to address and achieve the initiatives set forth in the National Logistics and Trade Facilitation Masterplan.

➤ **The Malaysia Aerospace Council**, chaired by the Minister of MITI which serves to address and achieve the initiatives set forth in the Malaysia Aerospace Industry Blueprint 2015-2030.

INTERNATIONAL EXPANSION

One of our strategic priorities under RtS2020 is to increase our international footprint by building a balanced portfolio of investments beyond Malaysia, from equity acquisitions to management contracts. We believe that the wealth of experience we have garnered from managing a variety of airports from short take-off and landing strips to single runway airports and the three-runway hub that is KLIA, gives us a unique edge in our industry. By strategically investing, growing and diversifying our assets overseas, we will be able to establish continuous revenue streams while contributing to overall value accretion.

The Istanbul Sabiha Gokcen International Airport or ISG is Istanbul's second airport and the main focus of our operations outside Malaysia. This business, which remains an attractive investor value proposition and growth story, gives us the opportunity to play a lead role in crafting the long-term success of an invaluable strategic asset. With our full acquisition of ISG, Malaysia Airports became the first Asian company to own a European airport.

We remain optimistic and hopeful of our overseas operations in Turkey. In 2017, there were signs of a recovery at ISG following a very challenging 2016 where Turkey was plagued by a series of terrorism incidents and an attempted coup. Overall, FY2017 passenger traffic grew by 5.6% compared to the previous year to reach 31.3 million passengers, thereby surpassing the 30 million-passenger mark for the first time. Growth came on the back of an 8.5% rise in international passengers while the international passenger load factor improved by 9 percentage points



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(from 68% in FY2016 to 77% in FY2017). This was in line with the increase in the number of international arrivals to Istanbul, an 18% increase in FY2017 in comparison with FY2016.

Over the course of the year, 19 new routes consisting of both international and domestic routes were launched. ISG welcomed one new scheduled airline, Air Manas, in June 2017. This service connects ISG in Istanbul to Bishkek five times a week. ISG also welcomed three new charter airlines: Iraqi Airways commenced a three-times a week service to Baghdad in June 2017; Fly Baghdad commenced a three-times a week service to Baghdad in October 2017; while Utair commenced a once a week service to Vladikavkaz, Russia in November 2017. The airport received a further boost in October 2017 when Emirates received approval from the Turkish authority, DHMI to reinstate its operations at ISG in 2018.

For 2017, several key initiatives and milestones were undertaken to ensure the mid and long-term success of ISG. This included the commissioning of international to domestic passenger airside transfer facilities; and the completion of two fast rapid exit taxiways which increased runway capacity from 32 flight movements per hour to 40 flight movements per hour.

Extension works on the domestic boarding hall project which began in May 2017 are scheduled for completion in July 2018. This extension includes an additional four passenger boarding bridges and 20 bus gates which will provide the terminal an



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additional capacity of 8 million passengers per annum (mppa). This will increase the terminal's current passenger capacity from 33 mppa to 41 mppa. Other initiatives centred on the expansion of check-in facilities, improvements to the queuing system and upgrades to the baggage handling capacity. The year also saw the completion of a new domestic mezzanine access to help fast track passengers, staff and crew members. This helped reduce congestion at security check points and increase commercial spaces. In November 2017, together with our stakeholders and duty free operator, Setur, we kicked-start an initiative to develop a new layout and walk-through concept for arriving passengers at the duty free shops. This improvement to the total airport experience will be completed by the end of the first quarter in 2018.

The completion of major projects, a second runway and metro connection are on track for completion by the end of 2018. The second runway will almost double ISG's existing capacity and allow more carriers to take off and land during the peak morning period.

There have also been some changes to our senior management line up in ISG. Please join me in welcoming on board ISG's new Chief Executive Officer and Chief Financial Officer, Ersel Goral and Fikret Comert, who joined us in September 2017 and December 2017 respectively. The management change is also in line with our aspiration to strengthen the international expansion pillar which forms one of the key pillars of RtS2020 as we position ourselves for the next phase of growth. We are confident that ISG's strategic location, its enhanced infrastructure offerings together

with its new management line up will give it a strong competitive edge as it moves forward. We remain optimistic about ISG's future growth and will focus our efforts on optimising revenue and improving operational efficiency, as well as making the right investments to ensure the long-term success of the business.

Malaysia Airports currently has several management consultancy contracts in Qatar. The year saw the scope of works for one of our major facilities management contracts for Hamad International Airport (HIA) being upgraded while we received a 2+3-year extension for an IT systems maintenance support contract. These developments attest to the airport owner's confidence in our management ability. Today, Malaysia Airports owns 49% in the joint venture that manages HIA with the remainder held by the Watad Group. HIA was voted a five-star airport by Skytrax and the 6th best in the world at the 2017 World Airport Awards. The airport handles about 30 million passengers a year.

In February 2018, Malaysia Airports signed a Share Purchase Agreement to divest of its 11% equity stake in Rajiv Gandhi Hyderabad International Airport to GMR Airports Limited for a cash consideration of USD76.0 million (approximately RM295.3 million). The disposal provides an opportunity for the Group to unlock its investment in the airport at an attractive value. The gain arising from the disposal is estimated to be RM255.1 million. Based on the investment made in 2002, the total cost of investment for the 11% stake was approximately RM40.2 million. The disposal is expected to be completed by 30 April 2018 subject to an extension of up to 1 December 2018.

MOVING FORWARD FOR RtS2020

With the fundamentals of RtS2020 taking shape in its second year of implementation, we are already planning to take it to the next level. Moving forward into 2018, RtS2020 strategies will be operationalised within the respective business areas and processes, in order to ensure that the execution of the strategies are more focused and streamlined, whereby clear accountability and key performance indicators can be identified for more effective results. The operationalisation of RtS2020 will encompass nine focus areas.

They are:

Improving service levels

Cost optimisation

Driving aeronautical business

Strengthening non-aeronautical business

Unlocking potential through Aeropolis

Strengthening the foundation for international business

Building human capital capabilities

Enhancing brand visibility

Strategic direction of non-core businesses

MANAGEMENT DISCUSSION AND ANALYSIS



AIRPORT IMPROVEMENTS

We continue to bring into play a policy of continual improvement for our facilities to ensure all our airports are running in an optimal manner.

Stronger than expected traffic growth at KLIA has required the acceleration of capacity planning at KLIA Main Terminal. Efforts are currently underway towards planning for expansion including the commissioning of a capacity assessment study in partnership with an international aviation organisation. Additionally, we are focusing on optimising utilisation of both KLIA Main Terminal and klia2 to ease capacity constraints especially with regards to peak-time slots, check-in counters utilisation and aircraft parking.

Following the Government's approval of the upgrading and expansion project for the Sultan Ismail Petra Airport in Kota Bharu (KBR), the RM483.0 million project kicked off in 2017 and is scheduled for completion in 2020. Upon its completion, KBR will have the capacity to accommodate 4.0 mppa in comparison to its existing 1.5 mppa capacity. The project will entail the installation of a new baggage handling system; new passenger boarding bridges; dedicated customs, immigration, and quarantine facilities; open bays to facilitate ATR and jets; construction of a multi-storey car park; and airport fire and rescue service station.

Construction works on the new Mukah Airport was approved by the government at an estimated project cost of RM436.0 million. Works began in July 2017 and are scheduled for completion by August 2020. This will allow Mukah Airport to



accommodate Code 3C (ATR 72) type of aircraft, with a terminal capacity of 250,000 passengers per annum. The airport will also be equipped with a new VVIP room, government staff quarters as well as new facilities for an air traffic control tower.

The Kota Kinabalu International Airport in Sabah is currently undergoing upgrading works. An in-line hold baggage screening system (ILHBS) costing RM18.0 million is currently being installed. The ILHBS will facilitate more timely and efficient baggage security screening. The project kicked off in September 2017 and will be completed in July 2018.

Phase 1 of the Langkawi International Airport (LGK) development involving the construction of 600 carpark lots was completed in December 2017. Meanwhile, construction works for Phase 2 is ongoing. Phase 2 will involve the extension of LGK's terminal and kerbside over a 12-month period. Upon completion of these works amounting to some RM69.3 million, LGK will be capable of accommodating 4.0 mppa as opposed to its current 1.5 mppa capacity. The project aims to enhance the comfort level of the passengers by enlarging the terminal floor and check-in counter areas. It will also see the inclusion of three additional gates, an enlarged holding lounge and public concourse, plus a much bigger commercial area.

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PERFORMANCE OF AIRPORT OPERATIONS

The Group's subsidiary, Malaysia Airports (Sepang) Sdn. Bhd. is responsible for managing and operating the largest airport in Malaysia, namely KLIA. In FY2017, KLIA handled a total passenger movements of 58.6 million, added eight new passenger carriers, handled more than 386,054 total commercial aircraft movements, and managed approximately 37.7 million bag movements. The airport's fastest growing routes include Karachi, Kaohsiung, Danang, Madinah and Muscat all of which have double digit or more growth rates. On top of these fast-growing routes, KLIA has established links to new cities such as Davao, Sihanouk, Nanjing, Chittagong, Honolulu and Jeju, among others.

For its commitment to upholding quality and productivity measures, KLIA continues to win many awards in the area of technical and operational excellence. In FY2017, KLIA received the Gold Award at the International Quality & Productivity Convention 2017 in Indonesia, the 3-Star Gold Award at the MPC Annual Productivity & Innovation Conference 2017 in Genting Highlands, and the Gold Award at the Regional Team Excellence Convention 2017 in Putrajaya.

Malaysia Airports Sdn. Bhd. or MASB manages and operates all the Group's airports in Malaysia except for KLIA. This includes four international airports, 15 domestic airports and 18 Short Take-off and Landing Ports (STOL ports).



In FY2017, MASB handled 38.1 million passenger movements at all its airports, connected passengers from 51 international destinations and 22 domestic routes, and managed more than 462,058 aircraft movements.

MASB registered high year-on-year growth of 14.7% in international passenger movements in FY2017, as well as established new links to many new cities. MASB's continued emphasis on safety and security measures was reflected in the robust enhancement and optimisation plan that it has developed to address

passengers' and customers' needs. MASB ensures that all airports under its management are managed efficiently and has continuously been successful in maintaining its ISO 9001:2015, ISO 14001:2004 and OHSAS 18001:2007 certification. For its continuous efforts in maintaining an excellent quality management system, the company was awarded the SIRIM Quality Award.

In FY2017, MASB's commitment to delivering best-in-class travelling experiences for passengers was lauded when Langkawi International Airport became the world's 3rd Best Airport in its category for the third time (i.e. 2016, 2014 and 2013) during ACI's 2016 ASQ Awards.

The Group's Engineering division is responsible for the maintenance of our airport infrastructure to ensure we continue to offer the most efficient and secure services to airport users. In managing our assets, the division takes into account changing needs in relation to products, asset performance and stakeholder demands.

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Malaysia Airports' equipment is monitored based on an Asset Replacement Masterplan (ARM) that reflects industry best practices. In ensuring exemplary service levels, the ARM prioritises the importance of properly functioning equipment and airport infrastructure. Linked to the life cycle cost (LCC) structure of the airport's specialised systems, the ARM enables us to optimise cost and repair over the useful life of a piece of equipment and determine when it is due for replacement.

One of the perennial challenges faced is the issue of managing assets that have reached the end of their design life as this ultimately leads to the scarcity of parts on-shelf, longer delivery lead time and higher financial impact. These factors in turn may lead to critical asset breakdowns which will have an adverse impact on airport operations. To mitigate such instances, the engineering maintenance team is focused on keeping our assets performing at an optimal level and meeting stakeholders' demands for high service levels. The division has set in place various strategic plan and initiatives so that it can readily respond to asset management challenges and demands.

To keep abreast of the latest technological advancements and ensure it is ready to tackle all asset-based challenges, the division is focused on capacity building programmes. Every year, the condition of the Group's infrastructure and development needs are discussed at our engineering seminar which is attended by engineering staff from across the Group. To keep up to date on the latest developments, we also maintain contact with industry leaders and participate in product presentation sessions.

In 2017, a total of 27 various product presentations were conducted. Aside from this, an asset replacement programme was developed for critical assets such as the baggage handling system, aerotrain, airfield ground lightings, fire vehicles, air conditioning system and people movers.

In terms of capacity building measures, our engineers were also exposed to advanced quantitative analytical methods for better decision making. This involved the use of computing capabilities to analyse and solve complex problems. On top of this, our engineering personnel undergo annual engineering competency assessments that reflect the real work at site and the knowledge required for each engineering position. The results of these assessments are used as the basis for future training programmes.

In managing its assets, Malaysia Airports remains committed to a green airport strategy, which mandates that we actively look for opportunities to redefine the boundaries of our expertise while being innovative and creative. The Energy Performance Contract (EPC) is a case in point. The EPC challenges existing and conventional ways of doing business in which value creation and cost reduction are simultaneously unlocked. The Group's inaugural EPC project, encompassing 1,449 units of high-mast lighting at KLIA and Penang International Airport (PEN), recorded a reduction in power consumption by 78% which will translate into a total cost saving of RM6.8 million over the next five years.

In our quest to position Malaysia Airports as the future leader for green airports, Kota Kinabalu International Airport (BKI) underwent EnMS ISO 50001 certification as part of a pilot project. The plan-do-check-act model of EnMS ISO 50001 readily integrates with the Group's present energy management system. Carbon reduction initiatives at BKI - verified and recognised by SIRIM Malaysia - have reduced electricity usage by 720,000 kWh which is equivalent to 386 tonnes of carbon emission. Participating airports are expected to improve their energy performance significantly while they achieve direct savings in the utility cost in future.

As part of our green reliability engineering asset management efforts, Langkawi International Airport (LGK) and Tawau Airport (TWU) are focusing on the replacement of high efficient chillers at the airports. In line with our Energy Management Policy which emphasises energy efficiency of new systems and equipment, we have embarked on several system upgrade projects at KLIA. These projects involve the installation of high efficient motors for baggage handling system, the replacement of refrigerants for pre-conditioned air, the replacement of LED lights at various critical areas, and the installation of electric vehicle charging stations, among other things.

Malaysia Airports' efforts in promoting green technology were recognised internationally when KLIA was awarded the Platinum award for airport in its category at the 12th ACI Asia Pacific Green Airport Recognition 2017 event in Doha. 2017 also saw us receiving the accolade for 'Best Green Reliability Programme' at the Uptime Awards 2017 event in Florida, USA.

MANAGEMENT DISCUSSION AND ANALYSIS

COMMERCIAL PERFORMANCE

The Group's Commercial Services division is responsible for the airports' retail areas. It is tasked with reviewing and improving the mix of retailers and service providers to boost overall retail revenue per passenger. The division also devises marketing campaigns to drive retail sales and business strategies to grow retail concessions whilst diversifying its income portfolio by creating new revenue streams.

Today, the division continues to enhance the commercial value and airport retail experience by taking into account industry best practices and value accretive business opportunities. This entails exploring creative measures to increase commercial revenue and the average spend per passenger in the midst of evolving retail environment.

Commercial Services revenue grew 13% in FY2017 on the back of strong royalty performance at KLIA and the various MASB airports. KLIA sales went up by 24% with KLIA Main Terminal reaching the RM1 billion mark for the first time in October 2017 while MASB sales too strengthened by 23% year on year. The strong growth in revenue and sales were mainly due to increased rental income revenue and high retail spending resulting from favourable travel sentiments, especially from the North East and South Asia markets.



The government-to-government initiative relating to visa relaxation, new and aggressive routes expansion from China's main cities to KLIA and other international airports, proved fruitful and this was reflected in the higher airport retail spend. Malaysia also benefited from the political tensions between China and South Korea over the THAAD missile crisis as Chinese travellers sought alternative destinations. This is apparent with Langkawi International Airport (LGK) and Kota Kinabalu International Airport (BKI) recording double-digit sales growth of 33% and 46% respectively, fuelled by the growing spend from Chinese passengers. LGK's lure as an attractive destination made it an easy choice for any tourists and BKI's achievement was a testament to the successful collaboration we had with the Sabah State Tourism.

Capitalising on these developments, efforts were made to ensure exciting commercial value proposition was in place, enticing passenger spending which resulted in sales per passenger (SPP) at KLIA and MASB recording double-digit growth of 12% and 17% respectively. The sales/sqm grew by more than 25% year-on-year within KLIA and MASB airports with perfume and cosmetics, liquor and tobacco being the most purchased products.

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Commercial Services is adopting a two-pronged approach to make strong strides forward. The first involves Business-to-Business (B2B) engagement with partners aimed at improving performance and communications while the second focuses on Business-to-Customers (B2C) engagement to meet the expectations of our discerning and seasoned travellers at each touch point of their journey.

To support the strategy, we undertook an all-round review of each of the five international airports and developed a Reset Strategy for all Retail and F&B offerings. Once completed, a new retail mix and an enriched premium proposition with an array of world-renowned brands and local influence will be introduced. Each airport will introduce five distinctive zones for customers' shopping and dining pleasure. These will include Duty Free Zones, retail entertainment, boutiques, 'sense of place' and F&B zones boasting new and fresh concepts.

We are also providing a platform and additional channel for established Bumiputera retailers and small and medium enterprises (SMEs) to explore and expand their businesses at our international airports, providing Bumiputera entrepreneurs with opportunities in the retail segment so they could gain retailing and operations experience, ultimately building brand presence in an international setting.

The Bumiputera platform has been a proven success as the percentage of Bumiputera retailers operating at all international airports stands at 40%. In 2017, five outlets were added to the Bumiputera retailers' portfolio. Government agencies such as MITI and TERAJU continue to play their roles in strengthening the support for Bumiputera retailers, by providing them business advisory services as well as training and development. As part of our corporate responsibility in an effort to develop local entrepreneurs, we collaborated with Federal Agriculture Marketing Authority (FAMA) in setting up the first AgroBazaar in the country to showcase export ready Malaysian products from about 35 local entrepreneurs.

On the B2C front, we are collaborating with Alipay, the world's largest online and mobile platform to promote cashless convenience to tourists from China. In 2017, some 65.4% and 59.6% of the outlets at KLIA Main Terminal and klia2 respectively were transacting via Alipay. Alipay's payment capability has enabled our retailers to reach the growing numbers of Chinese tourist, allowing the customers to pay for their transactions securely in Chinese Yuan without having to be concerned about fluctuating exchange rates.

Innovatively, we have introduced the Chinese Traveller Welcome Pack as part of Total Airport Experience initiative that includes information about special promotions, transit and baggage facilities, local city tours, fast track airport access and many more. Tourists from China would just need to present their passports to redeem the Welcome Pack at the Chinese Helpdesk and Customer Experience counters at both terminals in KLIA.

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KLIA maintains its status as a world-class airport and world-class shopping destination. As an international shopfront for both tourists and Malaysians, it provides the best of both worlds by showcasing a variety of world-renowned and the best of local brands at an international stage. Marketing communication utilising both traditional and digital communication platforms was developed to reinforce the position.

To this end, FY2017 saw the successful roll out of thematic and tactical campaigns supported by other festivities and marketing initiatives to reinforce our airports' position as credible lifestyle destinations. In conjunction with Malaysia Airports' silver jubilee celebration, Commercial Services launched the 25th Anniversary Shopping Campaign with total prizes worth over RM2.5 million. The campaign received overwhelming

response with about 170,000 contest entries and contest sales receipts amounting to RM135.6 million.

Malaysia Airports (Niaga) Sdn. Bhd. or MA (Niaga), better known by the brand Eraman Malaysia, is the largest travel retail and duty-free company in Malaysia and commands 50% of the klia2 total retail business. Operating more than 50 retail and F&B outlets as well as six kiosks, MA (Niaga) offers a wide range of world-class and exclusive products including premium chocolates, liquor, wine and spirits, skincare, fragrances and tobacco products throughout their locations in Malaysia.

MA (Niaga) registered strong growth in FY2017 as a result of higher passenger movements at all international airports in Malaysia coupled with varied retail offerings as well as strong marketing and promotion campaigns especially

the Eraman Shopping Extravaganza. The unrelenting demand for duty free merchandise continued to rise and together with a stronger Ringgit stimulated sales at the company's duty-free outlets, particularly KLIA and Kota Kinabalu International Airport. MA (Niaga) recorded double digit revenue growth of 15.5% to RM856.3 million, its highest revenue since its inception. This was a tremendous result coming back from the loss-making years of 2014 and 2015.

The perfumes and cosmetics category together with the confectionery category led the way in sales for FY2017, registering double digit growth on the back of favourable passenger movements as well as strong marketing partnerships and collaboration with major international financial players such as Alipay and Union Pay International. By August 2017, all retail and F&B outlets under MA (Niaga) were able to perform transactions via Alipay. MA (Niaga) also had close collaboration with its brand principals which helped drive strong sales growth for perfumes and cosmetics as well as confectionery categories.

Running for the second consecutive year, the Eraman Shopping Extravaganza "Buy & Win" Contest, with its offer of bigger and better prizes of three luxury cars, designer handbags and shopping vouchers worth RM1 million, attracted more than 300,000 entries and contributed double-digit growth to Eraman's coffers. In conjunction with MA (Niaga)'s 25th Anniversary in 2018, the company will be embarking on a brand refresh initiative which will encompass a revamp of its website, uniforms and stores as well as expansion and major renovation works.

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PERFORMANCE OF NON-AIRPORT OPERATIONS

The Group's non-airport operations encompass our hotel, agriculture and horticulture, property management as well as fixed assets and facilities management businesses.

The Group's hotel activities fall under the ambit of KL Airport Hotel Sdn. Bhd. Sama-Sama Hotel KL International Airport, which overlooks KLIA, is KL Airport Hotel Sdn. Bhd.'s five-star flagship property. The company also operates two airside transit hotels, namely Sama-Sama Express KLIA and Sama-Sama Express klia2, while providing a service called KLIA Premier Access. These facilities extend the Sama-Sama signature hospitality to transit passengers and provide travellers with an opportunity to refresh and relax after or before a flight. Included in its revenue streams were also Meetings, Incentives, Conferencing and Exhibitions (MICE) business, as well as major international sports events.

In FY2017, Sama-Sama Hotels closed total sales amounting to RM98.0 million with a 14.4% growth against last year's sales of RM85.6 million.

Our Sama-Sama Hotels continue to garner prestigious accolades and awards at the international level attesting to the high service levels they accord their customers. In FY2017, Sama-Sama Hotel KL International Airport was hailed 'Best Airport Hotel Global 2017' and 'Best Business Hotel in Asia 2017' at the Haute Grandeur Global Hotel Awards event as well

as received the Best Revenue Hotel Award at Worldhotels Conference. The hotel was also named one of the 'Best Companies to Work for in Asia 2017' at the HR Asia Awards event. At the World Luxury Hotel Awards event, the hotel was accorded the title 'Luxury Hotel – Country' and 'Luxury Airport Hotel – Regional'. The year also saw Sama-Sama Express KLIA winning the Airside Transit Hotel Global award while Sama-Sama Express klia2 won the 'Eco/Green Hotel – Country' title.

Our agriculture and horticulture arm, MAB Agriculture-Horticulture Sdn. Bhd. (MAAH), is mainly involved in the cultivation and management of mature oil palm (5,545.4 hectares), coconut (126.8 hectares) and landscape activities at KLIA (896.4 hectares). During the year under review, this ISO9001:2008-certified company focused its efforts on managing some 1,145.0 hectares of immature oil palm areas (i.e. 17.1% of the total oil palm area of 6,690.4 hectares) located at KLIA, Sibul, Miri and Bintulu. These green areas not only provide recurring revenue, but they also help mitigate the effect of noise pollution as well as provide a pleasant view of the surrounding areas.

In FY2017, sales of oil palm fresh fruit bunches (FBB) accounted for 99.3% of MAAH's total turnover, whilst coconut and landscape activities made up the remaining 0.7%. MAAH expects to make positive contribution to the Group's overall revenue in FY2018, given the higher yield projected and improvements in the Crude Palm Oil (CPO) price.

Malaysia Airports Consultancy Services Sdn. Bhd. (MACS), has an accomplished track record both at home and abroad. The company took on and successfully delivered on its first international project in Cambodia more than 20 years ago. Over the course of FY2017, MACS was rebranded to correspond with its mission of providing consultancy services beyond the aviation industry and national borders. The company's primary focus today is to provide multimodal transport expertise from the technical and consultancy perspectives. These include trading in airport specialised systems, services monitoring, and IT specialised systems.

In FY2017, MACS participated in tenders for technical and consultancy services for the Airport Authority of India as well as Malaysia's Suruhanjaya Perkhidmatan Awam Darat (SPAD). MACS is today an accredited ICAO Aviation Security Training Centre and an ACI Global Training Hub for the Asia Pacific region. Other than the scheduled Airport Training Programme conducted at the Group's Global Training Hub for the Asia Pacific Region (i.e. Malaysia Airports Training Centre), MACS conducted eight batches of on-the-job-training for some 114 employees of the Oman Airports Management Company.

MACS is currently the exclusive distributor of the ADB Airfield Solution for Malaysia in the area of Airfield Ground Lighting Systems. Through its 13-year partnership with ADB in the Asia Pacific region, MACS has benefited from technology transfers, among other things. The company also continues to play a role as a consultant and service provider managing the ASQ

MANAGEMENT DISCUSSION AND ANALYSIS

programme for KLIA. This programme, which measures customer satisfaction in 33 areas, saw MACS conducting face-to-face interviews with 3,400 airport users passing through both terminals in KLIA in FY2017. MACS also continues to serve as a consultant and service provider to the Kota Kinabalu International Airport, Kuching International Airport and Sultan Abdul Aziz Shah Airport, Subang.

MACS received MS 1900:2015 certification from SIRIM QAS in relation to Syariah management and is now collaborating with MA (Niaga) Sdn. Bhd. to offer its expertise in Syariah and halal compliance services.

Today, MACS is embracing a strategy of creating a business presence in certain regions (i.e. the Middle East and Southeast Asia) to secure high value projects with higher revenues and profit margins for the long-term. Via its subsidiary, Malaysia

Airports Consultancy Services Middle East LLC (MACS ME), MACS continues to explore business opportunities arising in Qatar and other Middle East countries as well as within other target market regions i.e. India and ASEAN countries. MAC's involvement in conferences and exhibitions such as the LIMA Exhibition 2017 and ACI Airport Exchange 2017 Oman saw potential clients approaching MACS to collaborate on airport projects.

Our asset and facilities management services arm, Urusan Teknologi Wawasan Sdn. Bhd (UTW), has built a name for itself on the facilities management and facilities consultancy and advisory services front for some 19 years now. An ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 certified company, UTW has provided services to a list of prestigious clients. Beyond the Malaysia Airports Group, the company has successfully secured

contracts for KLCC Twin Towers & Tower 3, Masjid As-Syakirin KLCC, Maxis Tower, Exxon Mobil Tower, Sepang International Circuit, Airbus Helicopters Malaysia, Port of Tanjung Pelepas and Mitsui Outlet Park KLIA.

UTW continues to play an important role in helping KLIA by providing high quality airport experiences to stakeholders through its involvement in the delivery of effective green solutions, the equipment life cycle replacement programme, as well as KLIA's reengineering and continuous improvement initiatives.

FY2017 saw UTW clinch major awards from KLCC Urusharta for the second year running. These included the categories of Best Contractor for Operation & Maintenance, Best Team Leader, Demonstrated Knowledge of Services and Best Individual Attitude.



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SAFETY AND SECURITY

Safety and security are key issues at the heart of the global aviation industry and which continue to impact upon passenger confidence. We are proud to say that KLIA fully complies with the International Civil Aviation Organisation's (ICAO) Standards and Recommended Practices (SARPs) under the Universal Security Audit Programme, which is conducted by ICAO auditors. Nonetheless, given the security-related incidents at airports around the world, the importance of security to our business has become even more paramount. These incidents at other airports provide us some insights into the failings of certain security approaches and show us what we can do to strengthen our own security strategies.

We continue to receive good feedback on our safety and security measures. In an evaluation exercise carried out by the Key Points Audit Team by the Chief Government Security Office in December 2017, we were informed that the overall security level at KLIA was in full compliance with the seven major criteria specified in the guidelines. As such, our Aviation Security Division (AVSEC) received an excellent (5 stars) rating. On top of this, all Chief Aviation Security Officers (CASOs) who have undergone an interview by the Department of Civil Aviation (DCA) in 2017 have been endorsed and certified as CASO and found competent to perform duties at their respective airports.



In December 2017, AVSEC in collaboration with the Eastern Sabah Security Command (ESCOMM) conducted a table top exercise at the Sandakan Airport. The tabletop exercise aimed to streamline preparations and assess the ability and capability of the agencies involved in handling security threats and aggression at the airport. This exercise will be carried out on a regular basis and will encompass full-scale advanced training session to deal with incidents of violence which involve all stakeholders at the airport including airline operators and authorities. Aside from this, AVSEC also successfully conducted the Act of Aggression Exercise at klia2.

The year in review saw a significant drop in the overall reported crime cases taking place within the landside and airside areas as compared to the previous year. Crime prevention initiatives undertaken by AVSEC together with the Royal Malaysia Police, especially at the landside areas of our airports, prevented major security incidents and security breaches from happening. The AVSEC team's efforts also saw a huge reduction in reported baggage pilferage cases as compared to previous years. Baggage theft and pilfering reduced to 117 cases against a total of 41 million pieces of luggage handled in FY2017 as compared to 156 cases against a total 36.6 million pieces of luggage handled in FY2016.

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As at December 2017, there was a total of 151,596 prohibited items such as blades, scissors, knives and tools confiscated from passengers, as compared to 125,106 items in December 2016. This 21.2% increase in the detection of prohibited items reflects the increased efficiency and alertness of AVSEC staff in carrying out their duties. The other contributing factor is the continuous in-service training provided to AVSEC personnel to enhance their work efficiency and level of security awareness in the detection of prohibited items.

Malaysia Airports continues to make technology investments in surveillance and screening apparatus to ensure that we provide a secure airport environment. We continue to ramp up controls in airport staff screening process and vehicle movements at the landside area. We also continue to undertake stringent risk management initiatives designed to improve our response to any crises that may emerge, whether natural or man-made. These measures include bolstering our Business Continuity Management strategies for both terminals in KLIA and other MASB airports, as well as fine-tuning emergency response plans for floods at affected airports.

We are also mindful of the fluid nature of Turkey's geopolitical situation and have taken steps to enhance security in and around ISG. We continue to ramp up collaboration with the government of Turkey to strengthen all round security at our airport.

Malaysia Airports' Airport Fire and Rescue Service (AFRS) division, which manages all airport rescue and firefighting at our airports, had planned and executed 75 Aerodrome Emergency Exercises throughout all airports and achieved a 100% completion rate of the Aerodrome Emergency Exercise (AEX) requirements. In addition, AFRS has successfully maintained this 100% completion track record for the past three years.

51 new AFRS recruits successfully completed the compulsory seven months Basic Aircraft Fire Fighting Training Course at the Malaysia Airports Training Centre in Pulau Pinang. The new recruits, comprising both executives and non-executives, were subsequently deployed to fire stations around Peninsula Malaysia, Sabah and Sarawak in order to meet the manpower requirements for airport operations.

BUSINESS RISKS

As Malaysia Airports moves forward amidst difficult market and operating conditions, we are aware of certain risks that we may be exposed to as a result of local operating conditions or global uncertainties that could impact our operational and financial performance. These key risks as well as the respective risk mitigation strategies are spelt out in the Statement on Risk Management and Internal Control that can be found in the relevant section of this Annual report.

OUTLOOK

As we venture forth into a new financial year, we do so with a quiet confidence. Following the upswing in global economic activity that began in 2016 and which continues to strengthen, global growth is forecast to rise to 3.9% in 2018 from 3.7% in 2017. The emerging markets are expected to drive global market growth supported by the developed economies, but at a more gradual pace.

On the domestic front, after a stronger-than expected performance in 2017 of 5.9% growth in GDP, Malaysia's economic prospects are expected to moderate in 2018 to a growth rate of between 5.0% to 5.5%, essentially unchanged from the average rate of expansion witnessed in 2013 to 2017. Malaysia's robust economy has been attributed to private sector spending and the continued strong performance in exports.

On the industry front, IATA forecasts a growth rate of 6.0% for global scheduled passenger traffic in 2018 (in terms of revenue passenger kilometres). The ACI's global forecast which is based on airport passenger movements, is slightly higher at 6.1%. The forecast for passenger growth in the Asia Pacific region is expected to be higher. Air travel will continue to be driven by economic factors especially per capita income, business confidence and trade. The competition, supply and cost factors do play a role as they determine the availability of seats and fare level. It is assumed that fuel costs (the single largest airline cost at 20% to 40%) will remain close to current prices.

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Based on prevailing economic conditions and the additional airlines seat capacity offered, passenger traffic for Malaysia in 2018 is expected to grow at 6.3% with international and domestic passenger traffic growing at 8.3% and 4.2% respectively. Apart from the economic factors, the estimates take into account the airlines immediate schedule filings and aircraft purchases. The forecast model also took into account some additions in air travel brought about by the impending 14th general elections, as was the case during the past elections.

Malaysia is expected to continue benefiting from the visa relaxation for Chinese and Indian tourists. The 2018 traffic numbers are again expected to be mainly contributed by China, India and Southeast Asia sectors which currently make up 75% of international traffic. The China and India sectors are likely to continue with their double-digit growth in 2018. With higher international traffic expected, the current portion of 20% transfers at KLIA will likely increase but marginally. The growing travelling local population combined with increase in the per capita income will further support air travel growth. Passenger growth prospect for ISG, however, is expected to remain moderate in 2018.

A NOTE OF APPRECIATION

Malaysia Airports' achievement today is definitely the result of the hard work and dedication of a number of parties whom I would like to acknowledge.

I wish to convey my heartfelt appreciation to our valued shareholders, customers, suppliers, business partners, federal and state governments, agencies, and regulators as well as our joint venture partners and associate companies. Thank you for your unswerving trust and confidence in Malaysia Airports, as well as for extending us your firm support and cooperation.

My sincere gratitude goes to the members of our Board of Directors for their wise counsel and astute insights in helping Malaysia Airports navigate a clear path through the year's challenges and opportunities. My deep appreciation also goes to my colleagues in the senior management team, as well as all our loyal employees in Malaysia and Turkey for their diligence and commitment to excellence. I appreciate your remarkable tenacity in rising above the challenges of our business and industry and look forward to working together with all of you to surmount all challenges and seize meaningful opportunities.

As we venture forth, I call upon the team at Malaysia Airports to continue doing our best to grow our business, deliver commendable results and strengthen our position. As we step forward with a keen focus on achieving our ambition I call upon all our stakeholders to continue lending us your support. Thank you.

DATUK MOHD BADLISHAM GHAZALI
Managing Director

EMBEDDING SUSTAINABILITY INTO OUR STRATEGY

MALAYSIA AIRPORTS' CORE BUSINESS IS THE MANAGEMENT AND OPERATION OF MALAYSIA'S INTERNATIONAL, DOMESTIC AND RURAL SERVICES AIRPORTS AS WELL AS OUR INTERNATIONAL VENTURES. WE ASPIRE TO CREATE SUSTAINED STAKEHOLDER VALUE AS WE STRIVE TO BECOME A GLOBAL LEADER IN CREATING AIRPORT CITIES. OUR STAKEHOLDERS ARE OUR PEOPLE, OUR COMMUNITY, OUR CUSTOMERS, OUR ENVIRONMENT, OUR INVESTORS, OUR REGULATORS AND OUR COUNTRY.

We believe that organisations that act in the best interest of its stakeholders will continue to grow and thrive. Our sustainability approach is based on the practice of high standards of governance across our entire operations. We have aligned our initiatives with selected United Nations 17 Sustainable Development Goals where we are able to exert influence and bring about change through our business.

Our own sustainability strategy is structured into five pillars as outlined in our Sustainability Framework:



PRACTISING SENSIBLE ECONOMICS

Over the years, we have successfully evolved into a diversified airport operator group with solid fundamentals. Moving forward, we aim to create more opportunities and value for our stakeholders.



ENVIRONMENTAL CONSCIOUSNESS

Committed to growing responsibly, we continue to manage and reduce impact on the environment caused by our business operations.



We are proud that our 2016 Sustainability Report was shortlisted for ACCA Malaysia Sustainability Reporting Awards (MaSRA). This year's sustainability initiatives can be found in our ninth standalone Sustainability Report which is available for download from our Malaysia Airports corporate website at www.malaysiaairports.com.my.

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Scan this QR code to view Malaysia Airports' Sustainability page.



CREATING AN INSPIRING WORKPLACE

Our employees are our most valuable asset, as skilled employees prove to be a vital component in delivering a high level of competencies in our business practices.



COMMUNITY-FRIENDLY ORGANISATION

We continue to build on our proud tradition of giving back to the broader community by supporting and strengthening community engagement especially within the vicinity of our operations.



MEMORABLE AIRPORT EXPERIENCES

Our mission is centred on creating joyful experiences especially at our airports. Our aim is to become a service leader by embedding a customer-centric culture into our operations.

MOHD ANUAR MOHD YUSOF

MANAGER, INFORMATION
TECHNOLOGY

“Malaysia Airports and I have come a long way. Not many know I was the first IT staff to be employed by Malaysia Airports. That is the one thing I will always be proud of.

Being directly involved in the implementation of the Total Airport Management Systems (TAMS) at KLIA which was the first fully integrated airport system in the world will be something I will cherish the most.”



Tapping innovation, we take the user experience up several notches

Our technology team continues to tap cutting edge tools encompassing everything from back-end IT systems, to big data analytics, to omni-channel mobile apps, to deliver an enhanced user experience.

