



Hosting Joyful Connections

Annual Report 2022



INSPIRING **BRAVE AMBITIONS**

COVER RATIONALE


'Inspiring Brave Ambitions' is the remarkable story of Malaysia Airports' journey in 2022, in which we returned to profitability. It speaks of the attitude of an engaged workforce who defied conventional wisdom to reimagine our business through an entrepreneurial lens while leveraging the use of technology. It also tells stakeholders about how we place sustainability concerns alongside business issues in making our decisions and future plans to ensure that we are creating value for the long term.


'Inspiring Brave Ambitions' also reflects the extraordinary determination to maintain and sustain the improvements as air traffic grew following Malaysia's easing of travel restrictions and reopening of international borders to travellers. This is the culmination of the transformative efforts during the pandemic to build a business which is financially strong, lean and efficient, and yet delivers service levels rated among the best globally to benefit our guests who remain at the heart of our business.



Supporting national commitments towards achieving the United Nations (UN) Sustainable Development Goals (SDGs).



 More information on this report

 More information on our website

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- Form of Proxy
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BASIS OF THIS REPORT

INTRODUCTION

This Integrated Report has been prepared with reference to the principles of the International Integrated Reporting Framework (<IR> framework) developed by the International Integrated Reporting Council (IIRC) and the recommendations in the Malaysian Code on Corporate Governance 2021 on integrated reporting.

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

Reporting Suite

The Reporting Suite for 2022 is similar to previous years and comprises this Annual Report, Financial Statements and Airport Statistics.

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



We have enhanced the integrated reporting in the Annual Report for FY2022 in the Operating Environment and Outlook section to enable stakeholders to understand better how we tackled the challenges of the year, and how we position ourselves for future growth and resilience. In addition, we have merged the Sustainability Report with this Annual Report to form an integrated report to provide stakeholders with a better view of our progress on integrating sustainability considerations in our business.

This report is prepared according to the following regulatory requirements:

- Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
- Malaysian Financial Reporting Standards;
- International Financial Reporting Standards;
- Companies Act 2016;
- Malaysian Code on Corporate Governance 2021;

and with reference to the voluntary standards for sustainability reporting:

- GRI Standards for Sustainability Reporting

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

APPLICABLE REQUIREMENTS AND STANDARDS

SCOPE AND BOUNDARY

VALUE CREATION MODEL

ONLINE VERSION

ENHANCEMENTS

Our value creation model is disclosed on pages 34 to 70. It outlines our focus on value creation which is driven by championing connectivity as a global airport group and sustainability of airport communities that we serve.

BASIS OF THIS REPORT

MATERIALITY

The content of our integrated report is dependent on the principle of materiality, namely we include matters that substantially affect the Group’s ability to create and sustain value over the short, medium and long-term. These matters are identified, prioritised and validated through a materiality assessment process that is described in this report. Our strategic responses to these material matters are presented in pages 44 to 54.

FORWARD LOOKING STATEMENT

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

ASSURANCE

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

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

INFORMATION ON EXCLUSIONS

Malaysia Airports’ disclosure appetite guides the limitation of information available in this report. Several requirements of the <IR> Framework have been excluded due to the unavailability of reliable information or specific legal prohibitions.

NAVIGATION ICONS

Six Capitals

- F** Financial
- M** Manufactured
- I** Intellectual
- H** Human
- S** Social
- N** Natural

Key Stakeholders

- S1** Regulators and Government
- S2** Employees
- S3** Airlines
- S4** Passengers
- S5** Tenants
- S6** Vendors and Service Providers
- S7** Investors
- S8** Local Community
- S9** Media

Material Matters

- M1** Airport Capacity
- M2** Total Airport Experience
- M3** Digitalisation
- M4** Airport Safety and Security
- M5** Economic Performance
- M6** Integrity and Anti-Corruption
- M7** Transportation and Connectivity
- M8** Regulatory Compliance
- M9** Market Presence
- M10** Procurement Practices
- M11** Climate Change
- M12** Employee Engagement and Development
- M13** Diversity
- M14** Human Rights
- M15** Contributions to Local Community
- M16** Cybersecurity
- M17** Energy Efficiency
- M18** Emissions
- M19** Waste and Effluent Management
- M20** Water Management

This report covers our financial and non-financial performance during the period from 1 January 2022 to 31 December 2022. Information presented relates to the principle activities of the Group and all its subsidiaries, unless stated otherwise. Detailed information on investments in which Malaysia Airports has no controlling interest is not included.



MALAYSIA AIRPORTS AT A GLANCE

OUR VISION

A Global Airport Group that Champions Connectivity and Sustainability

BRAND PROMISE

Hosting Joyful Connections

Managing a total of **39** airports throughout Malaysia

5 international airports, **17** domestic airports, **17** STOLports

Globally, Malaysia Airports is one of the world's largest airport operator groups, based on the total number of passengers handled

The Group also owns and manages **1** international airport in Istanbul, Türkiye.

DUTY FREE AND NON-DUTIABLE GOODS

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

| | |
|---------------------------|-----------------|
| ▶ RM 16.5 million | Equity Invested |
| ▶ RM 266.6 million | Total Revenue |
| ▶ RM 29.2 million | EBITDA |

PROJECT AND REPAIR MAINTENANCE

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

| | |
|---------------------------|---------------|
| ▶ RM 288.9 million | Total Revenue |
| ▶ RM 72.5 million | EBITDA |

Number of Retail Outlets

2022 **39**
2021 **42**

Retail Area

2022 **12,826** sqm
2021 **12,822** sqm

Number of Employees

2022 **642**
2021 **835**

Number of Employees

2022 **620**
2021 **677**

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

Listed on the Main Market of Bursa Securities since November 1999, Malaysia Airports' market capitalisation stood at RM10.9 billion at the end of 2022.

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

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

CORE VALUES

Integrity, Customer-Centricity, Accountability, New Ideas

MALAYSIA AIRPORTS AT A GLANCE

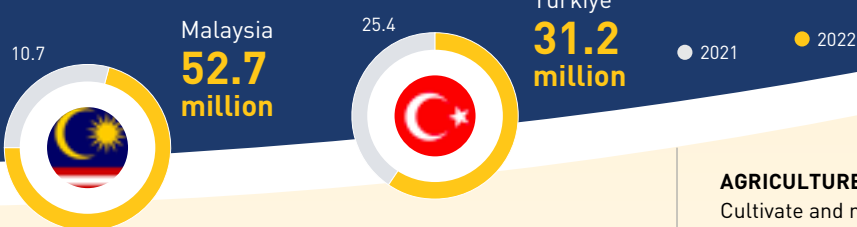
More information on our website www.malaysiaairports.com.my

AIRPORT SERVICES

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

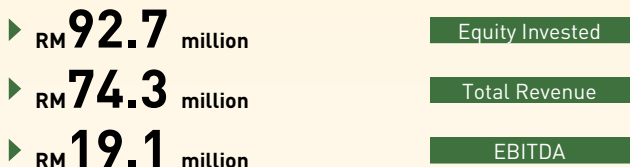


Group Passenger Traffic Movements



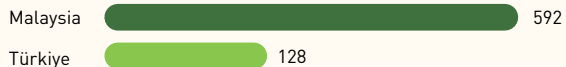
HOTEL

Manage and operate hotels



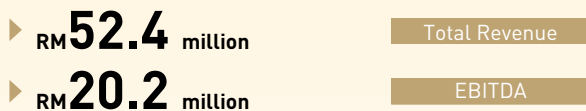
Number of Hotels: **4**
 Number of rooms: **720**

Breakdown of rooms



AGRICULTURE AND HORTICULTURE

Cultivate and manage oil palm and other agricultural products, and undertake horticulture activities, primarily landscaping services and products



Oil Palm Planted Area

2022 **6,247.1** ha

Fresh Fruit Bunches

2022 **41,888.0** MT

Competitive advantage

- Malaysia is located in a strategic location – in the heart of ASEAN, surrounded by high growth markets such as China and India.
- Competitive aeronautical and passenger charges - one of the lowest in the world.
- Well-equipped airports with safety standards certified by global bodies such as ISO, British Standards Institution, and ACI.
- Our flagship, KUL, is ranked No.9 globally for >40 mppa in the 2022 ACI's Airport Service Quality rankings.
- KUL's two terminals have a combined capacity of 75 mppa.
- KUL's three independent runway system facilitates efficient flight operations.
- 100 km² land bank surrounding KUL allows for aviation-related and commercial development.
- SAW's strong hub position within the region, evidenced by its consistent ranking as one of Europe's busiest airports.

OUR APPROACH TO SUSTAINABILITY

Malaysia Airports recognises that to achieve our corporate vision to be a 'A Global Airport Group that Champions Connectivity and Sustainability', we need to do more than just create economic value for shareholders. Rather, there is a need to balance profit-making and operational excellence with conducting our business in a manner that is responsible and sustainable. In the journey to becoming a sustainable business for the long term, our operations must be built on the foundations of good governance while considering environmental and social factors.

OVERVIEW

This section informs stakeholders on how Sustainability works within Malaysia Airports, and summarises the key Environmental, Social and Governance (ESG) achievements and performance highlights. That is followed by a discussion of the materiality process and how the material matters are determined and reviewed. We also outline our engagement with key stakeholders.

ESG GOVERNANCE

Recognising the importance of ESG considerations in creating long-term sustainable value for stakeholders, we constantly work to embed these sustainability factors in the Company's value creation model and value chain.

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

The Senior General Manager, Strategy of Malaysia Airports is responsible for ensuring the ESG model is translated into actionable tangible initiatives by business and support units in line with the Sustainability Policy and Framework.

The incumbent is a member of the Management Executive Committee (EXCO), chaired by the Group's Managing Director, and comprises the top management of Malaysia Airports.

The incumbent also chairs the Group's Sustainability Committee, a management committee which is responsible for highlighting and reporting on sustainability matters to the EXCO, and where relevant, to the Board of Directors.

The Sustainability Unit assists the Senior General Manager, Strategy in the day-to-day running and management of Group-wide sustainability initiatives, engages stakeholders and provides consulting services to them on all sustainability matters.

OUR APPROACH TO SUSTAINABILITY



In addition, Board and management committees also monitor sustainability targets and initiatives, and track the progress towards achieving these targets. These Board and management committees include:

| | | |
|--|---|---|
| <div style="background-color: #4CAF50; color: white; border-radius: 50%; padding: 10px; text-align: center; margin-bottom: 10px;"> Environmental E </div> <ul style="list-style-type: none"> • Engineering Environment Committee | <div style="background-color: #FF9800; color: white; border-radius: 50%; padding: 10px; text-align: center; margin-bottom: 10px;"> Social S </div> <ul style="list-style-type: none"> • Board Nomination and Remuneration Committee | <div style="background-color: #2196F3; color: white; border-radius: 50%; padding: 10px; text-align: center; margin-bottom: 10px;"> Governance G </div> <ul style="list-style-type: none"> • Board Audit Committee • Board Finance and Investment Committee • Board Risk Management Committee • Board Procurement Committee • Whistleblowing Committee |
|--|---|---|

OUR APPROACH TO SUSTAINABILITY

SUSTAINABILITY POLICY AND FRAMEWORK

Malaysia Airports has been guided by a Sustainability Policy since 2010. The policy was updated in 2021 to align the Group's business decisions and strategies with ESG considerations and stakeholders' concerns. Additionally, as a government-linked company (GLC), Malaysia Airports supports the Malaysian government's national commitments towards the United Nations (UN) Sustainable Development Goals (SDGs).

The Group has also set out five Sustainability Pillars which underpin its sustainability agenda, namely Practising Sensible Economics, Environmental Consciousness, Creating an Inspiring Workplace, Community-Friendly Organisation and Memorable Airport Experience.

To amplify the Sustainability Policy, a Sustainability Framework has been established, linking the Sustainability Pillars to the Group's material matters and to the SDGs. The Framework also illustrates that the Group's ability to create long term value for its stakeholders is dependent on both business and ESG considerations.



SUSTAINABILITY FRAMEWORK

17 SUSTAINABLE DEVELOPMENT GOALS

20 MATERIAL MATTERS

5 SUSTAINABILITY PILLARS



PILLAR 1

Practising Sensible Economics

Generate sustainable returns from business activities by strengthening and optimising revenue streams.

- Airport Capacity
- Digitalisation
- Economic Performance
- Procurement Practices
- Regulatory Compliance
- Market Presence
- Cybersecurity

PILLAR 2

Environmental Consciousness

Manage and reduce the impact on the environment from business activities.

- Waste and Effluent Management
- Carbon Emission
- Climate Change
- Water Management
- Energy Efficiency

OUR APPROACH TO SUSTAINABILITY

In addition to the Sustainability Policy, the following policies, procedures and guidelines also serve to embed the ESG model in Malaysia Airports' operations and are available on our corporate website:

3

PILLAR

Creating an Inspiring Workplace

Value our employees, provide development opportunities and embed good governance.

- Integrity and Anti-Corruption
- Employee Engagement and Development
- Diversity
- Human Rights

4

PILLAR

Community-Friendly Organisation

Support and strengthen community engagement and efforts to develop programmes to meet the needs of local communities.

- Contributions to Local Community

5

PILLAR

Memorable Airport Experience

Enhance the travel experience of airport guests to support our brand promise of hosting joyful connections.

- Airport Safety and Security
- Total Airport Experience
- Transportation and Connectivity

- Anti-Bribery and Corruption Policy Statement
- Code of Ethics
- Conditions of Use
- COVID-19 Vaccination Policy
- Environmental Management Policy
- Energy Policy
- Fraud Policy
- Gift Policy
- No Smoking Policy
- Occupational Health and Safety Policy
- Policy on Prevention and Eradication of Drug and Alcohol Abuse in the Workplace
- Privacy Notice
- Privacy Notice for Shareholders
- Procurement Manual
- Risk Management Policy Statement
- Sexual Harassment Policy
- Stop-Work Policy
- Terms and Conditions
- Sustainability Policy

KUL Sustainability Charter

The KUL Sustainability Charter was introduced in 2019, creating a leadership role for Malaysia Airports in sustainability matters within the airport community at KUL. The charter reflects new and evolving matters of concern to Malaysia Airports and its stakeholders, both internal and external namely employees, regulators, airline companies, investors, airport tenants, vendors, passengers, the local community and the media.

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

OUR APPROACH TO SUSTAINABILITY



United Nations Sustainable Development Goals

The United Nations had identified 17 SDGs, representing a call for action by all countries to promote prosperity while protecting the planet. Ending poverty must go hand-in-hand with specific goals and strategies that build economic growth and address a range of social needs including education, health, social protection, and job opportunities while tackling climate change and environmental protection.

Malaysia Airports has aligned its material matters, Sustainability Pillars and the KUL Sustainability Charter with all 17 SDGs.

On-going Initiative to Improve Sustainability Framework

In 2022, Malaysia Airports began an exercise to improve its current Sustainability Framework and address climate change. In this regard, there is a transition in its sustainability reporting as the Group moves towards reporting its performance with regards environmental, social and governance indicators and targets, as opposed to its five Sustainability Pillars previously. Malaysia Airports is also developing a strategy and roadmap towards net zero carbon emissions which will be launched in 2023.

A sustainability review is provided in this report together with data tables on sustainability performance indicators. The Group intends to make available more comprehensive information on sustainability initiatives and progress on its corporate website: www.malaysiaairports.com.my

OUR APPROACH TO SUSTAINABILITY

SUSTAINABILITY RATINGS

Malaysia Airports' efforts in sustainability receive independent ratings from local and international organisations which score the Group's impact in the environmental, social and governance spheres. These are the latest ratings assigned to Malaysia Airports.



SUSTAINABILITY REPORTING

As Malaysia Airports progresses in integrated reporting, it has taken a decision in 2022 to merge its annual report and sustainability reports. This enables stakeholders to understand the business of the Group in a more comprehensive manner in line with the Group's corporate vision to be 'A Global Airport Group that Champions Connectivity and Sustainability'.

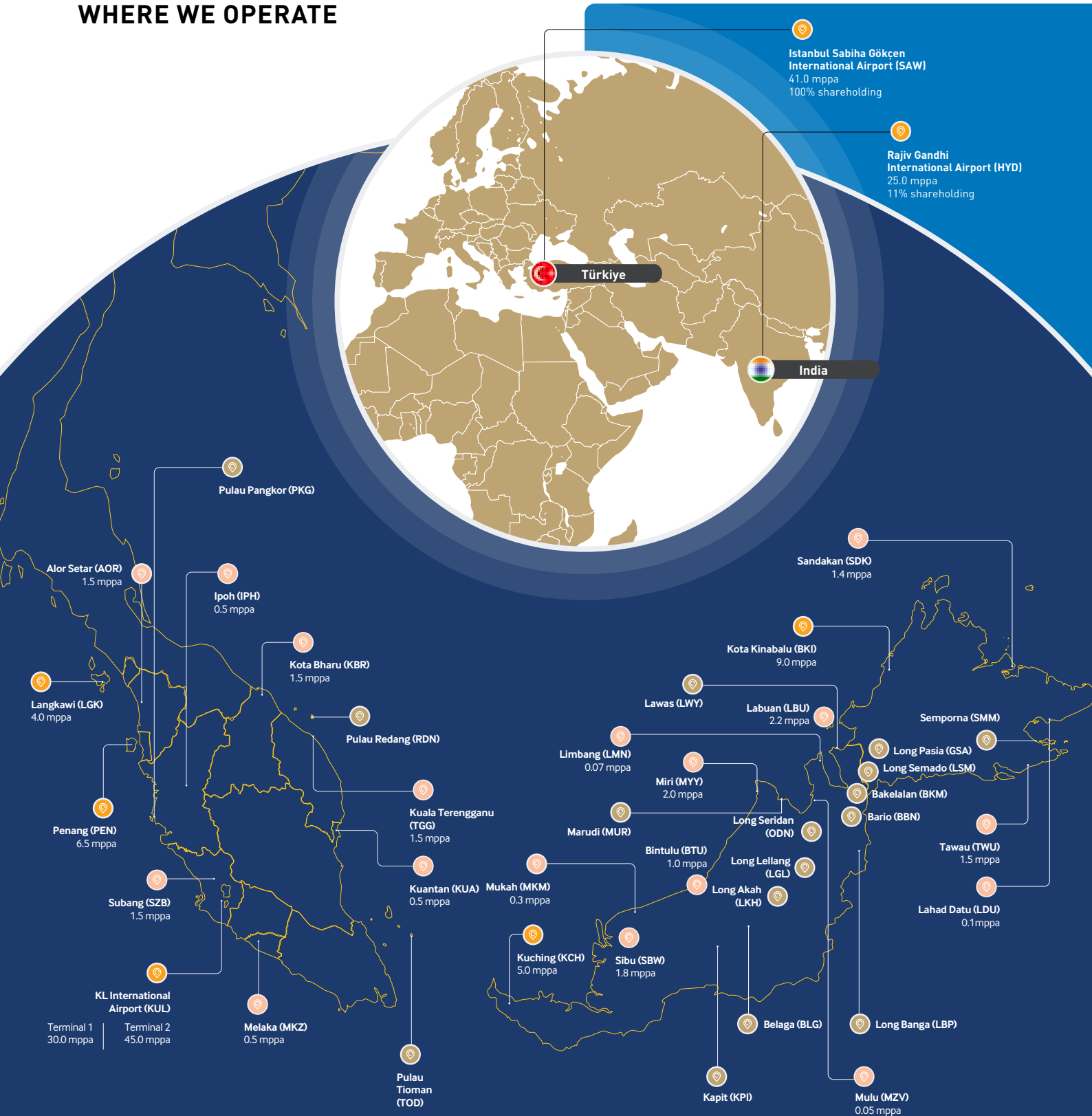
The sustainability reporting in this report has been prepared with reference to the following frameworks:



In addition, the sustainability information contained in this report has been audited by SIRIM QAS International Sdn Bhd, an independent party.

Further information regarding the Group's sustainability efforts and results is available at our corporate website: www.malaysiaairports.com.my

WHERE WE OPERATE





MALAYSIA

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

TÜRKIYE

- Istanbul Sabiha Gökçen International Airport (SAW)

INDIA

- Rajiv Gandhi International Airport (HYD)



- Melaka Airport (MKZ)
- Sultan Abdul Aziz Shah Airport, Subang (SZB)
- Sultan Abdul Halim Airport, Alor Setar (AOR)
- Sultan Ahmad Shah Airport, Kuantan (KUA)
- Sultan Azlan Shah Airport, Ipoh (IPH)
- Sultan Ismail Petra Airport, Kota Bharu (KBR)
- Sultan Mahmud Airport, Kuala Terengganu (TGG)
- Bintulu Airport (BTU)
- Limbang Airport (LMN)
- Miri Airport (MYY)
- Mukah (MKM)
- Mulu Airport (MZV)
- Sibiu Airport (SBW)
- Labuan Airport (LBU)
- Lahad Datu Airport (LDU)
- Sandakan Airport (SDK)
- Tawau Airport (TWU)



- Pulau Pangkor (PKG)
- Pulau Redang (RDN)
- Pulau Tioman (TOD)
- Bakelatan (BKM)
- Bario (BBN)
- Belaga (BLG)
- Kapit (KPI)
- Lawas (LWY)
- Long Akah (LKH)
- Long Banga (LBP)
- Long Lellang (LGL)
- Long Semado (LSM)
- Long Seridan (ODN)
- Marudi (MUR)
- Kudat (KUD)
- Long Pasia (GSA)
- Semporna (SMM)



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



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



- Four locations in and around KUL and SAW:
- KLIA Terminal 1 landside
 - KLIA Terminal 1 airside
 - KLIA Terminal 2 airside
 - SAW landside



Airports

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

Buildings

- Airbus Helicopters Malaysia
- Bank Negara Malaysia
- Cainiao Aeropolis eWTP Hub
- Malaysia Airports Corporate Office

- Malaysian Research Accelerator for Technology & Innovation (MRANTI)
- Maxis Tower
- Mitsui Outlet Park KLIA
- Persada PLUS
- Petronas Precinct Buildings
 - KLCC Twin Towers
 - KLCC Tower 3
 - KLCC common estate & common facilities
 - Masjid As-Syakirin KLCC
 - Menara ExxonMobil
 - Menara Permata Sapura
 - Petronas Digital Collaboration Center
- Sime Darby Plantation
- SPIRIT Aerosystems Malaysia

INTERNATIONAL AIRPORTS

DOMESTIC AIRPORTS

SHORT TAKE-OFF AND LANDING PORTS (STOLPORTS)

DUTY FREE AND NON-DUTIABLE GOODS

AGRICULTURE AND HORTICULTURE

HOTELS

PROJECT AND REPAIR MAINTENANCE



CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Datuk Zainun Ali
(Chairman)
(Non-Independent Non-Executive)

Dato' Iskandar Mizal Mahmood
(Managing Director)
(Non-Independent Executive)

Datuk Johan Mahmood Merican
(Non-Independent Non-Executive)

Dato' Normah Osman
(Non-Independent Non-Executive)

Wong Shu Hsien
(Non-Independent Non-Executive)

Rohaya Mohammad Yusof
(Non-Independent Non-Executive)

Datuk Azailiza Mohd Ahad
(Senior Independent Non-Executive)

Tan Sri Mohamad Salim Fateh Din
(Independent Non-Executive)

Dato' Ir. Mohamad Husin
(Independent Non-Executive)

Ramanathan Sathiamutty
(Independent Non-Executive)

Cheryl Khor Hui Peng
(Independent Non-Executive)

BOARD AUDIT COMMITTEE

Cheryl Khor Hui Peng
(Chairman)
(Independent Non-Executive)

Wong Shu Hsien
(Non-Independent Non-Executive)

Datuk Azailiza Mohd Ahad
(Senior Independent Non-Executive)

Dato' Ir. Mohamad Husin
(Independent Non-Executive)

BOARD NOMINATION AND REMUNERATION COMMITTEE

Datuk Azailiza Mohd Ahad
(Chairman)
(Senior Independent Non-Executive)

Wong Shu Hsien
(Non-Independent Non-Executive)

Ramanathan Sathiamutty
(Independent Non-Executive)

BOARD FINANCE AND INVESTMENT COMMITTEE

Tan Sri Mohamad Salim Fateh Din
(Chairman)
(Independent Non-Executive)

Wong Shu Hsien
(Non-Independent Non-Executive)

Rohaya Mohammad Yusof
(Non-Independent Non-Executive)

Datuk Azailiza Mohd Ahad
(Senior Independent Non-Executive)

BOARD PROCUREMENT COMMITTEE

Dato' Ir. Mohamad Husin
(Chairman)
(Independent Non-Executive)

Datuk Johan Mahmood Merican
(Non-Independent Non-Executive)

Dato' Normah Osman
(Non-Independent Non-Executive)

Tan Sri Mohamad Salim Fateh Din
(Independent Non-Executive)

Ramanathan Sathiamutty
(Independent Non-Executive)

BOARD RISK MANAGEMENT COMMITTEE

Ramanathan Sathiamutty
(Chairman)
(Independent Non-Executive)

Dato' Normah Osman
(Non-Independent Non-Executive)

Rohaya Mohammad Yusof
(Non-Independent Non-Executive)

Dato' Ir. Mohamad Husin
(Independent Non-Executive)

Cheryl Khor Hui Peng
(Independent Non-Executive)

COMPANY SECRETARY

Zawardi Salleh
SSM Practising Certificate No.
202008003088
MAICSA 7026210

GROUP FINANCE

Mohamed Rastam Shahrom
Group Chief Financial Officer

REGISTERED OFFICE

Malaysia Airports Corporate Office
Persiaran Korporat KLIA
64000 KLIA, Sepang
Selangor Darul Ehsan
Tel : +603-8777 7011
Fax : +603-8777 7512
E-mail : zawardi@malaysiaairports.com.my

WEBSITE

www.malaysiaairports.com.my

SHARE REGISTRAR

Securities Services (Holdings) Sdn Bhd
Level 7, Menara Milenium
Jalan Damantela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Tel : 603-2084 9000
Fax : 603-2094 9940/2095 0292

AUDITORS

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Level 23A, Menara Milenium
Jalan Damantela
Pusat Bandar Damansara
50490 Kuala Lumpur
Tel : 603-7495 8000
Fax : 603-2095 9076/78

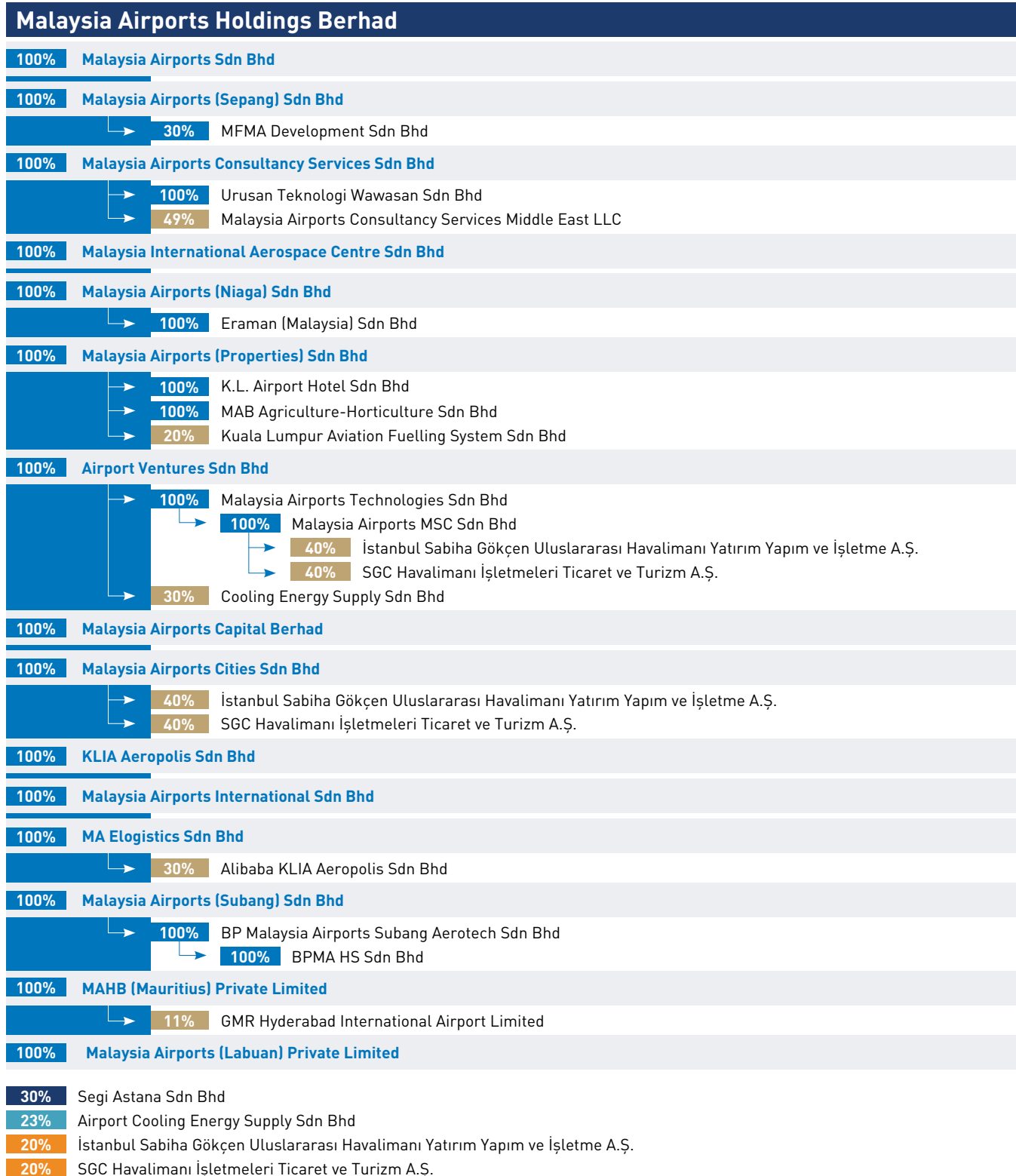
PRINCIPAL BANKERS

Malayan Banking Berhad
HSBC Bank Malaysia Berhad
RHB Bank Berhad

STOCK EXCHANGE LISTING

Listed on Main Market of
Bursa Malaysia Securities Berhad
Listing Date : 30 November 1999
Stock Name : AIRPORT
Stock Code : 5014
Stock Sector : Transportation & Logistics

CORPORATE STRUCTURE



CHAIRMAN'S STATEMENT

TAN SRI DATUK ZAINUN ALI
Chairman

THIS WAS A YEAR OF INSPIRING BRAVE AMBITIONS AT MALAYSIA AIRPORTS.

Fortified by a solid foundation from progressive improvements over the past two years, our people rose to the challenge and returned the Group to profitability in 2022.

The year presented Malaysia Airports with both challenges and opportunities as globally, the world transitioned to a new normal, and entered a phase of endemicity with regards to COVID-19.

Group-wide passenger movements reached

83.9 million

an increase of

132.4%

compared to 2021.



CHAIRMAN'S STATEMENT

WE SAW CHALLENGES AND OPPORTUNITIES

In terms of challenges, global economic growth had moderated to 3.4% in 2022 compared to 6.2% in 2021 according to estimates by the International Monetary Fund (IMF). Across the world, inflation was a matter of grave concern. Prices had risen sharply as the flow of goods and services faced interruptions due to pandemic-related lockdowns and supply chain disruptions, which were further compounded by the Russia-Ukraine conflict. Monetary policy measures to manage inflation which include interest rate hikes had dampened growth.

Despite the dampened global economic conditions, the Malaysian economy was resilient, growing by 8.7% in 2022 compared to 3.1% in 2021, according to Bank Negara Malaysia. One of the key drivers of economic growth in Malaysia was the gradual recovery in tourism activities. In Türkiye, the economy is estimated to have grown by 5.6% in 2022.

There was evidence of strong pent up demand globally for air travel with the further reopening of international borders and relaxation of travel restrictions in 2022. Malaysia's borders reopened in April 2022 to international travellers, in line with other countries in Southeast Asia. When pandemic travel restrictions were rolled back, public health measures that were in place and a relatively benign COVID-19 situation helped bolster public confidence in air travel.

Passenger traffic in Malaysia performed better than the regional average and reached 50.0% of 2019 levels in 2022 following the reopening of its borders. Air traffic continued to climb throughout the rest of the year following further relaxation of quarantine and other restrictions in May and the dropping of remaining travel restrictions in August which effectively restored pre-pandemic ease of travel. In the case of Türkiye, the country had removed pandemic travel restrictions earlier in line with the rest of Europe, and in 2022, air travel had returned to 86.7% of 2019's levels.



CHAIRMAN'S STATEMENT

We were well prepared

Since 2020, Malaysia Airports had been systematically transforming itself to address the downturn in air travel. The Group had progressed on many fronts to become nimble and agile in navigating future challenges and in seizing new growth opportunities.

From cost containment measures initiated to ride out the pandemic, we had successfully rebased our core costs comprising largely staff, utilities and maintenance costs, to a lower baseline. By thinking out of the box to reconfigure our facilities, passenger flow and work processes, this had resulted in a Group-wide workflow transformation programme which increased productivity and efficiency, enabling the Group to achieve more while using less resources. From our people adopting a more entrepreneurial mindset, there has been a distinct pivot towards a propensity to generate revenue across business units.

In working closely with airline partners throughout the pandemic to focus on international routes, the Group was able to recover a sizeable part of its network connectivity in terms of airlines and routes. For the Group's non-aeronautical business, our strategy of assisting commercial tenants and streamlining tender and leasing processes while adopting a multi-channel approach enabled commercial revenues to grow quickly. Our efforts to realign Eraman, our travel retail arm, streamline its operations and staffing as well as reach customers outside of the airports saw its strategy working.

Service quality at our airports also came under the Group's scrutiny. We had embarked on a multi-year project to refurbish its washrooms at KL International Airport (IATA Code: KUL) and completed the refurbishment work in early 2022. This would assist in maintaining the perfect 5.00 scores that KUL and Langkawi International Airport (IATA Code: LGK) had achieved in the Airports Council International's (ACI) Airport Service Quality Awards in 2021 which had placed both airports at #1 position among their global peers within their size categories.

Over at Istanbul Sabiha Gökçen International Airport (IATA Code: SAW) in Türkiye, airlines operating at the airport had seen the potential of the airport to cater to larger numbers of international passengers. As such, the airlines had switched to larger aircraft and converted their slots to operate more



international routes from SAW. The Group converted eight domestic gates to international gates and expanded its commercial spaces around these new gates to seize the opportunity to increase revenue.

The appointment of Dufry, the leading global travel retailer, in 2020 as the operator of duty free and retail stores at SAW had also seen its non-aeronautical revenues growing. In addition, the opening of the Pendik metro station directly beneath the terminal building at SAW in October providing a convenient metro link between the airport and downtown Istanbul was another game changer.

Over and above the visible improvements, was the united and engaged workforce at Malaysia Airports. During the pandemic, the Group had maintained a policy of zero retrenchments and zero pay cuts despite facing financial pressures. The Group invested in retraining and redeploying staff as needed to fill vacancies internally. As such we entered 2022 with a full complement of high-spirited employees who were ready for action, eagerly anticipating the reopening of Malaysia's borders.

In short, Malaysia Airports was well prepared. We were inspiring brave ambitions, ready to navigate the challenges of 2022 and seize the opportunities that the year presented.

CHAIRMAN'S STATEMENT

We delivered results

The results for 2022 were outstanding. From a financial standpoint, Malaysia Airports returned to profitability, registering a profit before tax of RM184.6 million compared to a loss before tax in 2021 of RM1,040.9 million. Revenues had risen by 86.9% year-on-year (YoY) to RM3,127.0 million while a reduction in utilisation fees and better share of results from joint ventures and associates also contributed to the Group's return to the black.

Operations in Türkiye registered a breakthrough achievement, returning a profit before tax of EUR136.7 million, to make 2022 the Group's first profitable year for Türkiye operations, since the pandemic. For operations in Malaysia, loss before tax had narrowed to RM263.2 million, a significant improvement of 66.1% YoY.

The Group's network of airports saw passenger movements increase by more than two-fold with 83.9 million passenger movements in 2022, which was 59.4% of the Group's record-setting level in 2019. While Group-wide domestic passenger movements reached 70.1% of 2019 levels, international passenger movements stood at 47.8% of pre-pandemic levels. Notably, international passenger traffic at SAW had surged past its pre-pandemic volumes, recording growth of 10.4% over and above 2019's figures.

The cost and operational efficiencies that the Group had achieved and sustained from initiatives implemented in the previous two years coupled with fresh initiatives to improve processes and workflows also contributed to the bottom line. Therefore in 2022, although revenues grew by 86.9% YoY, the Group's Core Costs grew by only 15%, a testament to the sustainability of the Group-wide efforts. This resulted in Core Cost per Passenger reducing by 50.5% YoY on the back of operational efficiencies and a larger passenger base.

In addition, from the Group-wide workflow transformation, Malaysia Airports gained RM90.4 million in cost avoidance, streamlined 573 jobs and reduced process time by 2,740 hours.

The Group's non-aeronautical revenues increased by 80.5% YoY to RM1,206.5 million, largely due to better contribution of commercial revenue from operations both in Malaysia and Türkiye.

Although non-aeronautical revenues grew as passenger traffic recovered, we also laid the groundwork to secure premium brands and first-to-market opportunities at the airports.

Sale of duty free and non-dutiable goods in Malaysia through the Group's retail arm, Eraman, had traditionally correlated closely with the level of international passengers. However, in 2022, Eraman's sales per ticket bucked the trend and improved in 2022 to RM280 compared to RM233 in 2019, despite lower passenger numbers in 2022. This was achieved on the back of workflow improvements in floor management capabilities and cost efficiencies from redeployment of staff to retail and F&B outlets to match demand.

In our operations in Türkiye, duty free rental income grew 82.5% YoY to EUR62.6 million, an all-time high. The increase in international passengers in 2022 by 75.1% combined with the efforts of our duty free partner, Dufry, which capitalised on the growth in international passengers through numerous campaigns including cross sales promotions among different F&B outlets, retailers and duty free shops.

In appreciation of the continued trust and support of our shareholders, I am pleased to inform shareholders that the Board has approved a final dividend of 3.91 sen per ordinary share in respect of FY2022.

Malaysia Airports returned to profitability, registering a profit before tax of

RM 184.6 million

compared to a loss before tax in 2021 of RM1,040.9 million

Revenues had risen by

86.9 %

year-on-year to

RM 3,127.0 million

CHAIRMAN'S STATEMENT



We remained true to our values

Our brave ambitions and courageous spirit is backed by the Group's solid track record of governance, reliability and delivering on promises.

In terms of governance, the Board of Directors steered Malaysia Airports through the challenges and opportunities in the year, and worked in tandem with Management. The Board scrutinised proposals from Management thoroughly and deliberated them with all board members freely voicing their opinions and concerns. In this regard, the Board and Board Committees held a total of 46 meetings in 2022. Stakeholders can be assured that the Board is committed in upholding corporate governance principles and a culture of integrity while the Group dealt with the challenges and opportunities associated with the sharp rise in air travel.

We continued to make progress in upholding integrity and implementing anti-corruption measures. On the rollout of the ISO 37001: 2016 Anti-Bribery Management Systems (ABMS) in 2022, three subsidiaries – Malaysia Airports (Niaga) Sdn Bhd, Urusan Teknologi Wawasan Sdn Bhd and K.L. Airport Hotel Sdn Bhd – completed their ABMS manuals and implementation assessments as steps towards formal ABMS certification. Preparation began for next batch of subsidiaries, namely Malaysia Airports Sdn Bhd and MAB Agriculture-Horticulture Sdn Bhd, in drafting their ABMS manuals and documentation. The companies which had already been successfully certified, Malaysia Airports Holdings Berhad and Malaysia Airports (Sepang) Sdn Bhd, were audited and recommended for ABMS recertification indicating their continued fulfilment of the requirements of the ABMS standards.

Additionally, the Group completed the mandatory review of its corporate Anti-Bribery and Corruption Policy Statement to ensure compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the ISO 37001: 2016 Anti-Bribery Management Systems.

The Group also communicated extensively with stakeholders, in particular, members of the public given their eagerness to travel in 2022. We communicated extensively with the public and 3,614,588 followers on social media through mainstream media and our social media platforms. The Group issued a total of 48 news releases in 2022 and 3,214 social media posts focusing on topics of interest to the general public such as the reopening of Malaysia's borders, travel requirements, introduction of new airlines and flight routes, improved airport ranking, and the initiation of the Aerotrain Replacement Programme.

We were pleased that our transformation efforts and solid track record were also recognised by stakeholders. Malaysia Airports' credit ratings by RAM Holdings Berhad and Moody's were reaffirmed at AAA and A3 respectively. Moody's also upgraded its outlook on Malaysia Airports to 'Stable' in August 2022, from 'Negative' previously.

▶ Malaysia Airports' credit ratings were reaffirmed in 2022.

RAM Holdings Berhad
AAA

Moody's
A3 (Stable)

CHAIRMAN'S STATEMENT

In ACI's Airport Service Quality Awards for 2022, KUL had scored 4.99 out of a possible 5.00, while LGK achieved a perfect 5.00 in this year's survey. This placed KUL #9 among global airports of over 40 million passengers per annum (mppa) while LGK was ranked #1 in the 2-5 mppa category. In addition, KUL received awards in all four new categories of the Airport Service Quality Awards, placing it among the top 5% of performers globally in these service quality areas – Airport with the Most Dedicated Staff, Easiest Airport Journey, Most Enjoyable Airport and Cleanest Airport.

In the area of corporate responsibility, our community engagement efforts were recognised with the award for the 'Company of The Year (Aviation & Airport Management) for Excellence in CSR Initiatives' at the Sustainability & CSR

Malaysia Awards 2022. This achievement is testament to Malaysia Airports' effort in transforming the nation's socio-economic landscape through various corporate responsibility initiatives such as the Butterfly Effect programme, #MYAirportCARES Food Aid and Flood Aid, as well as many other programmes that uplift the communities in the areas in which we operate.

In addition, ACI through its Airport Carbon Accreditation programme, had in 2022, renewed Malaysia Airports' Level 3 certification for KUL, following their independent assessment under the global carbon management certification programme for airports. This is an acknowledgement of our efforts in transitioning towards a sustainable, low-carbon future.



We are ready for more

Amidst inspiring brave ambitions, catalysts for future growth had also emerged. Chief among these was the approval in-principle from the Government of Malaysia through a cabinet decision on the material terms of the Operating Agreements for Malaysia Airports to operate, manage, maintain and develop 39 airports and STOLports until 2069. We thank the Government of Malaysia for its continued confidence in the Group's capabilities and experience in managing and operating airports and entrusting us with the management of the nation's gateways.

In November 2022, Malaysia Airports was granted a 99-year lease over 8,537 acres of land in the immediate vicinity of KUL (KLIA Aeropolis Lands) by the Government of Malaysia (GoM). The investor-friendly terms of the lease will strengthen Malaysia Airports' ability to accelerate off-terminal opportunities around KUL and generate long term economic value for the nation.

CHAIRMAN'S STATEMENT

In addition, in February 2023, Malaysia Airports received approval-in-principle for its Subang Airport Regeneration Plan from the Malaysian Cabinet. The regeneration plan positions Sultan Abdul Aziz Shah Airport or Subang Airport as a leading City Airport and Business Aviation Hub in Asia Pacific. The regeneration plan which is centred on three segments – Aerospace Ecosystem, Business Aviation and City Airport – will transform Subang Airport into an integrated mixed development comprising a smart city airport and terminal-linked commercial and high value aerospace industries. This presents a stronger value proposition to foreign aerospace and business aviation operators for establishing their regional operations hub at Subang Airport.

The construction of the second runway at SAW is scheduled to complete in 2023, and the Group looks forward to the expansion of SAW's capacity with new runway going into operations. In this regard, Malaysia Airports would like to thank the Government of Türkiye for undertaking the construction of the new runway. Further, Malaysia Airports would also like to thank the Government of Türkiye for reducing the deferred utilisation fee for the SAW concession for FY2020 by EUR 116.7 million, in recognising the pandemic as a *force majeure* event.



CHAIRMAN'S STATEMENT

OUTLOOK

Looking ahead, there are uncertainties ahead in the global economy as inflation and geopolitical conflict are likely to dampen growth.

However, with China's reopening at the beginning of 2023, there is potential for more rapid growth. The IMF is projecting the global economy to moderate to 2.8% in 2023 as interest rates remain high to fight inflation and the conflict in Ukraine continues to weigh on economic activity.

Bank Negara Malaysia (BNM) expects Malaysia's economy to grow between 4.0% and 5.0% in 2023 amid a challenging external environment but there is potential for higher tourism activity to cushion the slowdown in growth. Türkiye's economic growth is expected to moderate to 2.7% in 2023 as weak external demand and persistent geopolitical uncertainties are expected to weigh the economy.

The International Air Travel Association (IATA) expects the global demand for air travel to reach 85.5% of 2019 levels in 2023, with air travel in Asia Pacific rising to 70.8% of 2019 levels, driven by the easing of travel restrictions and pent-up demand as well as the reopening of China's borders. IATA maintains its forecast for overall demand for air travel to return to pre-pandemic levels by 2024.

In this regard, Malaysia Airports will continue to position itself to sustain its lower cost base and improved efficiencies while seeking opportunities to spur growth and increase revenues.

Thank you

I would like to extend a warm welcome to our newest Board members, Datuk Johan Mahmood Merican who joined the Board on 29 June 2022, as well as Tan Sri Mohamad Salim Fateh Din and Madam Cheryl Khor Hui Peng who joined the Board on 25 July 2022. I would like to note here that with its current composition, the Board comprises a majority of women directors, making Malaysia Airports one of the companies in Malaysia with the highest number of women on the Board.

The Board would also like to thank our former Chairman, YB Senator Dato' Seri Diraja Dr. Zambry Abd Kadir and our former members, Datuk Seri Yam Kong Choy, Datuk Zalekha Hassan and Encik Rosli Abdullah who resigned in 2022. On behalf of the Board, I would like to record our appreciation for their contribution towards the Group. The Board, Management and employees of Malaysia Airports would also like to extend our heartiest congratulations to YB Senator Dato' Seri Diraja Dr. Zambry on his appointment as the Minister of Foreign Affairs of Malaysia.

In addition, the Board wishes to thank our employees who served the Group with dedication and commitment throughout the year. We acknowledge their many sacrifices in the course of discharging their duties and are grateful for their unwavering support.

We also express our sincere appreciation to the shareholders and all other stakeholders, namely our regulators, the various ministries, government agencies, airline partners, retail partners, vendors and other business partners, for their support and contribution in navigating the challenges and opportunities of 2022.

We look forward to 2023, and have started the year with renewed confidence in our ability to create value for stakeholders. We are ready to seize the new opportunities for growth and development while ensuring that our hard fought successes in transforming the Group will be sustained for a brighter future ahead. As custodians of the nation's gateways, we will continue to strive to create long term value for stakeholders as we develop and build a sustainable business for the future.

TAN SRI DATUK ZAINUN ALI
Chairman

MANAGING DIRECTOR'S MESSAGE

**DATO' ISKANDAR MIZAL
MAHMOOD**
Managing Director

2022 WAS A TURNING POINT FOR MALAYSIA AIRPORTS, MARKING OUR RETURN TO PROFITABILITY.

Our operations in Türkiye registered its first profitable year, while the Group demonstrated the outstanding results of efforts to contain core costs and to drive the propensity to generate revenue across its operations.



MANAGING DIRECTOR'S MESSAGE

OVERVIEW

Malaysia Airports began 2022 with eager optimism. The travel industry was eagerly anticipating the return to pre-pandemic ease of travel for Malaysia after more than two years of pandemic restrictions.

At Malaysia Airports, we were ready to put the pedal to the metal, having already put in place the building blocks for the propensity to generate revenue. During the pandemic, we had taken bold action to rethink and future-proof our business. As a result of that, by 2022, Malaysia Airports had emerged from the transformation as a leaner and more efficient entity, with an entrepreneurial mindset, financially strong and a workforce that was intact, engaged and primed for action.

In other words, we were **inspiring brave ambitions** through our strategy so that we can capture opportunities from the improving operating environment, leverage on the foundations we had put in place and make a concerted push to return to profitability. To achieve our goal, we needed to consolidate a strong platform for the propensity for revenue generation on one hand, and on the other hand, sustain and operationalise the lessons and productivity gains from the pandemic.

My colleagues and I are therefore proud that Malaysia Airports registered a profit before tax of RM184.6 million compared to a loss before tax in 2021 of RM1,040.9 million. This was driven by higher revenue of RM3,127.0 million which was 86.9% higher year-on-year (YoY), reduction in utilisation fees and better share of results from joint ventures and associates.

Loss before tax from operations in Malaysia narrowed to RM263.2 compared to a loss before tax of RM777.5 million in 2021, an improvement of 66.1% YoY. Our return to profitability also saw a breakthrough achievement from operations in Türkiye which returned a profit before tax of EUR136.7 million, its first profitable year.

I am pleased to share with Malaysia Airports' stakeholders the highlights of this momentous year, the achievements together with the challenges that we overcame, and how we see the journey ahead.

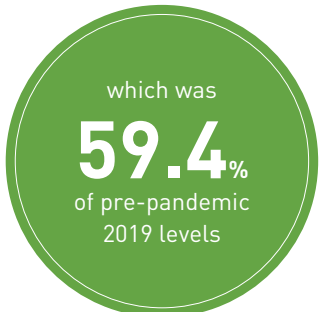
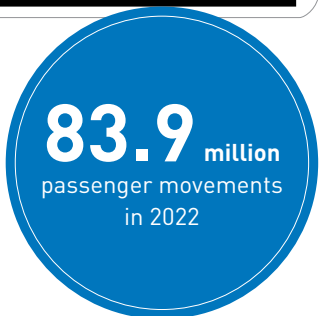
Malaysia Airports' Board of Directors had also approved the payment of a single-tier final dividend of 3.91 sen per ordinary share for FY2022, marking our first dividend payment since FY2019.



THE JOURNEY TOWARDS PROFITABILITY

Aeronautical recovery drove higher revenues

Our network of airports recorded a significant increase in passenger movements by more than two-fold with 83.9 million passenger movements in 2022, which was 59.4% of pre-pandemic 2019 levels. Passenger traffic had grown steadily in the year with December recording the highest passenger movements since February 2020 with 9.5 million passengers, which was 74.1% of 2019 levels. While Group-wide domestic passenger movements reached 70.1% of 2019 levels, international passenger movements stood at 47.8% of pre-pandemic levels. Notably however, international passenger traffic surged higher at Istanbul Sabiha Gökçen International Airport in Türkiye to surpass pre-pandemic numbers, recording growth of 10.4% over 2019's figures.



MANAGING DIRECTOR'S MESSAGE

Driving network connectivity and international routes

Malaysia reopened its international borders in April to international travellers with testing requirements in place, and in the following month, relaxed travel requirements for fully vaccinated travellers, before dropping the remaining travel restrictions in August.

In anticipation of the reopening Malaysia's borders, the Group had accelerated efforts to restore pre-pandemic network connectivity. Focusing primarily on returning current airlines, we established partnerships with strategic airlines to accelerate their operational plans and extended the Network Reconnecting Programme for airlines which had yet to resume operations into our network of airports. The focus remained on markets such as ASEAN, India, the Middle East, Europe and North Asia as China, which was one of our main markets pre-pandemic, remained largely closed for international travel for most of 2022.

As a result, a total of 17 airlines had resumed operations into Malaysia as at end-2022, serving 32 cities around the globe. This includes new foreign services by three airlines – Lanmei Airlines, Kuwait Airways and Spring Airlines. In addition, two new local carriers were launched in the year – SKS Airways and MYAirline. By end-2022, there were 59 airlines operating to 84 international and 35 domestic destinations at all airports managed by Malaysia Airports in Malaysia, compared to 48 airlines to 51 internationals and 32 domestic destinations in 2021.

At SAW, two new airlines – Iraqi Airways and Air Arabia Abu Dhabi – began operations in 2022 while four new international destinations were added to SAW's connections. In addition, the airport's major

airline partners – Pegasus and Anadolu Jet – are utilising bigger A321Neo aircraft with an additional 20% capacity and are utilising their existing landing slots for international routes. The airport is well connected to 110 international and 39 domestic destinations and served by 44 airlines.

Greater cost and operational efficiency

While the recovery of the aeronautical business was a key driver for Malaysia Airports' return to profitability, the unsung heroes were the enhanced cost and operational efficiencies that the Group had achieved. Therefore as revenues grew, the Group continued to sustain significant cost efficiencies from initiatives implemented in the previous financial year together with fresh initiatives to improve processes and workflows. Together with improving revenues, this sped up the Group's recovery in 2022.

First, Malaysia Airports continued to sustain cost efficiencies from prior initiatives. For example, the joint venture with TNB Engineering Corporation Sdn Bhd has enabled the Group to reduce its cooling costs by 37.8% YoY, with chilled water costs reducing by RM36.3 million to RM59.8 million in 2022 from RM96.1 million in 2021. This reduces the per unit cost (RM/kwhR) for chilled water by almost half to RM0.190 in 2022 from RM0.375 in 2021, a 49.3% savings.



The joint venture with TNB Engineering Corporation Sdn Bhd has enabled the Group to reduce its cooling costs by

37.8 % YoY

Chilled water costs reduced by

RM 36.3 million

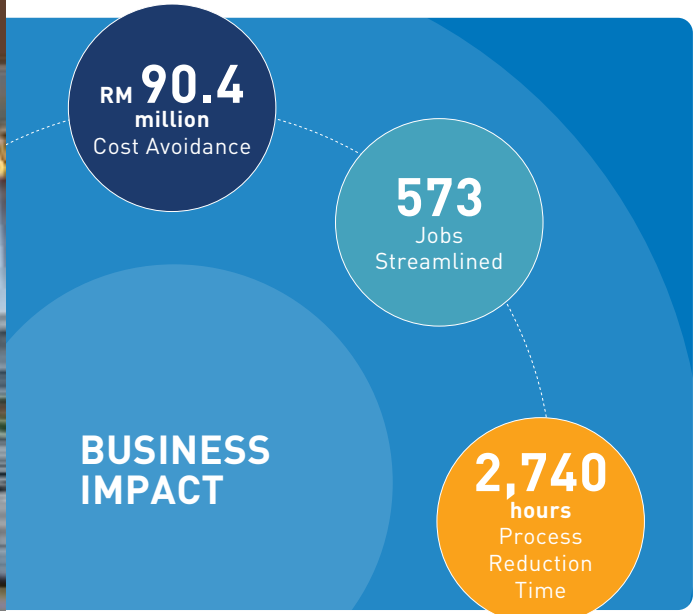
to RM59.8 million in 2022 from RM96.1 million in 2021

MANAGING DIRECTOR'S MESSAGE

Secondly, as business volume grew throughout the year, we shifted our focus from cost containment to achieving cost efficiency through effective management of the Group's assets and workforce. For example, our Engineering team focused on preventive maintenance of equipment and assets in the terminals such as lifts, elevators and people movers to minimise cost as usage rose. The Group used the analytic tools which had been developed to ensure that there was no slack in scheduling our workforce, enabling the reorganisation of our people on the ground to constantly match resource demands through the day.

Thirdly, to enhance efficiency, in 2022, Malaysia Airports initiated a review and reengineering of workflow and processes, thinking outside the box to shorten and simplify our operations while maintaining a high level of governance. In particular, our people reviewed workflows to eliminate non-value added activities such as redundant steps, over-production and extra processing so that the Group can benefit from greater efficiency, productivity and quality.

Through this initiative, Malaysia Airports succeeded in operationalising cost containment, transforming the pandemic measure into a part of the Group's DNA. As a result, Group-wide, we gained RM90.4 million in cost avoidance, streamlined 573 jobs and reduced process time by 2,740 hours.



MANAGING DIRECTOR'S MESSAGE

For example, by eliminating bottlenecks, the tender process for commercial tenants was shortened from six months to approximately 10 weeks, enabling the Group to acquire tenants more efficiently. This has enabled us to speed up the implementation of the on-going Commercial Reset at the airports. At our retail arm, Eraman, we flattened the organisation structure and streamlined the retail floor management process to halve the number of departments, enabling 30% of staff to be redeployed to other areas of operations.

The combined efforts to contain costs and improve efficiency have improved the Group's profitability. In 2022, although revenues grew by 86.9% YoY, Group Core Cost grew by 15%, a testament to the Group-wide efforts. This resulted in Core Cost per Passenger reducing by 50.5% YoY on the back of operational efficiencies and a larger passenger base.

We branded the biometric facial recognition system at KUL as 'EZPaz' and rolled out the solution for Malaysia Airlines' and AirAsia's domestic flights. The system enhances airport security with the use of biometric data and delivers an enhanced seamless experience for passengers as they only need to show their documents once at check-in.

Leveraging on digitalisation

Our digitalisation initiative, Airports 4.0, has enabled Malaysia Airports to leverage the use of technology to rethink and redesign our operations to improve operational efficiency and productivity as well as to strengthen core infrastructure. Digital solutions which enhance the aeronautical business were rolled out to improve efficiency, security and the airport experience, which are building blocks of our aeronautical business.



MANAGING DIRECTOR'S MESSAGE

Among the highlights of the year was EZPaz. We branded the biometric facial recognition system at KUL as 'EZPaz' and rolled out the solution for Malaysia Airlines' and AirAsia's domestic flights. The system enhances airport security with the use of biometric data and delivers an enhanced seamless experience for passengers as they only need to show their documents once at check-in. Subsequently the system's biometric facial recognition capability will identify passengers, eliminating the need for the traditional boarding pass and identification documents at airport checkpoints.

The MYairports mobile app was further enhanced and relaunched. It offers a convenient method for passengers to access a comprehensive range of information and features that assist passengers on their journey through KUL. This includes the EZPaz, the Butterfly Effect for persons with hidden disabilities, flight information and tracking, wayfinding, special assistance information and one-click access to the shopMYairports shopping site.

The Group also kicked off several multi-year digitalisation projects. The Airport Collaborative Decision Making project kicked off with the signing of a Memorandum of Understanding by Malaysia Airports and key stakeholders, namely CAAM, airlines and ground handling companies. The project will enable national aviation players to access and share real time data, and collaborate to improve operational efficiency and process flow at KUL. Other projects include Self Service Bag Drop and the Airport Integrated Security and Safety System which are slated to complete in 2023 and 2024 respectively.

Non-aeronautical revenue boosted

The non-aeronautical segment revenue increased by 80.5% YoY to RM1,206.5 million, largely due to better contribution of commercial revenue from operations both in Malaysia and Türkiye.

For operations in Malaysia, revenue grew from commercial spaces as passenger traffic recovered. In addition, we put in place early groundwork to secure premium brands and first-to-market opportunities at the airports such as Jamie Oliver and Taco Bell, which opened their outlets in January 2023.

Sale of duty free and non-dutiable goods in Malaysia through the Group's retail arm, Eraman, has traditionally correlated closely with the level of international passengers. However, in 2022, the business recovered rapidly with the passenger spending rate by end-2022 outstripping the recovery rate of international passengers, and higher than pre-pandemic levels. Eraman's sales per ticket improved in 2022 to RM280 compared to RM233 in 2019, despite lower passenger numbers in 2022.

This was also achieved on the back of workflow improvements in floor management capabilities and redeployment of staff to retail and F&B outlets to match demand. In addition, Eraman worked closely with partners to ensure that products were restocked promptly while managing increased freight costs to overcome supply chain issues as passengers looked to release pent-up demand for travel retail products.

In our operations in Türkiye, duty free rental income grew 82.5% YoY to EUR62.6 million, an all time high. This was mainly driven by the increase in international passengers by 75.1% combined with the efforts of our duty free partner, Dufry, which capitalised on the higher proportion of international passengers and the implementation of numerous campaigns including cross sales promotions among different F&B outlets, retailers and duty free shops.

Duty free rental income at SAW grew

82.5 % YoY

Proactive financial management

Proactive financial management has also improved Malaysia Airports' bottom line. In 2022, the Group raised RM800 million Senior Sukuk across two tranches, through its Sukuk Wakalah Programme, to take advantage of the prevailing benign interest rate environment at the time of issuance. With both tranches oversubscribed, the issuance of the RM500 million tranche closed at a 3.79% coupon rate while the coupon rate for the remaining RM300 million was 3.98%. The funds was used to retire debt with a coupon rate of 4.68%, resulting in the average funding rates for ringgit debt moving down from 4.53% to 4.29%.

MANAGING DIRECTOR'S MESSAGE

Utilisation fees reduced

We would also like to express our sincere thanks to the Government of Türkiye for reducing the deferred utilisation fee for the SAW concession by EUR 116.7 million. When the pandemic hit in 2020, the Government had initially agreed to defer the payment of the utilisation fee for that year. With the agreed fee reduction, this cushions the impairment charge that the Group had made for the concession in FY2020. The Group has paid the remaining deferred utilisation fee together with interest amounting to EUR120.2 million in December 2022.

Better share of results from joint ventures and associates

Our share of joint venture profits was RM12.2 million in 2022, compared to losses of RM7.3 million in 2021. This was largely due a turnaround at Segi Astana Sdn Bhd which contributed a share of profits of RM4.1 million compared to losses of RM15.0 million the previous year. Airport Cooling Energy Supply Sdn Bhd returned a slightly higher share of profit of RM8.1 million as compared to RM7.7 million in 2021.

The share of results from associates recorded a profit of RM16.8 million, an improvement of RM22.0 million compared to losses of RM5.2 million recorded in 2021. This includes share of profits from MFMA Sdn Bhd, Kuala Lumpur Aviation Fuelling System Sdn Bhd and Alibaba KLIA Aeropolis Sdn Bhd of RM17.7 million, RM6.3 million and RM2.9 million respectively. However, this was offset by the share of losses from Cooling Energy Supply of RM10.1 million.

A SOLID FOUNDATION FOR FUTURE GROWTH

Inspiring brave ambitions also sums up our approach for 2023 and beyond, as the Group continues to lay a solid foundation for future growth.

Operating Agreements approved in-principle by Government

In February 2023, Malaysia Airports obtained approval in-principle from the Government of Malaysia (GoM) through a cabinet decision on the material terms of the Operating Agreements (OA 2023) to operate, manage, maintain and develop 39 airports and STOLports until 2069.

We thank the Government of Malaysia for its confidence in Malaysia Airports' capabilities and deep experience in managing and operating airports locally and internationally while affirming the airport network framework and cross-subsidisation model. This model will enable Malaysia Airports to operate underserved essential community airports and STOLports, and at the same time, enhance airport capacity where needed and provide better airport service levels as a whole.

The new framework gives Malaysia Airports the flexibility to invest and reinvest in the modernisation and development of viable airports under fair and conducive commercial terms with a clear investment return mechanism. This will ensure commercial sustainability and facilitate growth for the nation's airports which are an important economic development lever for Malaysia.

Under the OA 2023 framework, there is flexibility in funding airport development costs – using Government development expenditure allocations or by Malaysia Airports employing a suitable investment recovery model mechanism which the parties and the Government may agree to for each relevant project. An Airport Development Fund will also be established to receive contributions from airport users, including 50% of the Passenger Service Charge component of the User Fee collected by Malaysia Airports. The Airport Development Fund is regulated under the Financial Procedures Act 1957.

In addition, the Government retains the right to restructure the airport industry through clustering, carving out, divestment of airports, closure of existing airports or terminals or the restructuring of the ownership of any of the facilities, subject to mutual agreement with Malaysia Airports.

MANAGING DIRECTOR'S MESSAGE

Strategic off-terminal development at KUL and SZB

In November 2022, Malaysia Airports was granted a 99-year lease over 8,537 acres of land in the immediate vicinity of KLIA demarcated as KLIA Aeropolis Lands by the Government of Malaysia. The executed Development Agreement and Land Lease Agreement with the GoM and Federal Lands Commissioner gives rights to its subsidiary, KLIA Aeropolis Sdn Bhd, to plan and develop the KLIA Aeropolis Lands. The investor-friendly terms of the lease will strengthen Malaysia Airports' ability to accelerate off terminal opportunities around KUL which generate long term economic value for the nation, by way of injecting catalytic projects and creating vibrancy at KLIA Aeropolis.

Malaysia Airports received approval-in-principle for its Subang Airport Regeneration Plan from the Cabinet in early February 2023, which will position the Sultan Abdul Aziz Shah Airport or Subang Airport as a leading City Airport and Business Aviation Hub in Asia Pacific. The regeneration plan, centered on three segments namely Aerospace Ecosystem, Business Aviation and City Airport, will see the transformation

of the Subang Airport into an integrated mixed development of a smart city airport together with terminal-linked commercial and high value aerospace industries. The development will also integrate seamless air-rail-road connectivity, enhancing the attractiveness and creating vibrancy for the Subang Airport and its surrounding area. This provides a stronger value proposition to foreign aerospace and business aviation operators for establishing a regional operations hub at Subang Airport.

Upgrading of SZB and PEN

The Government of Malaysia has also stated its intention to upgrade the SZB and Penang International Airport (IATA Code: PEN) in the Budget 2023 speech. By expanding the capacity of SZB and PEN, the Government plans to support investment, tourism and business opportunities at and around these strategically located airports.

Studies for the expansion of PEN has been completed while plans for SZB will be submitted to the Government in 2023.



MANAGING DIRECTOR'S MESSAGE

Replacement of critical assets

The Group has begun its replacement of the Automated People Mover at KLIA Terminal 1, which is known as the Aerotrain. Phase 1 of the project, being the design work started in March, and the project is expected to complete in 2025. In the meantime, a round-the-clock bus service shuttles passengers between the terminal's contact pier and the satellite terminal. The contract for replacement of the Baggage Handling System at KLIA Terminal 1 was awarded in October.

Both the Aerotrain and Baggage Handling System are ageing assets which have been in operation since the airport commenced operations in 1998. As they are critical for smooth operations at the airport, the replacement of these assets will improve Malaysia Airports' ability to provide quality service to its stakeholders.

Improved guest experience

My colleagues and I are also proud of the recognition in 2022 we have received from Airports Council International (ACI) in its annual Airport Service Quality (ASQ) Awards. The annual awards recognise airport excellence in customer experience worldwide based on data from ASQ's surveys of passengers at close to 400 participating airports in 95 countries.

Overall, KUL scored 4.99 out of a possible 5.00, while LGK achieved a perfect 5.00 in this year's survey. This placed KUL #9 among global airports of over 40 million passengers per annum (mppa) while LGK was ranked #1 in the 2-5 mppa category.

In addition, KUL received awards in all four new categories of the ASQ Awards, placing it among the top 5% of performers globally in those service quality areas. They are:

- Airport with the Most Dedicated Staff - for the efforts by key stakeholders and staff across different checkpoints
- Easiest Airport Journey - for performance on the travellers' ease of going through the airport
- Most Enjoyable Airport - for offerings (restaurants, shops, entertainment) and efforts to make the waiting time enjoyable and comfortable
- Cleanest Airport - for overall cleanliness, an element that is key to the satisfaction of passengers

This is testament to the unrelenting focus that all of us at Malaysia Airports together with airport stakeholders have placed on improving customer experience throughout our network of airports, and the many improvements that we have achieved together.

Capitalising on opportunities at SAW

We will follow through on SAW's first profitable year in 2022, and pursue its strong growth opportunities. With the completion of the Pendik-Sabiha Gökçen Metro station, which is connected to the terminal building, the airport is set to capitalise on its convenient metro link to downtown Istanbul. In addition, the construction of the airport's second runway which is funded by the Government of Türkiye is targeted for completion in 2023. We therefore see immense potential in future growth at SAW.

MANAGING DIRECTOR'S MESSAGE

VALUES REMAIN CONSTANT DESPITE THE SEA OF CHANGE

In a nutshell, 2022 was a year that Malaysia Airports demonstrated fast-paced advancement. Simultaneously, the Group consolidated a strong platform for the propensity for revenue generation and also demonstrated that it could operationalise and sustain the positive impact of lessons learnt from the pandemic. We are today more resilient, more united, more entrepreneurial and more nimble.

However, amidst the sea of change, Malaysia Airports has remained united and steadfast in its mission. There will be no change in our focus on our stakeholders who remain at

the heart of all our innovations and improvements. While we emerge from the toughest days in our corporate history, our unwavering commitment never to compromise on the safety and well being of our stakeholders remains unchallenged.

Our employees also continue to be our most valuable asset, as we had demonstrated by our policy of no pay cuts and retrenchments during the pandemic. As a result, Malaysia Airports has a highly engaged workforce which has been instrumental in enabling the Group to ramp up our operations in 2022.

HEARTFELT THANKS AND GRATITUDE

It is my privilege to welcome back Tan Sri Datuk Zainun Ali as Chairman of Malaysia Airports. She has had a distinguished career in the judicial and legal service as well as on the bench where she retired as a Federal Court judge. She also currently sits as a judge in the Administrative Tribunal of the Islamic Development Bank of Jeddah and is a registered arbitrator at the Asian International Arbitration Centre. Tan Sri Datuk Zainun is a member of the Advisory Board of the United Nations Global Judicial Integrity Network, and is the Deputy Chairman of the Enforcement Agency Integrity Commission.

I would also like to extend the Group's heartiest congratulations to YB Senator Dato' Seri Diraja Dr. Zambry Abd Kadir, the former Chairman of Malaysia Airports, on his appointment as Malaysia's Minister of Foreign Affairs. The Group would like to thank him for his leadership as we navigated the most difficult years of Malaysia Airports' corporate history.

I would like to thank our Board of Directors for their guidance and stewardship at the helm of Malaysia Airports, and for their leadership, support and wise counsel in enabling us to

forge ahead and pursue our brave ambitions. I would also like to thank my colleagues for their commitment, dedication and courage, and for their many sacrifices throughout 2022.

My sincere gratitude also goes to all our stakeholders – the Governments of Malaysia and Türkiye, our regulators, the various ministries, government agencies, airline partners, retail partners, vendors and other business partners as well as our shareholders for their support.

I am confident that the spirit of mutual cooperation and support between Malaysia Airports and its stakeholders that has inspired us to pursue brave ambitions in 2022 will hold us all in good stead for the future. As we chart a path forward together, I look forward to working closely with all of you in 2023 and beyond.

DATO' ISKANDAR MIZAL MAHMOOD
Managing Director

OPERATING ENVIRONMENT AND OUTLOOK

UNDERSTANDING OUR OPERATING ENVIRONMENT

Malaysia Airports' business performance is impacted by internal and external factors in our operating environment such as market trends, regulatory landscape and stakeholder expectations. As such, we monitor the operating environment closely as a key step to determine our strategy, capture new opportunities, mitigate emerging risks and prioritise material matters.

ECONOMIC CONTEXT

STRATEGIC THEMES

Driving Aeronautical Recovery, Rejuvenating Commercial and Retail Business, Strengthening International Business, Accelerating Off-Terminal Opportunities

DESCRIPTION


The International Monetary Fund (IMF) estimates that global economic growth in 2022 moderated to 3.4%, compared to 6.2% in 2021. This moderate growth is due to countries adopting monetary policy measures in response to elevated inflation due to the impact of the Ukraine war as well as the aftermath of pandemic-related lockdowns and supply chain disruptions.

Despite the challenging global economic conditions, the Malaysian economy grew by 8.7% in 2022 compared to 3.1% in 2021, according to Bank Negara Malaysia (BNM). This was contributed by the full upliftment of containment measures, resilient growth in exports, revival of tourism activity as well as continued policy support.

Meanwhile, Türkiye's economic grew by 5.6% in 2022, mainly driven by strong export as well as private consumption from favourable labour market developments and credit conditions.

OUR RESPONSE

- Drive aeronautical and non-aeronautical revenue to improve business performance.
- Revitalise commercial offerings and spaces at airports to enhance non-aeronautical revenue and improve passenger experience.
- Improve retail profile and offerings by rejuvenating Eraman's brand and outlets.
- Tap new opportunities and unlock additional revenue streams.
- Enhance Aeropolis development and unlock revenue potential around KUL and SZB.

 For more information on Our Response, please refer to the Strategy section on pages 60 to 66 of this <IR>

OUTLOOK

The IMF is projecting the global economy to moderate to 2.8% in 2023 as the rise in central bank rates to fight inflation and Russia's war in Ukraine continue to weigh on economic activity. The rapid spread of COVID-19 in China dampened growth in 2022, but the recent reopening has paved the way for a faster-than-expected recovery.

Amid a challenging external environment, BNM expects Malaysia's economy to grow between 4.0% and 5.0% in 2023, supported by firm domestic demand. In addition, further improvement in labour market conditions, continued implementation of multi-year investment projects and higher tourism activity are expected to support private consumption and investment growth.

Meanwhile, Türkiye's economic growth is expected to moderate to 2.7% in 2023 as weak external demand and persistent geopolitical uncertainties are expected to weigh on investment and export growth. Private consumption is also expected to slow as inflation impacts the household purchasing power.

OPERATING ENVIRONMENT AND OUTLOOK

AIR TRANSPORT SECTOR

STRATEGIC THEMES

Driving Aeronautical Recovery, Rejuvenating Commercial and Retail Business, Strengthening International Business, Accelerating Off-Terminal Opportunities

DESCRIPTION

According to the International Air Transport Association (IATA), the global demand for air travel in 2022 has recovered to 70.6% of 2019 levels, driven by strong pent up demand as globally, more countries have reopened their borders and lifted travel restrictions.


Overall, the global demand for air travel continued to be driven by the recovery of domestic travel, reaching 79.6% of 2019 levels in 2022. In addition, the demand for international travel has recovered to 62.2% of 2019 levels in 2022 following the border reopening of international routes throughout the year.

Meanwhile, the demand for air travel in Asia Pacific has lagged other regions at 44.3% of 2019 levels as recovery was held back by delayed reopening in North Asia in particular due to the lockdowns and other pandemic-related restrictions in China.

Despite the slow recovery in Asia Pacific, passenger traffic in Malaysia performed better than the regional average and reached 50.0% of 2019 levels in 2022 following the full reopening of borders to international travellers from 1 April.

OUR RESPONSE

- Ensure the continuous operations of all airports within the Group to maintain domestic and international air connectivity for travel and trade.
- Facilitate the resumption of international travel following the full reopening of the Malaysian borders to international travellers on 1 April 2022.
- Catalyse traffic recovery and enhance network connectivity.

 For more information on Our Response, please refer to the Strategy section on pages 60 to 66 of this <IR>

OUTLOOK

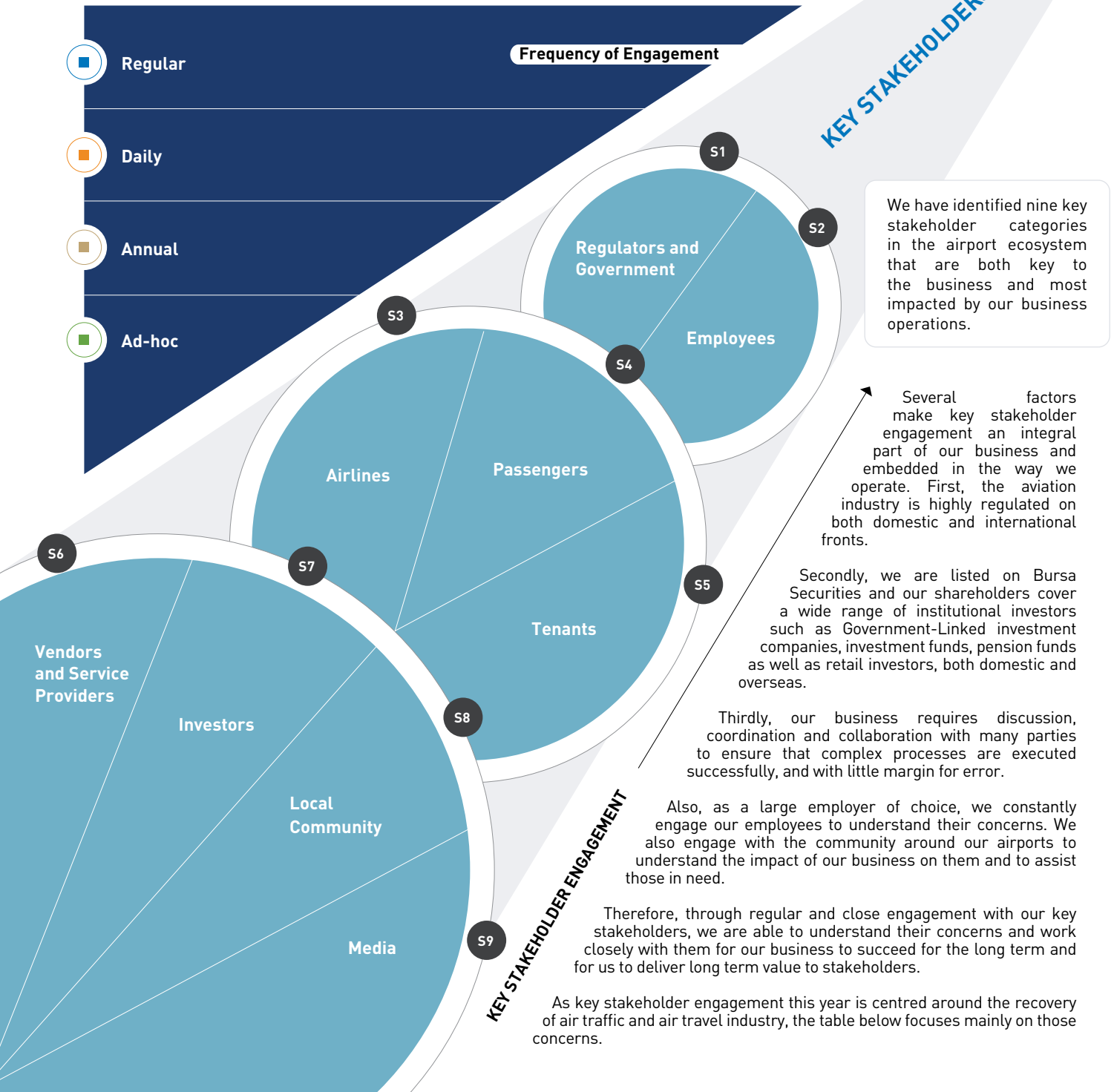
The recovery of demand for air travel in 2023 will continue to depend on further easing of travel restrictions, airlines sustainability and their financial ability, containment of new COVID-19 variants as well as the economic conditions that have recently impacted the global economy.

IATA expects the global demand for air travel to reach 85.5% of 2019 levels in 2023. Demand for air travel is also expected to improve in Asia Pacific and recover to 70.8% of 2019 levels, driven by the easing of travel restrictions and pent-up demand. In addition, China's decision to reopen its borders and allow its citizens to travel internationally from 8 January 2023 is expected to provide further uplift to the outlook.

In the long term, IATA maintains its forecast for overall demand for air travel to return to pre-pandemic levels by 2024. Domestic travel is expected to lead the recovery and reach 2019 levels much earlier than international travel.

STAKEHOLDER ENGAGEMENT

The airports business operates in an ecosystem involving multiple stakeholders. While each stakeholder has its roles and responsibilities, there is a high level of interdependence among airport stakeholders. Stakeholders often work in tandem to ensure safety, efficiency and service quality across a broad range of airport operations and collaborate to address ESG concerns. As such, stakeholder engagement very much an essential aspect of Malaysia Airports' business.



STAKEHOLDER ENGAGEMENT

S1

Regulators and Government

- Engagement sessions, face-to-face and meetings, and dialogue sessions
- Consultation sessions on regulatory matters

| Areas of Interest | Our Response | Link to Material Matters |
|---|--|--|
| Regulatory compliance | <p>Conducted regular audits, inspections and consultations on the Quality of Service framework.</p> <p>Carried out engagements and discussions with regulators on the finalisation and direction of the Operating Agreements, KLIA Development Agreement and Land Lease Agreement.</p> <p>Adhered to industry standards and obtained certifications.</p> <p>Adhered to international and national laws, regulations, and best practices.</p> <p>Worked closely with government agencies to implement the Malaysian National Security Council’s SOPs and facilitate the Langkawi Travel Bubble (domestic and international), Vaccinated Travel Lane by Air.</p> <p>Worked closely with Ministry of Transport and other agencies to prepare for the reopening of Malaysia’s international borders.</p> | <p>M1 M4 M7 M8 M9</p> <p>M11 M17 M18 M19 M20</p> |
| Airport competitiveness | <p>Provided support to Ministry of Transport for the development of the National Airport Strategic Plan to ensure robust strategic direction for the airport system in Malaysia.</p> <p>Provided support for the National Airport Consultancy Committee meetings</p> | |
| Infrastructure development | <p>Maximised land bank through landside off-terminal development initiatives around KUL and SZB.</p> <p>Leveraged technology for airport operations.</p> | |
| Environmental and Climate Change | <p>Engaged in environmental monitoring.</p> <p>Adhered to local and national environmental regulations on energy, noise, water and effluent, air quality and waste management.</p> <p>Conducted noise contour and impact surveys.</p> <p>Obtained the renewal of KUL’s Level 3 Airport Carbon Accreditation.</p> <p>Continued to support Malaysia’s renewable energy agenda through the production of solar power at KLIA Terminal 2, KUA, LGK, MKZ and PEN.</p> | |
| Licensing | <p>Obtained Aerodrome Operator Licenses from the Malaysian Aviation Commission (MAVCOM) and Aerodrome Certification from the Civil Aviation Authority of Malaysia (CAAM).</p> | |

STAKEHOLDER ENGAGEMENT

S2

Employees

- Town halls, engagement sessions
- Focused group discussions on targeted issues
- Employee performance review

| Areas of Interest | Our Response | Link to Material Matters |
|---|---|---------------------------------------|
| Employee health and safety and wellbeing during and post COVID | <p>Established a Vaccination Centre at KUL to facilitate COVID-19 vaccination and booster shots for employees and airport community.</p> <p>Implemented the use and provided supplies of masks, faceguards, and goggles where necessary.</p> <p>Put in place a work-from-home rotation schedule.</p> <p>Engaged with employees on COVID-19 matters through the COVID-19 portal.</p> <p>Provided fitness and childcare facilities at HQ.</p> | <p>M3 M4 M6 M8 M12</p> <p>M13 M14</p> |
| Workplace safety during and post COVID | <p>Revised Occupational Health and Safety Policy and Procedures to reflect COVID-19 safety measures implemented.</p> <p>Obtained certification under ISO 45001 Occupational Health and Safety Management System: Corporate Office and MA (Sepang).</p> <p>Decontaminated and sanitised work and common areas.</p> <p>Supplied alcohol-based sanitisers.</p> | |
| Job security | <p>There were zero retrenchments and zero salary cuts.</p> | |
| Corporate integrity | <p>Committed to the Malaysian Government initiated Integrity Pact.</p> <p>Put in place a Code of Ethics and Conduct, a Whistleblowing Policy, the Malaysia Airports Integrity Plan and our Corruption Risk Management System and Policies.</p> <p>Conducted a Corporate Integrity System Assessment.</p> <p>Conducted Integrity Perception Surveys.</p> | |
| Employee engagement | <p>Conducted townhalls, walkabouts, 'Let's Connect Session' engagements, internal communications and union engagements.</p> | |
| Training and career development | <p>Accelerated Learning and Development via online learning programmes.</p> | |

STAKEHOLDER ENGAGEMENT

S3

Airlines

- Regular meetings and face-to-face discussions
- Airline operating committees
- Local carrier airlines meeting
- Security facilitation meeting
- Foreign carrier airlines meeting
- Feedback surveys

| Areas of Interest | Our Response | Link to Material Matters |
|--|--|--|
| Innovation and technology advancement | <p>Implemented Network Reconnecting Programme to encourage carriers to resume flying into Malaysia and re-establish network connectivity.</p> <p>Engaged airlines and communicated 'Airports 4.0' initiatives.</p> <p>Leveraged technology: EZPaz single-token travel which utilises biometrics for improved efficiency and passenger and airline crew safety.</p> | <div style="display: flex; justify-content: center; gap: 10px;"> M1 M7 M8 </div> |
| Airport safety | <p>Continued to engage airlines and airport community via the KUL COVID-19 Committee.</p> <p>Carried out frequent Runway Safety inspections and Runway Safety Team meetings.</p> <p>Completed 72 Aerodrome Emergency Exercises including 12 full-scale exercises</p> <p>Carried out regular safety and emergency simulation exercises by Airport Fire and Rescue Service.</p> <p>Conducted Foreign Object Debris walkabouts.</p> | |
| Terminal and building infrastructure | <p>Continued critical upgrading works such as the replacement of the Aerotrains and Baggage Handling System.</p> | |

STAKEHOLDER ENGAGEMENT

S4

Passengers

- Airport Service Quality surveys
- Social media
- MAVCOM Quality of Service audits
- Customer Feedback Management

| Areas of Interest | Our Response | Link to Material Matters |
|---|--|--------------------------|
| Airport service quality and experience | <p>Enhanced e-commerce platforms, #shopMYairports and shop@SAW in Malaysia and Türkiye respectively, to provide a seamless and contactless shopping experience and enable tenants to reach non-travellers.</p> <p>Established private health screening facilities at the airports to provide more screening options to passengers.</p> <p>Used the Airport Service Quality Benchmarking Programme to measure airport service quality at selected airports.</p> <p>Complied with the MAVCOM's Quality of Service framework.</p> <p>Improved digital processes which include EZPaz, self-baggage-drop facilities, self-check-in kiosks, Passenger Reconciliation System, use of biometrics for improved efficiency and passenger experience.</p> | <p>M1 M7 M8</p> |
| Customer service | <p>Provided the public with updates via social media and the MYairports app.</p> <p>Engaged with passengers through Airport CARE Ambassadors.</p> <p>Maintained the Customer Affairs and Resolution Excellence Feedback Management System to manage and respond to feedbacks and queries.</p> <p>Implemented cashless payment services for increased customer convenience.</p> | |
| Cleanliness | <p>Completed washroom refurbishments and renovations at KUL.</p> <p>Introduced 'Adopt A Washroom' programme that in which management personnel volunteer to oversee certain washrooms to ensure their cleanliness.</p> | |
| Communication and announcements | <p>Provided the public with updates via social media.</p> <p>Provided guests with help and guidance via the Airport CARE InfoCentre at KUL.</p> <p>Produced online 'Convergence' magazine.</p> <p>Used #MYairportsupdates to provide the public with a convenient way to access our updates on travel restrictions and SOPs.</p> <p>Improved wayfinding signages.</p> | |
| Airport security and safety | <p>Piloted EZPaz driven by facial recognition and biometric technology to improve passengers' journey throughout the airport.</p> | |

STAKEHOLDER ENGAGEMENT

S5

Tenants

- Standard consulting procedure
- Engagements, briefings, one-one communication
- Communication plans and projections

| Areas of Interest | Our Response | Link to Material Matters |
|------------------------------|--|-----------------------------------|
| Airport operator | <p>Practised standard contracting procedure.</p> <p>Provided rebates on rental for premises at the airports.</p> <p>Continued the new rental model for retail tenants as part of an ongoing effort to retain and attract business partners.</p> | <p>M2 M3 M4 M5 M10</p> <p>M16</p> |
| Customer satisfaction | <p>Enhanced the Commercial Reset strategy.</p> <p>Implemented a cashless payment ecosystem for increased customer convenience.</p> <p>Enhanced #shopMYairports, an e-commerce platform that enhances passengers' retail experiences, allows the non-travelling public to purchase duty absorbed goods and supports the recovery of airport retail tenants. Departing international passengers can pre-purchase and pick up their duty-free goods at the airport through this platform as well.</p> | |

S6

Vendors and Service Providers

- Tenders and request for proposals
- Briefing on processes and updates on projects

| Areas of Interest | Our Response | Link to Material Matters |
|----------------------------|--|--------------------------|
| Procurement process | <p>Conducted regular review and adhered to procurement policies, procedures, and guidelines.</p> <p>Implemented e-Procure and automated procurement process to improve efficiency and digitalisation.</p> <p>Briefed vendors on procurement anti-bribery and anti-corruption measures as part of Vendor Integrity programme.</p> | <p>M3 M5 M6 M10</p> |
| Prompt payments | <p>Implemented the Vendor Management System to keep track of procurements and payments.</p> | |

STAKEHOLDER ENGAGEMENT

Investors

S7

■ Analyst briefing sessions

■ One-on-one engagements

| Areas of Interest | Our Response | Link to Material Matters |
|--|---|---|
| Financial returns | Conducted regular review of business and investment plans to match the current and predicted social-eco climate. |  |
| Communication of strategic plan | Implemented a 5-year strategic plan to prioritise a return to profitability after navigating the challenges posed by the pandemic. Put in place measures to improve cost structure and reduce operating cost. | |
| Governance and transparency | Adhered to the Malaysian Code on Corporate Governance. | |
| Company reputation | Published literature and press releases regularly that highlight our activities, awards, and accolades. | |
| Regulatory compliance | Adhered to Bursa Securities' listing requirements. Became a constituent of the FTSE4 Good Bursa Malaysia and FTSE4Good Bursa Malaysia Shariah Index. Incorporated Sustainability Reporting into our annual disclosures. | |
| Financial results | Announced financial results every quarter. | |

Local Community

S8


■ Community engagement

■ Social media

■ Strategic partnerships

■ Website

■ News media

| Areas of Interest | Our Response | Link to Material Matters |
|------------------------------|--|---|
| Corporate citizenship | Continued to give back to the local communities through our Corporate Responsibility Framework which focuses on: Education and Youth Leadership; Community Enrichment and Malaysia Branding. Benefited over 3,200 students from B40 families through #MyAirportCARES and other initiatives. Completed 70 community enrichment programmes around our airports involving 948 employees who clocked up 3,603 volunteer hours. |  |

STAKEHOLDER ENGAGEMENT

S9

Media

- Media briefings/interviews
- Press conferences
- Website and events
- Social media

| Areas of Interest | Our Response | Link to Material Matters |
|--|--|--|
| Environmental, social and governance issues | Issued press releases and conducted press briefings regularly. Practised sound and transparent decision making. | M5 M9 |
| Media relations | Granted media interviews when appropriate and visit media occasionally. | |

MATERIAL MATTERS

Malaysia Airports together with its stakeholders have identified a set of material matters which are significant to the Group's ability to create value for its stakeholders. While the Group continuously manages and monitors its material matters, we report on the top eight matters which have significant impact on our value creation model and influence our business strategy and targets.

MATERIALITY PROCESS

Materiality Assessment

The material matters were initially identified and prioritised in 2018 following a materiality assessment process as described below.

IDENTIFICATION

A comprehensive list of material matters was identified based on a review and analysis and through engagement with internal and external stakeholders.

PRIORITISATION

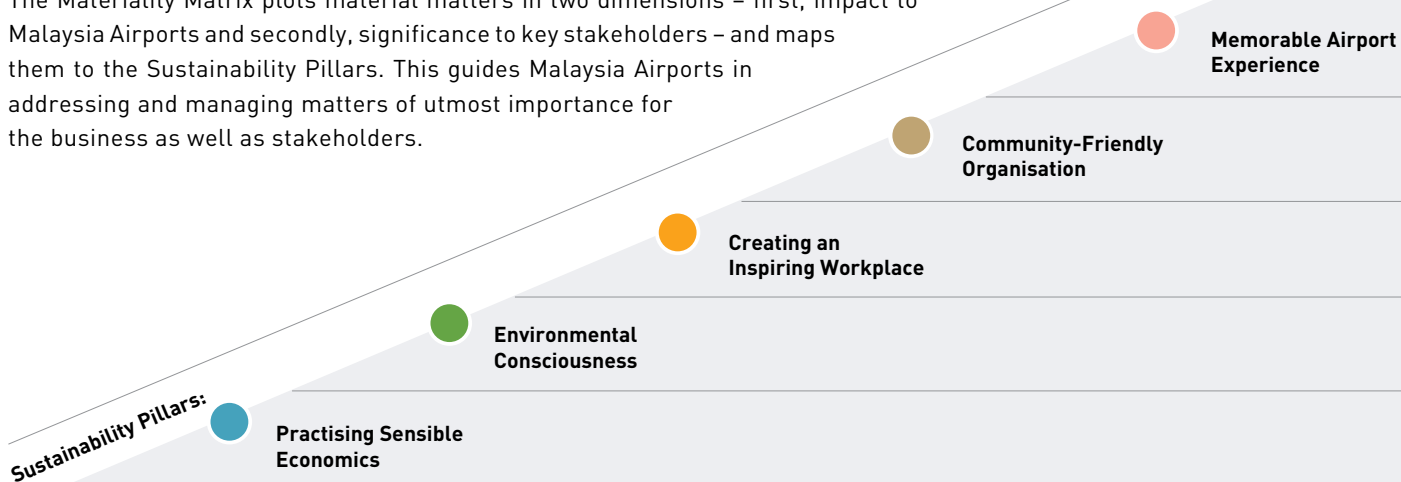
Key representatives of internal stakeholders met to review, discuss and prioritise the identified material matters to form a Materiality Matrix.

VALIDATION

The Materiality Matrix was validated by senior management and approved by the Board.

MATERIALITY MATRIX

The Materiality Matrix plots material matters in two dimensions – first, impact to Malaysia Airports and secondly, significance to key stakeholders – and maps them to the Sustainability Pillars. This guides Malaysia Airports in addressing and managing matters of utmost importance for the business as well as stakeholders.



MATERIAL MATTERS

REVIEW OF MATERIAL MATTERS

In 2022, the Group conducted a validation exercise which encompassed a review of business data and its strategic plan in the light of global megatrends as well as best practice and current developments in sustainability reporting. It also included a comparative analysis of Malaysia Airports' materiality matrix in relation to industry peers. There were no material matters identified for 2022, and as such, the materiality matrix remains unchanged from 2020.

We envisage a more comprehensive review of the material matters in 2023 following the reopening of Malaysia's international borders in April 2022 and as air traffic continues to recover. In light of the Group's shift in strategy in tandem with the changing operating environment, there will likely be new considerations both on the part of the Group as well as that of stakeholders.



MATERIAL MATTERS

AIRPORT CAPACITY

M1

Airport Capacity refers to the airports' ability to cater for increasing passenger traffic and to manage capacity constraints through airport expansion and space optimisation. Airport capacity is an important factor in ensuring operational safety and efficiency, service standards as well as passenger comfort. It is also one of the factors that airlines take into consideration when deciding on route development which impacts Malaysia Airports' earnings and growth.

STAKEHOLDERS INVOLVED

S1 S2 S3 S4 S5 S7 S9

CAPITALS AFFECTED AND TRADE-OFFS:

F I S F
+ + + -

LINK TO STRATEGY AND KEY ENABLERS

- ▶ Strengthening International Business
- ▶ Increasing Efficiency Through Digitalisation

LINK TO UN SDGS



HIGHLIGHTS

Airport expansion projects

Currently, KBR is undergoing expansion to increase its capacity from 1.5 million passengers per annum (mppa) to 4 mppa. The proposed expansion of PEN from 6.5 mppa to 12 mppa is currently in its planning stage.

Space optimisation projects

Space optimisation studies were conducted for airports which were operating beyond capacity pre-pandemic – BKI, IPH, KCH, SBW and TWU. In these studies, we assessed the potential for reconfiguration of existing floor area to alleviate crowding at bottleneck areas such as check-in counters, security screening, immigration checks and waiting lounges as well as increasing capacity within the current floor area. We also considered upgrading the washrooms and other public areas, as well as potentially incorporating Airports 4.0 automation initiatives such as the Single Token EZPaz and the Passenger Reconciliation System.

KEY PERFORMANCE INDICATORS AND TARGETS

The current capacity of all airports under the Group is shown in the section 'Where We Operate' on pages 12 to 13.

MATERIAL MATTERS

TOTAL AIRPORT EXPERIENCE

M2

Total Airport Experience refers to the quality of services delivered to our guests to enhance their airport experience. The positive experience of guests at the airport is shaped by operational excellence and exceptional service by our employees and other members of the airport community. Reporting on these matters enables Malaysia Airports to consider feedback from guests, identify and rectify problems and continuously improve on service quality.

| | |
|--|---|
| <p>STAKEHOLDERS INVOLVED</p> <p>S1 S2 S3 S4 S5 S7 S9</p> | <p>CAPITALS AFFECTED AND TRADE-OFFS:</p> <p>F I S F</p> <p>+ + + -</p> |
| <p>LINK TO STRATEGY AND KEY ENABLERS</p> <ul style="list-style-type: none"> ▶ Driving Aeronautical Recovery ▶ Rejuvenating Commercial and Retail Business ▶ Strengthening International Business ▶ Increasing Efficiency Through Digitalisation | <p>LINK TO UN SDGs</p> <p>8 DECENT WORK AND ECONOMIC GROWTH</p> <p>9 INDUSTRY INNOVATION AND INFRASTRUCTURE</p> <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> |

HIGHLIGHTS

Ranked among global leaders in service quality

KUL scored 4.99 out of 5.00 in the Airport Service Quality (ASQ) survey by Airports Council International (ACI), while LGK returned a perfect score of 5.00. This ranked KUL at #9 in the above 40 mppa category while LGK ranked #1 in the 2-5 mppa category.

In addition, KUL received awards in all four new categories of the ASQ Awards, placing it among the top 5% of performers globally in those service quality areas:

- Airport with the Most Dedicated Staff
- Easiest Airport Journey
- Most Enjoyable Airport
- Cleanest Airport

Taken together with the perfect 5.00 scores achieved by both airports in 2021, this indicates the sustained consistency of high service quality across all 31 of ASQ's indicators despite annual passenger traffic expanding by 533.1% at KUL and 194.2% LGK respectively.

Continued Washroom Improvement Programme

Malaysia Airports completed the washroom refurbishment at both KLIA Terminal 1 and Terminal 2 in early 2022, improving the facilities as well as ambience and comfort level. As washrooms significantly impact guest satisfaction, the Group places high importance sustaining the positive

impact of the refurbishment exercise. The maintenance of the washrooms is closely monitored via an RFID system that tracks the cleaning of the facilities. The Corporate Quality Management Department together with Washroom Adopters, comprising the Group's Management personnel, conduct regular surveillance audits to sustain the high service quality of the washrooms, the results are reviewed by the Washroom Improvement Programme Committee.

Based on the latest available results of MAVCOM's Quality of Service (QoS) framework, both passenger and staff washrooms scored above 96% for most of the inspection months.

Work commences to replace Automated People Mover

The Group has begun its replacement of the Automated People Mover at KLIA Terminal 1, which is known as the Aerotrains. Phase 1 of the project, being the design work started in March, and the project is expected to complete in 2025. In the meantime, a round-the-clock bus service shuttles passengers between the terminal's contact pier and the satellite terminal.

Contract awarded for replacement of Baggage Handling System

The contract for replacement of the Baggage Handling System at KLIA Terminal 1 was awarded in October. This project is to replace the existing Baggage Handling System which has been in operation since the airport commenced operations in 1998.

MATERIAL MATTERS

TOTAL AIRPORT EXPERIENCE

M2

HIGHLIGHTS

Retail and F&B outlets expanded

The Group has recruited new retail and F&B tenants under its Commercial Reset programme, enhancing the customer experience at the airports. The brands that opened airport outlets in 2022 include The Coffee Bean & Tea Leaf, 4Fingers and KyoChon at KLIA Terminal 1 and Costa Coffee at KLIA Terminal 2. Sense of Malaysia, which provides a platform for local artisanal products to be featured at international gateways, opened its first outlet at LGK. The first 4Fingers outlet in Sarawak opened at KCH, making the airport a dining destination for Kuching residents. BKI welcomed the opening

of Noodles, the first outlet in Sabah. McDonald's reopened at PEN with a refreshed outlet design, conveniently located at the kerbside, making it accessible to the public and non-travellers. Two new airport lounges also opened in PEN and KCH for the comfort of the passengers.

Voice of the Customer recognition

In 2021, ACI also awarded both KUL and LGK with the Voice of Customer recognition as airports that have demonstrated significant efforts to gather passenger feedback during the pandemic.

KEY PERFORMANCE INDICATORS AND TARGETS

Airport Service Quality Ranking and Score

| Airport | 2022 | 2021 | 2020 |
|------------|------|------|------|
| KUL | | | |
| Rank | 9 | 1 | 10 |
| Score | 4.99 | 5.00 | 4.98 |
| LGK | | | |
| Rank | 1 | 1 | 20 |
| Score | 5.00 | 5.00 | 4.67 |

Airport Service Quality Scores for Key Indicators - KUL

| ASQ Score | 2022 | 2021 | 2020 |
|---------------------------------|------|------|------|
| Courtesy & helpfulness of staff | 4.99 | 4.99 | 4.90 |
| Comfort of waiting/gate areas | 4.99 | 4.98 | 4.86 |
| Speed of baggage delivery | N/A | 4.97 | 4.71 |
| Waiting time to check-in | 4.98 | 4.94 | 4.87 |
| Waiting time at Passport check | 4.99 | 4.98 | 4.85 |
| Ambience of the airport | 5.00 | 4.98 | 4.91 |

Type of Feedback Received

| Type of feedback | 2022 | 2021 | 2020 |
|------------------|---------------|---------------|---------------|
| Enquiries | 17,315 | 12,782 | 13,884 |
| Lost and Found | 2,022 | 412 | 1,083 |
| Complaints | 1,619 | 227 | 357 |
| Compliments | 561 | 265 | 476 |
| Suggestions | 205 | 50 | 116 |
| Total | 13,736 | 13,736 | 15,916 |

MATERIAL MATTERS

DIGITALISATION

M3

Digitalisation refers to the digital framework encompassing enhancement, capacity development and digital innovations across Malaysia Airports' operations including terminal optimisation, operational efficiency, revenue generation, regulatory compliance and health protection. In the face of the Industrial Revolution 4.0, it is crucial to ensure up-to-date technologies are used to improve efficiency, reduce human error and to redirect resources to critical areas of operations.

| | |
|--|---|
| <p>STAKEHOLDERS INVOLVED</p> <p>S1 S2 S3 S4 S5 S6 S7 S9</p> | <p>CAPITALS AFFECTED AND TRADE-OFFS:</p> <p>F I H S F</p> <p>+ + + + -</p> |
| <p>LINK TO STRATEGY AND KEY ENABLERS</p> <ul style="list-style-type: none"> ▶ Rejuvenating Commercial and Retail Business ▶ Strengthening International Business ▶ Workflow Transformation ▶ Increasing Efficiency Through Digitalisation | <p>LINK TO UN SDGS</p> <p>8 DECENT WORK AND ECONOMIC GROWTH</p> <p>9 INDUSTRY INNOVATION AND INFRASTRUCTURE</p> <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> |

HIGHLIGHTS

Airport Collaborative Decision Making project kicked off

The project kicked off in May and a Memorandum of Understanding was signed in July by Malaysia Airports and the key stakeholders, namely CAAM, airlines and ground handling companies. The project will enable national aviation players to access and share real time data, and collaborate to improve operational efficiency and process flow at KUL.

EZPaz rolled out

The biometric facial recognition system at KUL was rebranded as 'EZPaz' and was rolled out for Malaysia Airlines' domestic flights in April. EZPaz was expanded to include AirAsia's domestic flights in October. The system enhances airport security with the use of biometric data and delivers a seamless experience for passengers as they only need to

show their documents once at check-in. Subsequently the system's biometric facial recognition will identify passengers, eliminating the need for the traditional boarding pass and identification documents at airport checkpoints.

MYairports app enhanced

Our mobile app was further enhanced and relaunched in April. It offers a convenient method for passengers to access a comprehensive range of information and features that assist passengers on their journey through KUL. This includes the EZPaz, the Butterfly Effect for persons with hidden disabilities, flight information and tracking, wayfinding, special assistance information and one-click access to the shopMYairports shopping site.

KEY PERFORMANCE INDICATORS AND TARGETS

| Key Performance Indicators | 2022 | 2021 | 2020 |
|---|----------------|----------------|----------------|
| Total active users | | | |
| MYAirports | 20,687 | 5,992 | 9,411 |
| shopMYairports | 10,139 | 4,764 | 2,752 |
| % of digital sales on shopMYairports over total sales | 4.0% | 6.78% | 0.09% |
| Digital sales volume on shopMYairports | RM10.3 million | RM11.4 million | RM0.46 million |

MATERIAL MATTERS

AIRPORT SAFETY AND SECURITY

M4

Airport Safety and Security refers to the anticipation, recognition, evaluation and control of hazards or threats arising in or from the airport. Safety and security are a major concern because the timely and safe passage of our passengers and the well-being of the airport community rely on stringent safety and security measures being in place.

STAKEHOLDERS INVOLVED

S1 S2 S3 S4 S5 S7 S8 S9

CAPITALS AFFECTED AND TRADE-OFFS:

M I H S F
+ + + + -

LINK TO STRATEGY AND KEY ENABLERS

Increasing Efficiency Through Digitalisation

LINK TO UN SDGS



HIGHLIGHTS

Development of Airport Compliance Protocols

Airport Compliance Protocols for a total of 21 airports have been developed and submitted to the CAAM for their endorsement in February.

Aerodrome Emergency Exercises implemented

Malaysia Airports returned to the pre-pandemic schedule conducting all the targeted 72 Aerodrome Emergency Exercises. These include 12 full scale exercises, 10 partial exercises, 22 virtual tabletop exercises and 28 building fire drills. All relevant external stakeholders were included in the exercises, enhancing the knowledge and readiness towards emergency preparedness.

Replacement of Airport Fire and Rescue Service (AFRS) vehicles

Malaysia Airports initiated a three-year programme in 2021 to replace aging AFRS fire vehicles at the airports as the vehicles were reaching their maximum lifespan. In 2022, 11 fire vehicles were replaced at the following airports - BTU (2), IPH (2), KBR (2), LMN, MKZ, MYY, SDK and TGG.

Recruitment of AFRS personnel

With the rise in air traffic in 2022, Malaysia Airports recruited 57 new personnel to fill AFRS vacancies to maintain requisite levels of AFRS manpower and Rescue and Fire Fighting capabilities. The recruitment of new personnel is in addition to

the internal training and reskilling efforts to redeploy Aviation Security staff to the AFRS in the previous year.

On-going Airport Safety and Security Initiatives Audits and Assessments

Safety Management Systems Assessments and Security Audits were conducted regularly at airports to assess compliance with Standards and Recommended Practices and to identify areas for potential improvement.

KUL Airside Safety Committee meetings

The committee meets quarterly to discuss safety issues at the airside.

Runway inspections and surveillance

On-site inspections were conducted regularly by the Runway Safety Teams to ensure compliance with runway safety SARPs. In addition, Malaysia Airports continues to deploy the Foreign Object Debris Detection System (FODDS) following the installation of high precision FODDS radars at KUL in 2021. This enhances the accuracy and efficiency of runway safety surveillance as the smallest FOD items such as rice grains, pebbles and wildlife can be swiftly detected.

Wildlife strikes

Existing mitigation measures to reduce bird strikes continued to be practised to ensure the incidence rate remained within acceptable level of safety performance.

KEY PERFORMANCE INDICATORS AND TARGETS

Key Performance Indicators

| | 2022 | 2021 | 2020 |
|---|------|------|------|
| Number of Aerodrome Emergency Exercises conducted | 72 | 21 | 11 |
| Percentage of targeted safety exercises completed (%) | 100 | 100 | 12 |
| Number of Safety Management System Certified Airports | 16 | 16 | 16 |

MATERIAL MATTERS

M5

ECONOMIC PERFORMANCE

Economic Performance refers to the economic value generated and distributed by Malaysia Airports. As a public-listed entity, our primary responsibility is to create shared value for our stakeholders. Our economic performance is crucial to the existence of the business and the interests of our stakeholders which include healthy economic returns, continued employment and business opportunities.

| | |
|--|---|
| <p>STAKEHOLDERS INVOLVED</p> <p>S1 S2 S3 S4 S5 S7 S9</p> | <p>CAPITALS AFFECTED AND TRADE-OFFS:</p> <p>F I H S F</p> <p>+ + + + -</p> |
| <p>LINK TO STRATEGY AND KEY ENABLERS</p> <ul style="list-style-type: none"> ▶ Driving Aeronautical Recovery ▶ Rejuvenating Commercial and Retail Business ▶ Workflow Transformation ▶ Strengthening International Business ▶ Accelerating Off-Terminal Opportunities | <p>LINK TO UN SDGs</p> <p>8 DECENT WORK AND ECONOMIC GROWTH</p> <p>9 INDUSTRY INNOVATION AND INFRASTRUCTURE</p> <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> |

HIGHLIGHTS

Generated economic value

In 2022, in line with higher passenger volumes, the Economic Value Generated and Economic Value Distributed were higher than 2021, leading to a positive Economic Value Retained.

Group-wide cost containment measures

Cost containment measures led to Malaysia Airports' total cost reducing by 10.8% YoY or RM98.5 million, despite the increase in passenger traffic by 132.4%. This indicates that

Malaysia Airports has sustained its cost containment despite the increase in passenger traffic.

Bolstered cash position

At end-2022, Malaysia Airports' cash balances and money market investments stood at RM1,939.8 million compared to RM2,311.4 million at end-2021. Cash balances were bolstered by improvement in net cash from operating activities particularly with the improvement in revenues in Malaysia and Türkiye, and sustained core cost containment measures.

KEY PERFORMANCE INDICATORS AND TARGETS

Economic Performance

| | 2022 | 2021 | 2020 | Change 2022 vs 2021 |
|-----------------------------------|----------------|----------|-----------|------------------------|
| | RM 'million | | | % |
| Economic Value Generated | | | | |
| Revenue | 3,415.6 | *1,883.1 | *2,041.0 | 81.4% |
| Economic Value Distributed | | | | |
| Operating costs | (1,231.8) | (915.8) | (1,162.7) | 34.5% |
| Employee wages and benefits | (751.4) | (675.7) | (742.6) | 11.2% |
| Payments to providers of capital | (193.6) | (634.1) | (641.0) | -69.5% |
| Payments to Government | (214.4) | **190.8 | **499.2 | >100% |
| Economic Value Retained | 1,024.4 | (151.8) | (6.1) | >100% |

* The Economic Value Generated includes revenue, other income and share of results of associates and joint ventures

** The distribution to the Government is as a result of tax credits that were largely due to the recognition of the tax recoverable and deferred tax assets

MATERIAL MATTERS

INTEGRITY AND ANTI-CORRUPTION

M6

Integrity and Anti-Corruption refer to upholding ethics and advocating anti-corruption in our everyday conduct across all levels of dealings in the workplace. Corruption in any form has a negative effect on our business and ability to generate value, and also compromises the trust we enjoy in our relationship with stakeholders.

STAKEHOLDERS INVOLVED

S1 S2 S6 S7

CAPITALS AFFECTED AND TRADE-OFFS:

I H F
+ + -

LINK TO STRATEGY AND KEY ENABLERS

Commitment to ESG

LINK TO UN SDGS



HIGHLIGHTS

Anti-Bribery Management System rollout

The implementation of the ISO 37001: 2016 Anti-Bribery Management Systems (ABMS) is rolled out in stages to cover the Group. The participants of Cluster 2 are at preparatory stage - Malaysia Airports (Niaga) Sdn Bhd, Urusan Teknologi Wawasan Sdn Bhd and K.L. Airport Hotel Sdn Bhd. These subsidiaries completed their ABMS manuals during the year and underwent implementation assessments to evaluate the effectiveness, management and readiness of ABMS as steps towards formal ABMS certification.

ABMS training and awareness sessions were also conducted for all subsidiaries to provide information and exposure on ABMS.

Documentation workshops were organised for Cluster 3 participants namely Malaysia Airports Sdn Bhd and MAB Agriculture-Horticulture Sdn Bhd, to prepare them for drafting their ABMS manuals and documentation.

For companies in Cluster 1, Malaysia Airports Holdings Berhad together with MA (Sepang) Sdn Bhd were successfully audited by SIRIM QAS in August 2022 and were recommended for ABMS recertification.

Corruption Risk Assessment

The total number of operations' corruption risk scorecards registered in MAr is 98 and 100% were successfully assessed in 2022. 100% corruption risk assessment and internal controls review of the MAHB Group of companies' operation (excluding foreign operations i.e. ISG and MACS ME).

Online Communications and Training on Anti-Bribery and Corruption

Malaysia Airports has digitalised its annual company-wide pledge. This enables the Group to circulate the pledge online to employees and for employees to acknowledge their Understanding and Compliance to the Anti-Bribery/Corruption laws and regulation, policies and procedures using online means. In addition to the added convenience, the online method offers better tracking and effective monitoring.

Review of corporate Anti-Bribery and Corruption Policy Statement

The Group completed the mandatory review of its corporate Anti-Bribery and Corruption (ABC) Policy Statement to ensure compliance with Bursa Securities' Main Market Listing Requirements and the ISO 37001: 2016 Anti-Bribery Management Systems.

KEY PERFORMANCE INDICATORS AND TARGETS

| | 2022 | 2021 | 2020 |
|--|-------|-------|-------|
| Employees briefed on anti-corruption policies* | 8,454 | 8,943 | 9,313 |
| Number of confirmed incidents of corruption | 0 | 100 | 12 |
| Number of concerns raised through Whistleblowing Programme | 6 | 1 | 20 |

* Management, Executives and Non-Executives

MATERIAL MATTERS

TRANSPORTATION AND CONNECTIVITY

M7

Transportation and Connectivity refer to ground transportation and connectivity for passengers, employees, visitors and suppliers within, to and from the airport. As the airport experience begins before guests even set foot at the airport premises, the ease of getting to the airport is an important factor. The more convenient their journey to the airport, the more likely they will use it.

| | |
|---|---|
| <p>STAKEHOLDERS INVOLVED</p> <p>S1 S2 S3 S4 S5 S7 S8 S9</p> | <p>CAPITALS AFFECTED AND TRADE-OFFS:</p> <p>F M F</p> <p>⊕ ⊕ ⊖</p> |
| <p>LINK TO STRATEGY AND KEY ENABLERS</p> <ul style="list-style-type: none"> ▶ Driving Aeronautical Recovery ▶ Strengthening International Business | <p>LINK TO UN SDGs</p> <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p> <p>17 PARTNERSHIPS FOR THE GOALS</p> |



HIGHLIGHTS

Connection at SAW enhanced
 The metro rail line linking SAW to downtown Istanbul began operations in October providing a fast and convenient connectivity for passengers. SAW is also well connected to downtown Istanbul via highways and is serviced by public transportation including taxis, rental cars, buses and private shuttle buses.

Maintained existing ground network in Malaysia
 The Group has maintained the existing transportation and connectivity network that enables passengers to get to the airports easily. For our main hub at KUL, this includes the Express Rail Link, Light Rail Transit, bus and taxi services, as well as road connectivity for private vehicles through multiple highway links. E-hailing services are also a popular mode of transportation to the airport.

MATERIAL MATTERS

REGULATORY COMPLIANCE

M8

As Malaysia Airports operates within a highly regulated industry, it is imperative that the Group adheres to and complies fully with international and national laws and regulations on aviation as well as regulations promoting environmental, social and governance stewardship.

STAKEHOLDERS INVOLVED

S1 S2 S3 S5

CAPITALS AFFECTED AND TRADE-OFFS:

M I F
+ + -

LINK TO STRATEGY AND KEY ENABLERS

- ▶ Driving Aeronautical Recovery
- ▶ Rejuvenating Commercial and Retail Business
- ▶ Strengthening International Business
- ▶ Accelerating Off-Terminal Opportunities
- ▶ Commitment to ESG

LINK TO UN SDGS



HIGHLIGHTS

Compliance with all applicable laws and regulations

Malaysia Airports has in place a strong governance structure that emphasises adherence to and full compliance with all applicable laws and regulations that relate to all aspects of our operations.

Compliance with new public health measures

In line with prevailing government Standard Operating Procedures (SOPs), Malaysia Airports made the necessary changes to its operations to comply with the SOPs. In addition, to remind airport users of the new regulations, an extensive communications programme was conducted within the airport premises as well as through mainstream and social media to inform the public of the relevant SOPs.

Compliance with anti-competition laws: Malaysia Airports is governed under the provisions of the Malaysian Aviation Commission Act 2015, specifically Part VII of the Act which deals with competition. As the Malaysian Aviation Commission Act 2015 is excluded from the application of the Competition Act 2010, Malaysia Airports is therefore subject to the guidelines issued by MAVCOM relating to Part VII (Competition) of the Malaysian Aviation Commission Act 2015. No legal action was taken against Malaysia Airports for anti-competitive behaviour, anti-trust or monopoly practices in 2022.

KEY PERFORMANCE INDICATORS AND TARGETS

Key Performance Indicators and Targets

| | 2022 | 2021 | 2020 |
|---|------|------|------|
| Number of non-compliance with applicable laws or regulations | None | None | None |
| Amount of fines or non-monetary sanctions in relation to non-compliance | None | None | None |

VALUE CREATION MODEL

OUR POSITION IN THE AIRPORT VALUE CHAIN

Within the airport ecosystem, there are many stakeholders whose roles and responsibilities are often inter-connected and co-dependent.

Malaysia Airports as the airport operator is responsible for the operational safety and security, management and maintenance of the airport. Airport services and facilities are divided into two main sections known as the landside (which encompasses all public areas on airport land such as the terminal and carpark) and the airside (aprons, runways and taxiways). Together the landside and airside cover the passengers' journey from arrival at the airport and all the way until they board the aircraft.

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

Malaysia Airports collaborates with government agencies such as the Immigration Department of Malaysia and Royal Malaysian Customs Department as well as private entities such as airlines and ground handlers at key areas and touchpoints such as check-in, immigration, customs checks, and baggage and ground handling.

Malaysia Airports together with business partners operate a wide range of retail and food and beverage outlets at the airports. In addition, Malaysia Airports also works with transportation providers to provide convenient access for passengers to arrive at the airport by car, taxi, bus and train.

At Malaysia Airports, our vision is to be "A Global Airport Group that Champions Connectivity and Sustainability". We seek to create value for our key stakeholders in a positive and sustainable way.

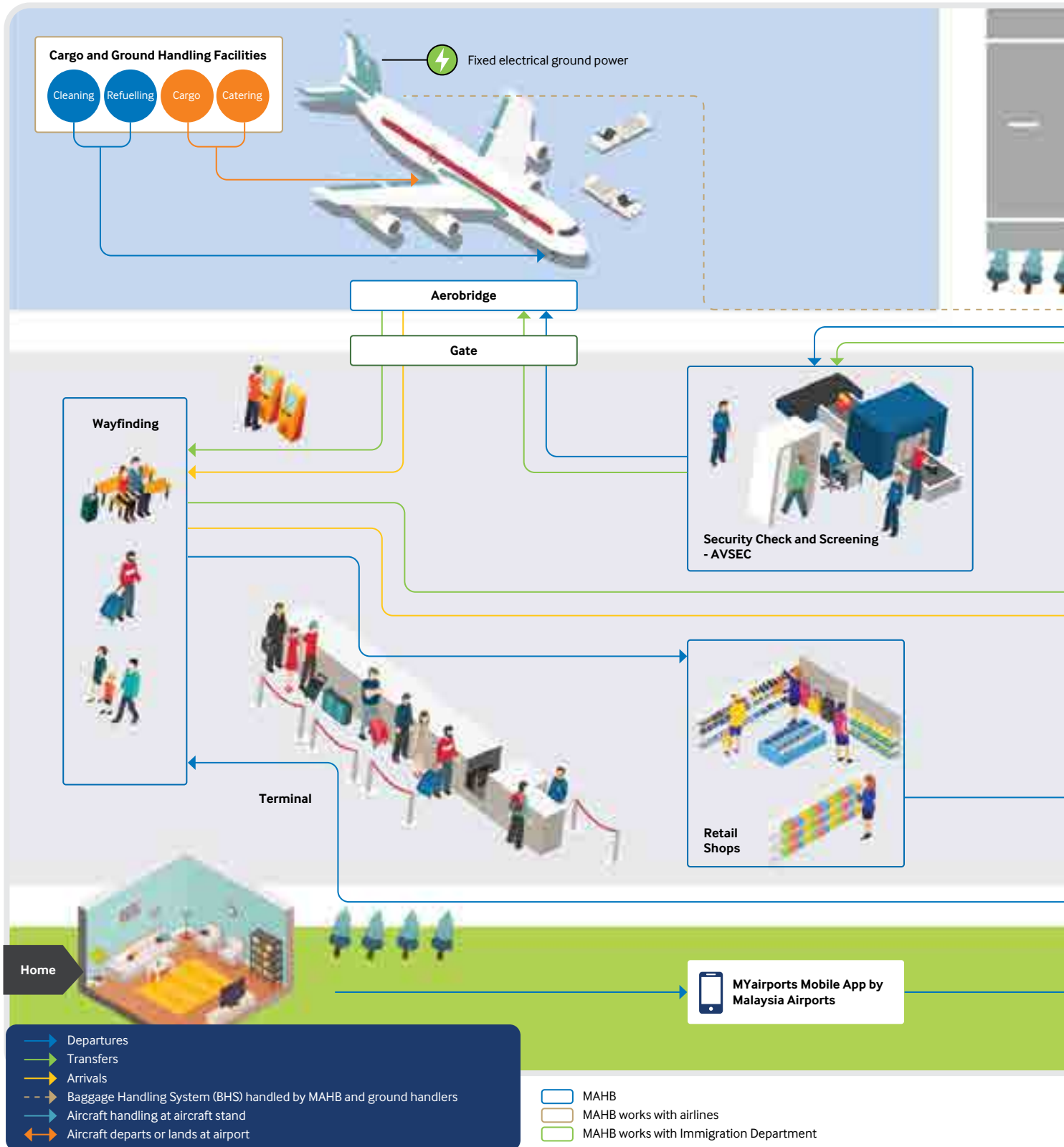
In our value creation model, we take inputs from

OUR SIX CAPITALS

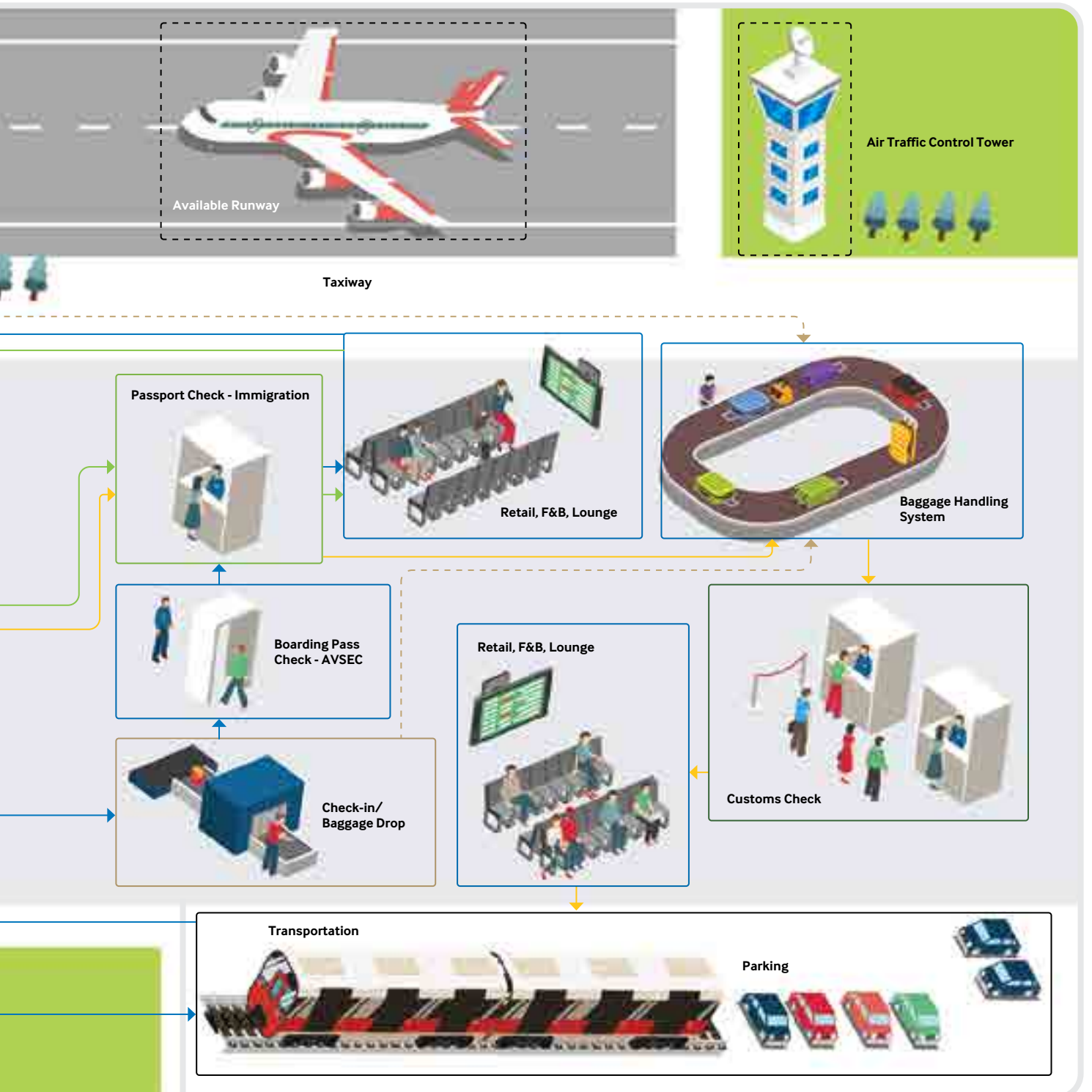
- F** Financial
- M** Manufactured
- I** Intellectual
- H** Human
- S** Social
- N** Natural

We transform them through business activities and interactions to produce outputs and outcomes that over time have the potential to create value for our business and key stakeholders. The operating environment, risks and opportunities as well as feedback from stakeholder engagements are taken into consideration in developing our strategies and action plans towards achieving overall long-term goals, objectives and value creation. Sustainability is embedded in our business as guided by our Sustainability Policy and Sustainability Framework, which are aligned with the United Nations Sustainable Development Goals (SDGs).

VALUE CREATION MODEL



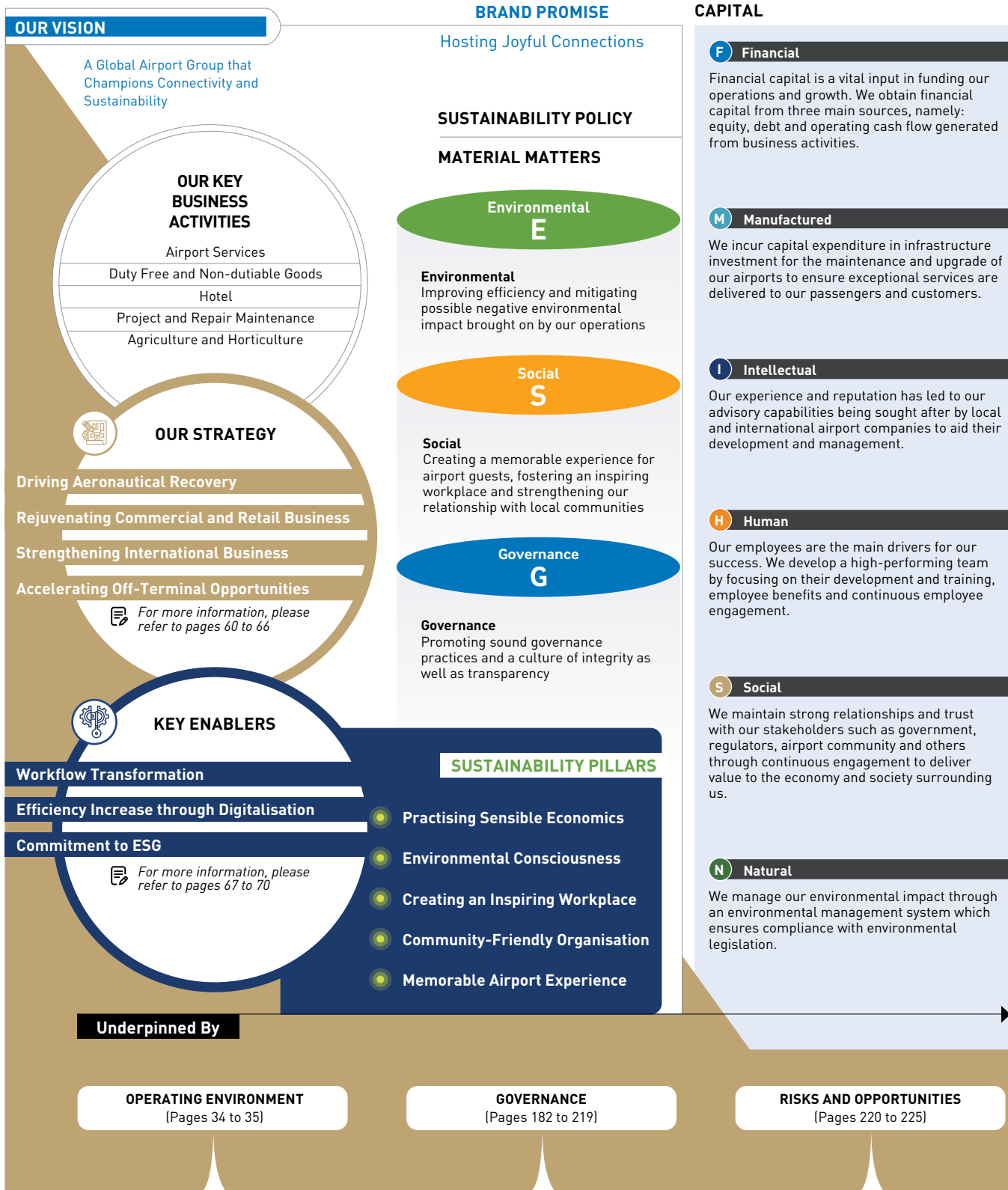
VALUE CREATION MODEL



- MAHB works with ground handlers and airline staff
- MAHB works with Royal Malaysian Customs Department
- MAHB works with CAAM

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

VALUE CREATION MODEL



VALUE CREATION MODEL

OUR INPUT

- Share capital of **RM5,114.3 million**
- Borrowings of **RM5,311.8 million**
- Cash and cash equivalents of **RM1,583.2 million**
- Quoted unit trust and bond investments of **RM728.2 million**

- Terminals, technical facilities, car parks, hotels
- Aprons, taxiways, runways
- **641** retail outlets
- Total investment for property, plant and equipment of **RM1,201.3 million**
- Off-terminal real estate

- Concession rights to operate airports
- IT infrastructure
- Data-driven journey
- Commercial development
- Employee skills and technical expertise
- Stakeholder relationships

- **9,660** employees*
- Customer-centric culture
- Total investment for employee training and development of **RM2.3 million**
- Occupational safety and health

* Includes all subsidiaries

- Proactive engagement and dialogue with stakeholders through a wide range of channels
- Collaborations with stakeholders and government bodies
- Public-private partnerships with government

- Sustainability policy
- Energy management
- Renewable energy
- Waste management
- Noise management
- Biodiversity protection

OUR OUTPUT

- Group Revenue of **RM3,127.0 million**
- Group EBITDA of **RM1,186.3 million**
- Borrowings of **RM4,841.8 million**
- Cash and cash equivalents of **RM1,529.6 million**
- Quoted unit trust and bond investments of **RM410.2 million**

- **85** passenger and cargo airlines
- **744,861** total aircraft movements
- **83.9 million** total passenger movements
- **1,132,952 metric tonnes** total cargo handled
- Retail occupancy rate of **84%** including MA (Niaga) (**81%** excluding MA (Niaga))
- **Aeropolis development** around KUL & SZB

- Efficient business operations
- Safety and security of airports
- Contactless airport technology
- Improved passenger experience
- shopMYairports and shop@SAW e-commerce platforms

- Diversified workforce
- **98.3%** overall retention rate
- **RM751.4 million** spent on employee benefits

- **RM261.3 million** contributed to the government through user fees and taxes
- Brand sentiment score of **0.39**
- Community investment of **RM1.1 million**

- **70.78%* YoY** reduction in carbon emissions
- **20.73% YoY** increase in electricity consumption
- **19,122 MWh** solar power generated
- **4.4%** recycling rate at KUL

* Data is up to FY2021, verified by Airport Council International (ACI) under the Airport Carbon Accreditation (ACA) programme.

OUTCOME FOR OUR STAKEHOLDERS

Investors

- Enhancing shareholder value
- Sustainable growth and earnings

Airlines and Passengers

- High airport connectivity
- Airport Service Quality (ASQ) rank and score
- Enhanced operational efficiency and service levels
- Improved safety and security for enhanced passenger experience
- Enhanced brand equity

Employees

- Highly engaged workforce
- Accountable leaders
- Health, safety and well being of employees

Tenants, Vendors and Local Communities

- Provide affordable transportation connectivity to remote parts of Malaysia
- Contribution to the local economy where we operate
- Provide local employment
- Develop local SME businesses in airports

Regulators and Government

- Contribution to the GDP of the country
- Enhanced health and safety through collaboration with Ministry of Health
- KUL renewed Level 3 Airport Carbon Accreditation certification
- Carbon emission reduction from renewable energy
- Malaysia Sustainable Palm Oil (MSPO) certification for MAAH

STAKEHOLDER ENGAGEMENT
(Pages 36 to 43)

SUSTAINABILITY REVIEW
(Pages 104 to 148)

STRATEGIC PERFORMANCE
(Pages 71 to 103)

INTRODUCTION TO STRATEGY

Malaysia Airports realigned its strategies in 2022 to pivot towards returning to profitability. Emerging stronger from the pandemic, Malaysia Airports is now well positioned to unlock growth opportunities and create value for its stakeholders.

During the COVID-19 pandemic, Malaysia Airports' primary focus was on 'Survival and Recovery' as it faced unprecedented challenges to its business. The Group took immediate and proactive steps in tandem with other airport stakeholders to mitigate the impact of the crisis, ensure financial sustainability, preserve shareholder value, support key business partners and protect the livelihood of its employees. We have also put in place stringent health and safety measures to boost public confidence in the safety of airports, to encourage people to travel in the new normal.

In 2022, we were encouraged by the operating environment and outlook which had evolved following the reopening of borders and loosening of travel restrictions across the globe, especially in Malaysia and Türkiye. In line with the improving business conditions, Malaysia Airports realigned its strategy to transition from the 'Survival and Recovery' phase and pursue a strategy aimed at 'Returning to Profitability'.

'Returning to Profitability' is anchored on four strategic themes namely *Driving Aeronautical Recovery*, *Rejuvenating Commercial and Retail Business*, *Strengthening International Business* and *Accelerating Off-Terminal Opportunities*. Our new strategy is developed by taking into consideration the external environment, risks and opportunities as well as matters that may affect the achievement of strategic objectives and the Group's ability to create value over time.

Three key enablers are also identified that are critical for the success of our strategy - *Workflow Transformation*, *Increasing Efficiency through Digitalisation* and *Commitment to Environmental, Social and Governance (ESG)*.

In the following disclosures, we will discuss in detail all strategic themes and key enablers, each with its own key activities to create value in 2022, short to medium term focus, performance indicators and link to material matters.



OUR STRATEGY

- ▶ **Driving Aeronautical Recovery**
Malaysia Airports focuses to catalyse traffic recovery and enhance network connectivity through strategic collaboration with airlines and other stakeholders.
- ▶ **Rejuvenating Commercial and Retail Business**
Malaysia Airports strives to enhance its non-aeronautical business through the revitalisation of commercial offerings and spaces at its airports as well as the rejuvenation of Eraman's brand and outlets.
- ▶ **Strengthening International Business**
Malaysia Airports aims to strengthen its international presence by exploring opportunities to unlock new revenue streams and improve business performance.
- ▶ **Accelerating Off-Terminal Opportunities**
Malaysia Airports as an economic developer focuses on creating a synergistic airport-aeropolis ecosystem including the master development at KUL and SZB which are aligned to key economic sectors namely Aerospace and Aviation, Air Cargo and Logistics, MICE and Leisure as well as Green and Technology.



KEY ENABLERS

- ▶ **Workflow Transformation**
Malaysia Airports focuses on simplifying and streamlining processes to enhance process efficiencies, optimise costs as well as increase productivity and work quality.
- ▶ **Efficiency Increase through Digitalisation**
Malaysia Airports aspires to transform our airports with leading-edge technological innovations to improve operational efficiency, airport experience as well as safety and security.
- ▶ **Commitment to ESG**
Malaysia Airports continues to strengthen the adoption of Environmental, Social and Governance (ESG) practices and considerations throughout its business to create and deliver long-term value to its stakeholders.

OUR STRATEGY

DRIVING AERONAUTICAL RECOVERY

Malaysia Airports focuses to catalyse traffic recovery and enhance network connectivity through strategic collaboration with airlines and other stakeholders.

STRATEGIC KEY FOCUS AREAS

- 1) Catalyse traffic recovery and enhance network connectivity.

KEY ACTIVITIES TO CREATE VALUE IN 2022

Catalyse traffic recovery and enhance network connectivity

- Extended the Network Reconnecting Programme to facilitate, assist and encourage airlines to resume their services to and from Malaysia.
- Established partnerships with strategic airlines to accelerate their operational plans and improve connectivity.
- Collaborated with Batik Air Malaysia and Firefly to facilitate recovery of operations, hub capacity building as well as establishing local hubs at PEN and BKI to support their route network development.
- Secured commencement of new foreign-based carriers operating into KUL namely Kuwait Airways, Spring Airlines and Lanmei Airlines.
- Focused marketing efforts to attract airlines from key markets namely ASEAN, India, the Middle East, Europe and North Asia while China's borders remain closed throughout the year.

SHORT TO MEDIUM TERM FOCUS

- 1) Collaborate with strategic airline partners to develop and strengthen connectivity into KUL.
- 2) Attract new airlines and expand operations of existing airlines by establishing a new incentive programme that is customised for different airports.
- 3) Strengthen Western connectivity and strengthen KUL's hub position through strategic partnerships with identified airlines.
- 4) Capitalise on seasonal travel demand opportunities to pursue charter services and increase inbound tourism traffic.
- 5) Establish a national level committee with key stakeholders to strengthen Malaysia as a leading aviation hub and tourism destination as well as to expand connectivity to key markets.
- 6) Collaborate with key industry stakeholders such as Tourism Malaysia, State Tourism Organisations, hotels and airlines to promote travel and tourism into Malaysia.

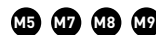
PERFORMANCE INDICATORS

| | | FY2022 | FY2021 |
|-------------------------------|----|---------|---------|
| Passenger Movements (million) | MY | 52.7 | 10.7 |
| Commercial Aircraft Movements | MY | 549,473 | 235,351 |

CAPITALS AFFECTED



LINK TO MATERIAL MATTERS



OUR STRATEGY

REJUVENATING COMMERCIAL AND RETAIL BUSINESS

Malaysia Airports strives to enhance its non-aeronautical business through the revitalisation of commercial offerings and spaces at its airports as well as the rejuvenation of Eraman's brand and outlets.

STRATEGIC KEY FOCUS AREAS

- 1) Revitalise commercial offerings and spaces at airports to enhance non-aeronautical revenue and improve passenger experience.
- 2) Improve retail profile and offerings by rejuvenating Eraman's brand and outlets.
- 3) Tap new opportunities and unlock additional revenue streams.

KEY ACTIVITIES TO CREATE VALUE IN 2022

Revitalise commercial offerings and spaces at airports to enhance non-aeronautical revenue and improve passenger experience

- Launched new outlets at KLIA including The Coffee Bean and Tea Leaf, 4Fingers and KyoChon at Terminal 1, as well as Costa Coffee at Terminal 2 to enhance commercial offerings for passengers.
- Reopened KFC, McDonald's and Grandmama's at KLIA Terminal 1 with a new and refreshed design to provide an improved experience for passengers.
- Relunched Heinemann Duty Free at KLIA Terminal 2 with a bright and open layout to offer exciting duty free offerings for passengers.
- Reopened McDonald's outlet at PEN with a refreshed outlet design for an improved passenger experience which also provides convenient access to non-travellers.
- Launched the first Sense of Malaysia outlet at LGK to promote local artisanal products under the HIMPUN and KUEHKITA brands.
- Launched the first 4Fingers outlet in Sarawak at KCH to draw footfall from passengers and the surrounding community as well as the first Noodles outlet in East Malaysia at BKI.

Improve retail profile and offerings by rejuvenating Eraman's brand and outlets

- Launched new outlets at Eraman's Food Garden at KLIA Terminal 1, featuring a diverse mix of local and international cuisines including PastaMania, O'Brien's, Dunkin' Donuts, TGM by Plaza Premium, Asian Noodles and Little Wok.
- Expanded Eraman's retail footprint through the opening of a multi-brand perfumes and cosmetics outlet at KLIA Terminal 1 and a new emporium for perfumes and cosmetics as well as chocolates at PEN.

Tap new opportunities and unlock additional revenue streams

- Expanded omni-channel capabilities on the shopMYairports e-commerce platform to enable sales of duty free products through online pre-orders and collection at the airport.
- Encouraged sales and drove spending through 'Are You The Goldenaire' online shopping campaign and various on-ground activations including festive booth set-ups to drive footfall such as the Tunku Abdul Rahman exhibition during Merdeka month.
- Assisted retailers with the opening of pop-up stores and promotional outposts at strategic locations whilst awaiting the commencement of their outlets.
- Extended F&B sales channel to provide delivery of Food Garden KLIA and Marrybrown F&B products to customers within the surrounding area of KLIA to generate more revenue.
- Expanded Eraman's e-Commerce channel to Shopee under its Digital Platform initiative other than shopMYairports and Lazada for retail Duty Paid products.

OUR STRATEGY

REJUVENATING COMMERCIAL AND RETAIL BUSINESS

SHORT TO MEDIUM TERM FOCUS

- 1) Accelerate mobilisation of new outlets as part of the Commercial Reset initiative to refresh commercial offerings at the airports.
- 2) Rezone duty free areas at the airports to raise the retail profile and real estate value to enhance the shopping experience for passengers as well as drive sales.
- 3) Revitalise Eraman’s brand and outlets by refreshing existing outlets as well as opening new outlets.
- 4) Digitalise Eraman’s outlets to include self-service checkouts at duty free outlets, integration with EZPaz and personalised offerings to passengers.
- 5) Collaborate with brands to create experiential activations including interactive digitalisation, product launches, multisensory pop-ups and cross-selling promotions to drive sales.

PERFORMANCE INDICATORS

| | | FY2022 | FY2021 |
|---------------------------------------|----------------------------|---------|--------|
| Commercial Revenue (RM million) | KLIA Terminal 1 | 179.4 | 74.1 |
| | KLIA Terminal 2 | 54.4 | 20.3 |
| | Other airports in Malaysia | 79.1 | 28.6 |
| Non-Aeronautical Revenue (RM million) | Group | 1,206.5 | 668.5 |
| Spend per Passenger (RM) | KLIA Terminal 1 | 40.0 | 32.3 |
| | KLIA Terminal 2 | 18.7 | 14.3 |
| Retail Duty Free Revenue (RM million) | Eraman | 266.6 | 39.9 |
| Retail Duty Free EBITDA (RM million) | Eraman | 29.3 | -40.4 |

CAPITALS AFFECTED



LINK TO MATERIAL MATTERS



OUR STRATEGY

STRENGTHENING INTERNATIONAL BUSINESS

Malaysia Airports aims to strengthen its international presence by exploring opportunities to unlock new revenue streams and improve business performance.

STRATEGIC KEY FOCUS AREAS

- 1) Drive aeronautical and non-aeronautical revenue to improve business performance.
- 2) Elevate the airport experience at SAW for a seamless and memorable journey.

KEY ACTIVITIES TO CREATE VALUE IN 2022

Drive aeronautical and non-aeronautical revenue to improve business performance

- Secured the commencement of 2 new airlines operating into SAW namely Iraqi Airways and Air Arabia Abu Dhabi.
- Expanded SAW's network by introducing direct connectivity to new international destinations namely Milan in Italy, Budapest in Hungary, Helsinki in Finland, Nur-Sultan in Kazakhstan, Yerevan in Armenia as well as Ganja and Baku in Azerbaijan.
- Completed the 'BusGate Project' which converted 8 domestic gates at SAW to international gates to accommodate increased international passenger movements and enhance non-aeronautical revenue from additional commercial areas.
- Launched 'ISG Portpal', Türkiye's first airport loyalty programme to encourage passengers and airport employees to spend and enjoy exclusive offers and benefits at SAW.
- Introduced a digital voucher system which supports the cross sales among different F&B outlets, retail and duty free outlets at SAW to encourage and drive spending.

Elevate the airport experience at SAW for a seamless and memorable journey

- Launched the Pendik-Sabiha Gökçen Metro station at SAW which provides a convenient metro link between the airport and downtown Istanbul.
- Introduced paperless boarding at SAW for passengers travelling with Anadolu Jet to reduce queuing times at check-in counters and increase dwell time for passengers.
- Launched 'ISG Recommends' which offers travel packages and promotes personalised products and services for passengers at SAW.
- Provided free Wi-Fi connectivity through the Sabiha Gökçen Mobile App to improve the airport experience for passengers at SAW.

SHORT TO MEDIUM TERM FOCUS

- 1) Attract the commencement of new airlines and destinations at SAW through the revision of existing incentive programme and targeted marketing at identified regions via catchment area analyser tool.
- 2) Embark on virtual interlining services at SAW to improve connectivity and enhance airport experience for passengers.
- 3) Capitalise on the Pendik-Sabiha Gökçen Metro station at SAW to enhance non-aeronautical revenue from the unlocking of additional retail space.
- 4) Enhance retail business by optimising and realigning retail space at SAW to increase footfall.
- 5) Explore opportunities for new businesses including baggage wrapping and valet services at SAW to improve business performance.

OUR STRATEGY

STRENGTHENING INTERNATIONAL BUSINESS

KEY PERFORMANCE INDICATORS

| | | FY2022 | FY2021 |
|-------------------------------|-----|---------|---------|
| Passenger Movements (million) | SAW | 31.2 | 25.4 |
| Commercial Aircraft Movements | SAW | 195,388 | 177,154 |

CAPITALS AFFECTED



LINK TO MATERIAL MATTERS



ACCELERATING OFF-TERMINAL OPPORTUNITIES

Malaysia Airports as an economic developer focuses on creating a synergistic airport-aeropolis ecosystem including the master development at KUL and SZB which are aligned to key economic sectors namely Aerospace and Aviation, Air Cargo and Logistics, MICE and Leisure as well as Green and Technology.

STRATEGIC KEY FOCUS AREAS

- 1) Enhance Aeropolis development and unlock revenue potential around KUL and SZB.

KEY ACTIVITIES TO CREATE VALUE IN 2022

Enhance Aeropolis development and unlock revenue potential around KUL and SZB

- Secured an investor-friendly 99-year lease with the Government of Malaysia effective 17 November 2022 for the KLIA Aeropolis development on 41 lots of land measuring over 8,537 acres.
- Completed and launched Phase 3 of Mitsui Outlet Park KLIA Sepang, which is now the largest outlet mall in Southeast Asia with a total gross development area of 162,500 square metres (sqm) and retail space of 40,800 sqm.
- Secured the expansion and construction of Collins Aerospace’s new Maintenance, Repair and Overhaul (MRO) facility of 164,837 square feet (sqft) at Subang Aerotech Park, targeting commencement in 2025.

SHORT TO MEDIUM TERM FOCUS

- 1) Undertake the regeneration of SZB focusing on 3 segments namely Aerospace Ecosystem, Business Aviation and City Airport, aimed to transform SZB into an integrated mixed development comprising a smart city airport together with terminal-linked commercial and high value aerospace industries.
- 2) Establishment of KLIA Asia Pacific MRO Hub via the development of the second Aeronautical Support Zone at KLIA for large-scale aircraft MRO.

OUR STRATEGY

ACCELERATING OFF-TERMINAL OPPORTUNITIES

PERFORMANCE INDICATORS

| | FY2022 | FY2021 |
|---|---|--|
| Attraction of Foreign Direct Investment (FDI) of global aerospace operators at Subang Aerotech Park | <p>In February 2022, secured Collins Aerospace MRO facility at SZB to serve growing ATR fleets in Asia Pacific. Collins Aerospace is a subsidiary of the top 3 largest aerospace manufacturers, Raytheon Technologies.</p> <p>Gross Floor Area: 164,837 sqft FDI: RM16 million*</p> | <p>In November 2021, secured Dassault Aviation's Asia 'Centre of Excellence' for MRO at SZB, operated by ExecuJet MRO Services (ExecuJet). Dassault Aviation is one of the 4 business jet Original Equipment Manufacturer (OEM).</p> <p>Gross Floor Area: 186,243 sqft FDI: RM100 million*</p> |

Note: FDI figures are based on external press releases or media publications.

CAPITALS AFFECTED



LINK TO MATERIAL MATTERS



KEY ENABLERS

WORKFLOW TRANSFORMATION

Malaysia Airports focuses on simplifying and streamlining processes to enhance process efficiencies, optimise costs as well as increase productivity and work quality.

STRATEGIC KEY FOCUS AREAS

- 1) Drive process efficiencies through the Workflow Transformation Programme.

KEY ACTIVITIES TO CREATE VALUE IN 2022

Drive process efficiencies through the Workflow Transformation programme

- Simplified processes and eliminate non-value added operations to improve productivity and enhance organisational efficiency.
- Clarified and streamlined roles and responsibilities across various subsidiaries and divisions to avoid overlap and duplication of work.

SHORT TO MEDIUM TERM FOCUS

- 1) Introduce a standardised passenger reconciliation process to eliminate bottlenecks in data gathering, information sharing and decision making among stakeholders.
- 2) Accelerate commercial tenant acquisition by establishing a 'Fit In-Fit Out' process to reduce the time between signing of tenancy agreements and commencement of outlet operations.
- 3) Enhance the customised procurement process flow and consolidate multiple databases into a single-source inventory to improve off-terminal revenue streams.
- 4) Enhance organisational efficiencies by streamlining security screening processes, strategising resource equipment and enhancing project management structure.

PERFORMANCE INDICATORS

| | FY2022 | FY2021 |
|---|------------|------------|
| • Total Financial Impact (RM million) | 51.0 | 132.4 |
| • Total Cost Savings (RM million) | 5.7 | 124.4 |
| • Total Cost Avoidance (RM million) | 29.6 | 5.8 |
| • Cost Cost Efficiency (RM million) | 2.5 | 2.2 |
| • Revenue (RM million) | 13.2 | 0.11 |
| Total Trained Employees on Lean Six Sigma methodology | | |
| • Yellow Belt/Lean Practitioner | 309 | 301 |
| • Green Belt | 18 | 53 |
| • Black Belt | 0 | 0 |
| Total | 327 | 354 |
| Total Trained Employees on Design Thinking & Agile methodologies | | |
| • Intermediate | 73 | 202 |
| • Practitioner | 6 | 23 |
| Total | 79 | 225 |

CAPITALS AFFECTED



LINK TO MATERIAL MATTERS



KEY ENABLERS

EFFICIENCY INCREASE THROUGH DIGITALISATION

Malaysia Airports aspires to transform our airports with leading-edge technological innovations to improve operational efficiency, airport experience as well as safety and security.

STRATEGIC KEY FOCUS AREAS

- 1) Adopt latest technological innovations through digital services and contactless touch points to increase operational efficiency towards seamless passenger journey as well as enhanced airport experience.
- 2) Enhance readiness and capabilities of airport safety and security while boosting productivity.

KEY ACTIVITIES TO CREATE VALUE IN 2022

Adopt latest technological innovations through digital services and contactless touch points to increase operational efficiency towards seamless passenger journey as well as enhanced airport experience

- Rebranded the biometric facial recognition system at KUL as EZPaz and rolled out the system to Malaysia Airlines' and AirAsia's domestic flights, which enhances airport security with the use of biometric data and delivers an enhanced seamless experience for passengers.
- Enhanced and relaunched the MYairports mobile app, which incorporates new and refreshed capabilities such as EZPaz enrolment, outdoor wayfindings maps and booking services.
- Embarked on the Airport Collaborative Decision Making (A-CDM) that integrates airport operations with air traffic control, airlines and ground handlers via a unified platform to increase operational efficiencies at KUL. A Memorandum of Understanding (MoU) between Malaysia Airports and key stakeholders companies has also been established.
- Replaced the network infrastructure at KUL to mitigate risks on network design as well as upgraded network security for the Baggage Handling System (BHS) at KLIA Terminal 2.

Enhance readiness and capabilities of airport safety and security while boosting productivity

- Embarked on the state-of-the-art Airport Integrated Security and Safety System (AIS3) at KUL which includes the enhancement of existing systems and the utilisation of artificial intelligence (AI) to improve overall safety, security and surveillance capabilities.
- Migrated to Google Workspace, a cloud-based business productivity solution to enable a more enhanced, flexible and seamless collaboration as well as facilitating the Group's digital transformation journey.

SHORT TO MEDIUM TERM FOCUS

- 1) Drive operational efficiency and productivity by harnessing the power of data with Data Driven Journey, Artificial Intelligence Operations and the full implementation of A-CDM at KUL.
- 2) Elevate passenger experience by extending Self-Service Bag Drop (SSBD) at KUL and LGK and expand the adoption of EZPaz kiosks and eGates for international flights at KUL.
- 3) Strengthen the core infrastructure by leveraging on 5G coverage readiness and continuous improvement on the network infrastructure for Wi-Fi and fibre replacement.
- 4) Enhance readiness and capabilities against cybersecurity threats, physical threats besides other emergencies with the full implementation of the AIS3 at KUL as well as executing the next level of Cybersecurity Acceleration Programme.

KEY ENABLERS

EFFICIENCY INCREASE THROUGH DIGITALISATION

PERFORMANCE INDICATORS

| | FY2022 | FY2021 |
|------------------------------|--------|--------|
| MYairports Mobile App | | |
| Total Downloads | 20,687 | 5,992 |
| Total Registered Users | 12,393 | 434 |
| shopMYairports | | |
| Total Registered Users | 10,139 | 4,764 |

CAPITALS AFFECTED



LINK TO MATERIAL MATTERS



COMMITMENT TO ESG

Malaysia Airports recognises the importance of incorporating Environmental, Social and Governance (ESG) considerations into its business to create long-term sustainable value for its stakeholders.

STRATEGIC KEY FOCUS AREAS

- 1) Drive towards a net-zero carbon emissions goal as well hence reduce the environmental impact from business activities.
- 2) Value the relationship with employees by creating an inspiring workplace that promotes diversity, development, safety and transparency; strengthen relationships with our business partners and communities where we operate.
- 3) Promote sound governance practices and a culture of integrity.

KEY ACTIVITIES TO CREATE VALUE IN 2022

Drive towards a net-zero carbon emissions goal as well hence reduce the environmental impact from business activities

- Obtained the renewal of KUL's Level 3 Airport Carbon Accreditation (ACA) certificate by Airports Council International (ACI) as an acknowledgement of efforts in transitioning towards a sustainable, low-carbon future.
- Increased solar energy generation for six airports namely KUL, PEN, BKI, LGK, KUA and MKZ due to the increased usage of renewable energy leading to a reduction in carbon emissions.

Value the relationship with employees by creating an inspiring workplace that promotes diversity, development, safety and transparency

- 54.5% of the total Board members and 35% of the total Group's workforce are female.
- Reflected a high level of safety in the workplace indicated by Occupational Safety and Health.

Promote sound governance practices and a culture of integrity

- Continued roll out of ISO 37001: 2016 Anti-Bribery Management Systems to Group subsidiaries, while the holding company and MA (Sepang) Sdn Bhd were recertified.
- Completed 100% of the corruption risk assessment in line with Malaysia Airports Risk Scorecard (MARs) system.

KEY ENABLERS

COMMITMENT TO ESG

SHORT TO MEDIUM TERM FOCUS

- 1) Establish the Environmental Masterplan 2.0 approach which will be adopted to effectively reduce carbon emissions, prioritising on Scope 1 and 2 since these are within Malaysia Airports' direct control and influence.
- 2) Establish the Sustainability Framework and address climate change by transitioning the current sustainability reporting towards reporting our performance with regards to environmental, social and governance indicators and targets.
- 3) Develop and roll out strategy as well as roadmap towards net zero carbon emissions.

PERFORMANCE INDICATORS

| Key Performance Indicators | | FY2022 | FY2021 |
|---|----------------------|------------------|-----------|
| Environmental | | | |
| Energy Consumption (kWh/passenger) | Airports in Malaysia | 8.0 | 32.6 |
| | SAW | 1.6 | 3.0 |
| Solar Power Generated (MWh) | KUL | 14,172 | 15,997 |
| Total Waste Generated (kg/passenger) | KUL | 0.12 | 0.68 |
| | SAW | 0.17 | 0.24 |
| Recycling Rate (%) | KUL | 4.4 | 6.3 |
| | SAW | 75.6 | 49.5 |
| Cost Savings from Using Green Energy (RM million) | Airports in Malaysia | 1.46 | 1.2 |
| Social | | | |
| Community Investment (RM) | Group | 1,120,479 | 1,279,816 |
| Occupational Accident Rate | | | |
| Incident Rate | MY | 0.45 | 0.54 |
| | SAW | 7.00 | 7.00 |
| Frequency Rate | MY | 0.18 | 0.22 |
| | SAW | 0.054 | 0.024 |
| Severity Rate | MY | 5.13 | 1.55 |
| | SAW | 2.72 | 2.41 |
| Governance | | | |
| Employees briefed on anti-corruption policies* | Group | 8,454 | 8,943 |

Note: *Management, Executive and Non-Executive

CAPITALS AFFECTED



LINK TO MATERIAL MATTERS



FINANCIAL REVIEW

REVIEW OF FY2022 FINANCIAL PERFORMANCE AND MEASURES

FINANCIAL PERFORMANCE

Overall return to profitability, and first year of profits at SAW

Revenues

For the financial year ended 31 December 2022 (FY2022), Malaysia Airports recorded revenue of RM3,127.0 million, 86.9% higher YoY. This was due to an over two-fold increase in passenger movements to 83.9 million passengers largely as a result of the reopening of Malaysia's international borders in April, followed by the rollback on travel restrictions for most travellers to Malaysia by August and further resumption of airline services and connectivity.

On a segmental basis, revenue from airport operations increased significantly by 95.3% YoY to RM2,863.8 million. Aeronautical segment revenue increased by 107.7% YoY to RM1,657.4 million, buoyed by the increase in passenger movements.

Non-aeronautical segment revenue also increased significantly by 80.5% YoY to RM1,206.5 million due to better contribution of commercial revenue from both Malaysia and Türkiye operations.

Revenue from non-airport operations increased YoY by 27.5% to RM263.2 million due to higher revenue from project and repair maintenance and hotel businesses.

On a geographical basis, Malaysia operations had seen a significant 152.7% YoY increase in revenue to RM1,703.0 million, while revenue from operations in Türkiye grew 45.7% to RM1,325.7 million. Operations in Qatar recorded a 10.4% YoY increase in revenue RM98.4 million.

EBITDA

Malaysia Airports reported EBITDA of 1,186.3 million in FY2022, a significant improvement from FY2021 of more than four-fold.

EBITDA for operations in Malaysia recorded positive EBITDA of RM233.9 million in FY2022 compared to negative RM450.6 million in FY2021. Türkiye operations reported a YoY increase of 41.9% in EBITDA to RM940.9 million, while Qatar operations recorded an EBITDA of RM11.5 million, a 44% increase over FY2021. The Group's operating cash flow exceeded RM1 billion in FY2022 compared to an operating cash flow surplus of RM262.0 million in FY2021.

Bottom-line

The Group swung back into the black to record a profit before taxation (PBT) of RM184.6 million, compared to a loss before tax (LBT) of RM1,040.9 million in the prior year. This was driven by higher revenue, reduction in utilisation fees and better share of results from associates and joint ventures.

Malaysia operations recorded a LBT of RM263.2 million, a 66.1% improvement compared to LBT of RM777.5 million in FY2021. Our operations in Türkiye recorded its first year of profits with PBT of RM436.8 million, compared to LBT of RM270.0 million in FY2021. Qatar operations recorded a PBT of RM11.0 million which was 66.7% higher than the previous year.

FINANCIAL REVIEW

Share of results of associates and joint ventures

The share of results from associates recorded a profit of RM16.8 million, an improvement of RM22.0 million compared to losses of RM5.2 million recorded in 2021. This includes share of profits from MFMA Sdn Bhd, Kuala Lumpur Aviation Fuelling System Sdn Bhd and Alibaba KLIA Aeropolis Sdn Bhd of RM17.7 million, RM6.3 million and RM2.9 million respectively. However, this was offset by the share of losses from Cooling Energy Supply of RM10.1 million.

Our share of joint venture profits was RM12.2 million in 2022, compared to losses of RM7.3 million in 2021. This was largely due a turnaround at Segi Astana Sdn Bhd which contributed a share of profits of RM4.1 million compared to losses of RM15.0 million the previous year. Airport Cooling Energy Supply Sdn Bhd returned a slightly higher share of profit of RM8.1 million as compared to RM7.7 million in 2021.

Financial measures

Setting a strong foundation for enhancing earnings and future growth

In line with the increase in passenger traffic, Malaysia Airports' financial measures in FY2022 set a strong foundation to enable the Group to pursue two main objectives – first, enhance earnings and returns to shareholders and secondly, enable the Group to aggressively pursue future growth. This was achieved on the back of its success in securing a reduction in utilisation fees, sustaining the lower cost base achieved from pandemic-related measures and lowering funding costs.

Reduction in utilisation fees

Malaysia Airports secured the agreement of the Government of Türkiye to reduce the deferred utilisation fee for the SAW concession by EUR 116.7 million. When the pandemic hit in 2020, the Government of Türkiye had initially agreed to defer the payment of the utilisation fee for that year. However, with the agreed fee reduction, this cushions the impairment charge that the Group had made for the concession in FY2020. The Group has paid the remaining deferred utilisation fee together with interest amounting to EUR120.2 million in December 2022.

Accessing funding

For FY2022, Malaysia Airports' credit ratings were reaffirmed at AAA by RAM Holdings Berhad (RAM) and A3 by Moody's. Moody's however, upgraded its outlook on Malaysia Airports to 'Stable' in August 2022, from 'Negative' previously.

Malaysia Airports had maintained its ratings despite the unfavourable operating environment throughout the pandemic. In addition, the Moody's upgrade of its outlook to 'Stable' was secured while the Group was in the red. This reflects the confidence of the financial markets in Malaysia Airports' strong fundamentals, business direction, track record of prudent financial management and the strategic importance of its role as the sole operator of all 39 government-owned airports in Malaysia.

The confidence of funders also enabled Malaysia Airports to tap debt markets in April 2022 by issuing RM800.0 million Senior Sukuk Wakalah pursuant to the RM5.0 billion Sukuk Wakalah Programme initiated in 2021. The new tranches of Senior Sukuk Wakalah received overwhelming demand from investors, chalking up a final bid-to-cover ratio of more than 3.5 times the final issue size. The issuance comprised two tranches – a 3-year RM500.0 million tranche and a 5-year RM300.0 million tranche with profit rates of 3.79% p.a. and 3.98% p.a. respectively. The fresh funds were used to retire an earlier tranche of funding which carried a higher coupon rate of 4.68% p.a.

As a result of the timely issuance of the new tranches, Malaysia Airports' average ringgit funding rates have moved down from 4.53% p.a. to 4.29% p.a. The Group is also cushioned from the increase in interest rates by Bank Negara Malaysia as the Group's funding is locked in at fixed rates.

The Sukuk funding is a key enabler for the Group's business growth plans and strategies moving forward. It will also be applied towards retiring existing sukuk falling due, to take advantage of longer tenors under the current programme.

With regard contingency credit lines, the Group did not obtain additional revolving credit facilities in FY2022. Therefore the revolving credit facilities remain at a total of RM1,325 million, out of which RM435 million had been drawn down while RM890 million was unutilised at the end of FY2022.

Therefore as at end-2022, undrawn credit lines amounted to RM7,590 million.

FINANCIAL REVIEW

Sustaining core costs at a lowered base

In FY2022, Malaysia Airports focused its efforts to sustain its core operating costs at a lowered base. Prior to this in FY2021, the Group had lowered core operating costs to a lower sustainable base with the view that a leaner cost structure will enable the Group to return to profitability quicker and sustain profits at a higher rate. Core operating costs are staff costs, utilities, maintenance and other administrative expenses.

In FY2022, our efforts to innovate, rethink and reimagine our operations and cost structures continue to show encouraging results. Core operating costs were moderately higher by 15.0% or RM204.7 million to meet the operational requirements of the increase in passenger traffic of 132.4%. This demonstrates the sustainability of our earlier efforts to rebase core costs to a lowered based.

Cash Position

At end-2022, Malaysia Airports' cash balances and money market investments stood at RM1,939.8 million compared to RM2,311.4 million at end-2021. Cash balances remained strong from improvement in net cash from operating activities. Cash on hand for Malaysia operations stood at RM712.2 million while for operations in Türkiye, cash on hand amounted to RM1,227.7 million.

Capital Strength

As a result of prudent financial management and proactive measures, Malaysia Airports closed the year with a strong balance sheet and a low gearing ratio of 0.39 times which will allow the Group to gear up further if required. By exercising strict financial discipline in maintaining undrawn lines, there is ample liquidity available to fund future growth with total undrawn facilities at end-2022 standing at RM7,590 million.

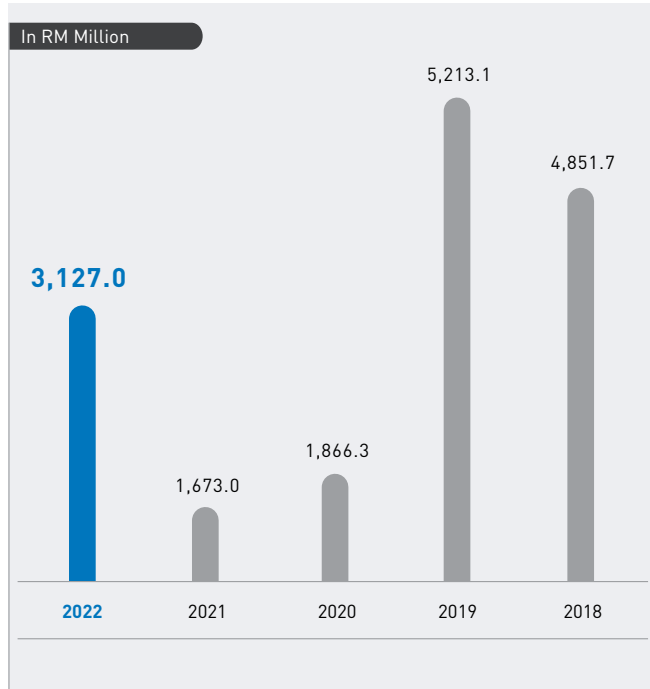
Dividend

The Board had approved the payment of a single-tier final dividend of 3.91 sen per ordinary share, equivalent to a total dividend payout for FY2022 of RM64.7 million.

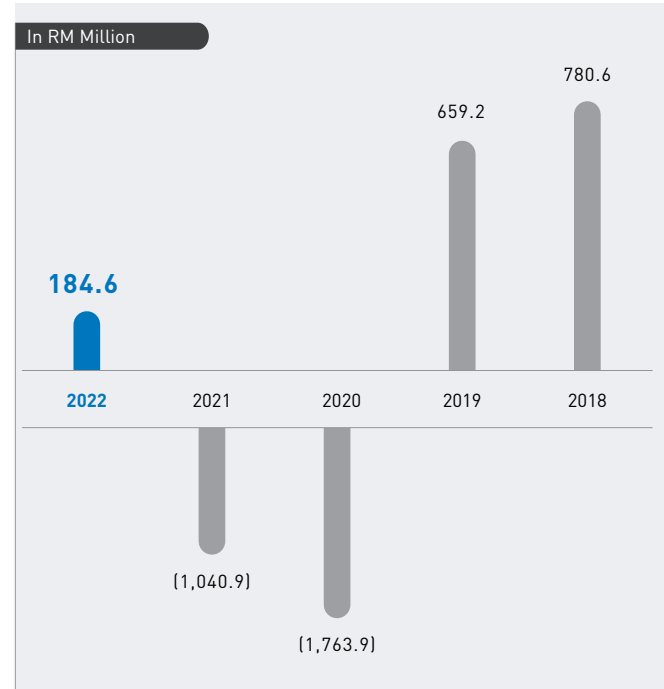
FINANCIAL REVIEW

FIVE-YEAR FINANCIAL SUMMARY

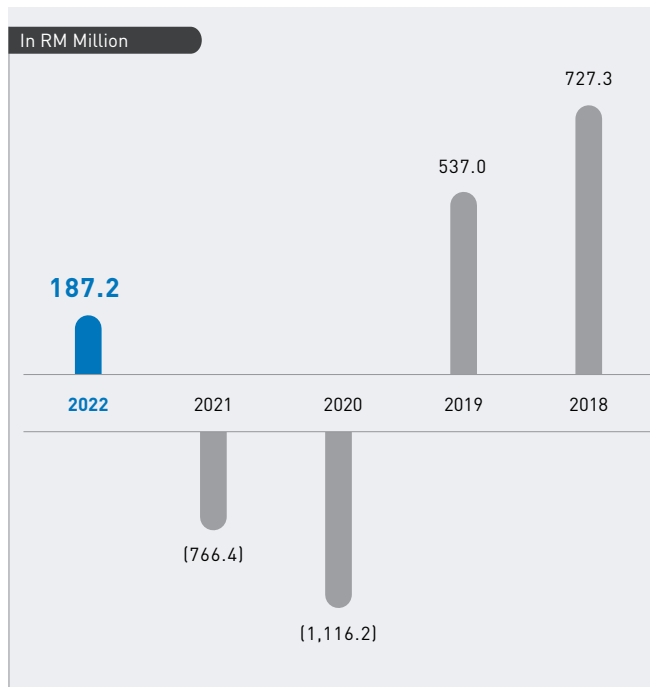
REVENUE



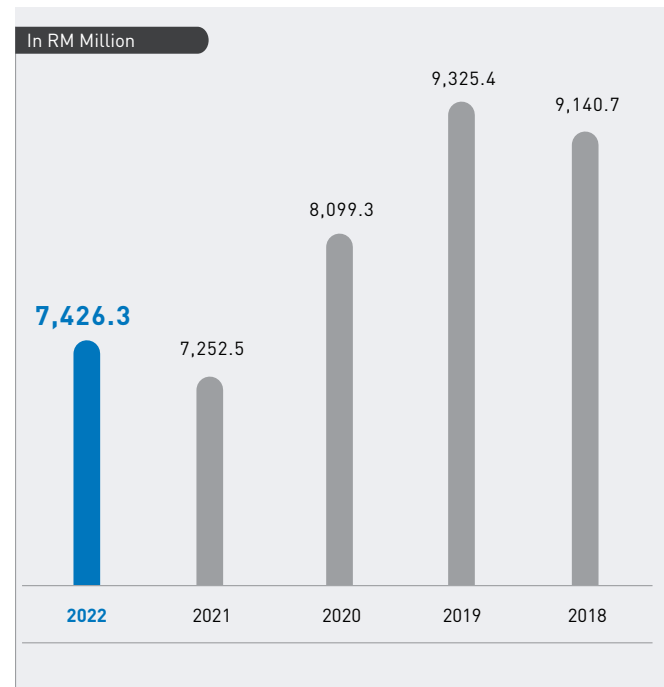
PROFIT/(LOSS) BEFORE TAXATION



PROFIT/(LOSS) FOR THE YEAR



TOTAL EQUITY



FINANCIAL REVIEW

GROUP FIVE-YEAR SUMMARY

| CONSOLIDATED STATEMENT OF PROFIT OR LOSS | | | | | |
|---|--------------|----------------|------------------|--------------|--------------|
| For the financial years ended 31 December | | | | | |
| In RM Million | 2022 | 2021 | 2020 | 2019 | 2018 |
| Revenue | 3,127.0 | 1,673.0 | 1,866.3 | 5,213.1 | 4,851.7 |
| Profit/(Loss) before tax and zakat | 184.6 | (1,040.9) | (1,763.9) | 659.2 | 780.6 |
| Taxation and zakat | 2.6 | 274.5 | 647.7 | (122.1) | (53.3) |
| Profit/(Loss) for the year | 187.2 | (766.4) | (1,116.2) | 537.0 | 727.3 |
| Profit/(Loss) attributable to: | | | | | |
| Owners of the Company | 187.2 | (766.4) | (1,116.2) | 537.0 | 727.3 |
| Profit/(Loss) for the year | 187.2 | (766.4) | (1,116.2) | 537.0 | 727.3 |
| Earnings per share attributable to equity holders of the Company (sen) | | | | | |
| Basic, for profit/(loss) for the year | 7.82 | (49.66) | (70.75) | 28.90 | 40.37 |

| CONSOLIDATED STATEMENT OF FINANCIAL POSITION | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| For the financial years ended 31 December | | | | | |
| In RM Million | 2022 | 2021 | 2020 | 2019 | 2018 |
| ASSETS | | | | | |
| Non-current assets | 16,865.0 | 17,348.0 | 17,856.5 | 17,781.7 | 18,010.2 |
| Current assets | 2,585.0 | 2,814.6 | 2,422.4 | 4,401.0 | 4,262.9 |
| Total assets | 19,450.0 | 20,162.6 | 20,278.9 | 22,182.7 | 22,273.1 |
| EQUITY | | | | | |
| Share capital | 5,114.3 | 5,114.3 | 5,114.3 | 5,114.3 | 5,114.3 |
| Perpetual sukuk | 997.8 | 997.8 | 997.8 | 997.8 | 997.8 |
| Retained earnings | 1,250.7 | 1,121.0 | 1,944.9 | 3,284.7 | 3,037.4 |
| Hedging reserve | 32.6 | (19.7) | (36.2) | (18.0) | (24.9) |
| Foreign exchange reserve | 24.7 | 30.9 | 74.4 | (54.2) | 12.0 |
| Other reserves | 6.2 | 8.2 | 4.1 | 0.8 | 4.0 |
| Total equity | 7,426.3 | 7,252.5 | 8,099.3 | 9,325.4 | 9,140.7 |
| Non-current liabilities | 9,166.3 | 9,770.8 | 10,701.8 | 9,568.2 | 10,999.7 |
| Current liabilities | 2,857.4 | 3,139.2 | 1,477.7 | 3,289.1 | 2,132.6 |
| Total liabilities | 12,023.7 | 12,910.0 | 12,179.6 | 12,857.3 | 13,132.4 |
| Total equity and liabilities | 19,450.0 | 20,162.6 | 20,278.9 | 22,182.7 | 22,273.1 |
| Net asset per share (RM) | 4.48 | 4.37 | 4.88 | 5.62 | 5.51 |

FINANCIAL REVIEW

GROUP QUARTERLY PERFORMANCE

| Year 2022 In RM Million | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Year 2022 |
|------------------------------------|------------------|-------------------|------------------|-------------------|--------------|
| Financial Performance | | | | | |
| Revenue | 570.8 | 689.8 | 863.6 | 1,002.8 | 3,127.0 |
| Profit/(Loss) before tax and zakat | (150.4) | (91.1) | (19.1) | 445.2 | 184.6 |
| Profit/(Loss) net of tax | (104.8) | (58.2) | (9.0) | 359.1 | 187.2 |
| Earnings per share (sen) | (7.17) | (4.37) | (1.42) | 20.77 | 7.82 |

| Year 2021 In RM Million | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Year 2021 |
|------------------------------|------------------|-------------------|------------------|-------------------|--------------|
| Financial Performance | | | | | |
| Revenue | 336.9 | 323.4 | 461.4 | 551.3 | 1,673.0 |
| Loss before tax and zakat | (280.5) | (290.5) | (254.9) | (215.0) | (1,040.9) |
| Loss net of tax | (221.3) | (226.1) | (182.3) | (136.7) | (766.4) |
| Earnings per share (sen) | (14.19) | (14.49) | (11.86) | (9.11) | (49.66) |

FINANCIAL REVIEW

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

| In RM Million | 2022 | 2021 |
|---|----------------|-----------|
| Revenue | 3,127.0 | 1,673.0 |
| Cost of inventories sold | (128.1) | (33.9) |
| Other income | 259.6 | 222.5 |
| Operating expenditure | (2,072.1) | (1,641.3) |
| Depreciation and amortisation | (837.2) | (614.6) |
| Operating profit/(loss) | 349.2 | (394.3) |
| Finance costs | (193.6) | (634.1) |
| Share of results of associates | 16.8 | (5.2) |
| Share of results of joint ventures | 12.2 | (7.3) |
| Profit/(Loss) before tax and zakat | 184.6 | (1,040.9) |
| Taxation and zakat | 2.6 | 274.5 |
| Profit/(Loss) net of tax | 187.2 | (766.4) |
| Profit/(Loss) attributable to: | | |
| Owners of the Company | 187.2 | (766.4) |
| Earnings per share attributable to equity holders of the Company (sen) | | |
| - Basic, for Profit/(Loss) for the year | 7.82 | (49.66) |

FINANCIAL REVIEW

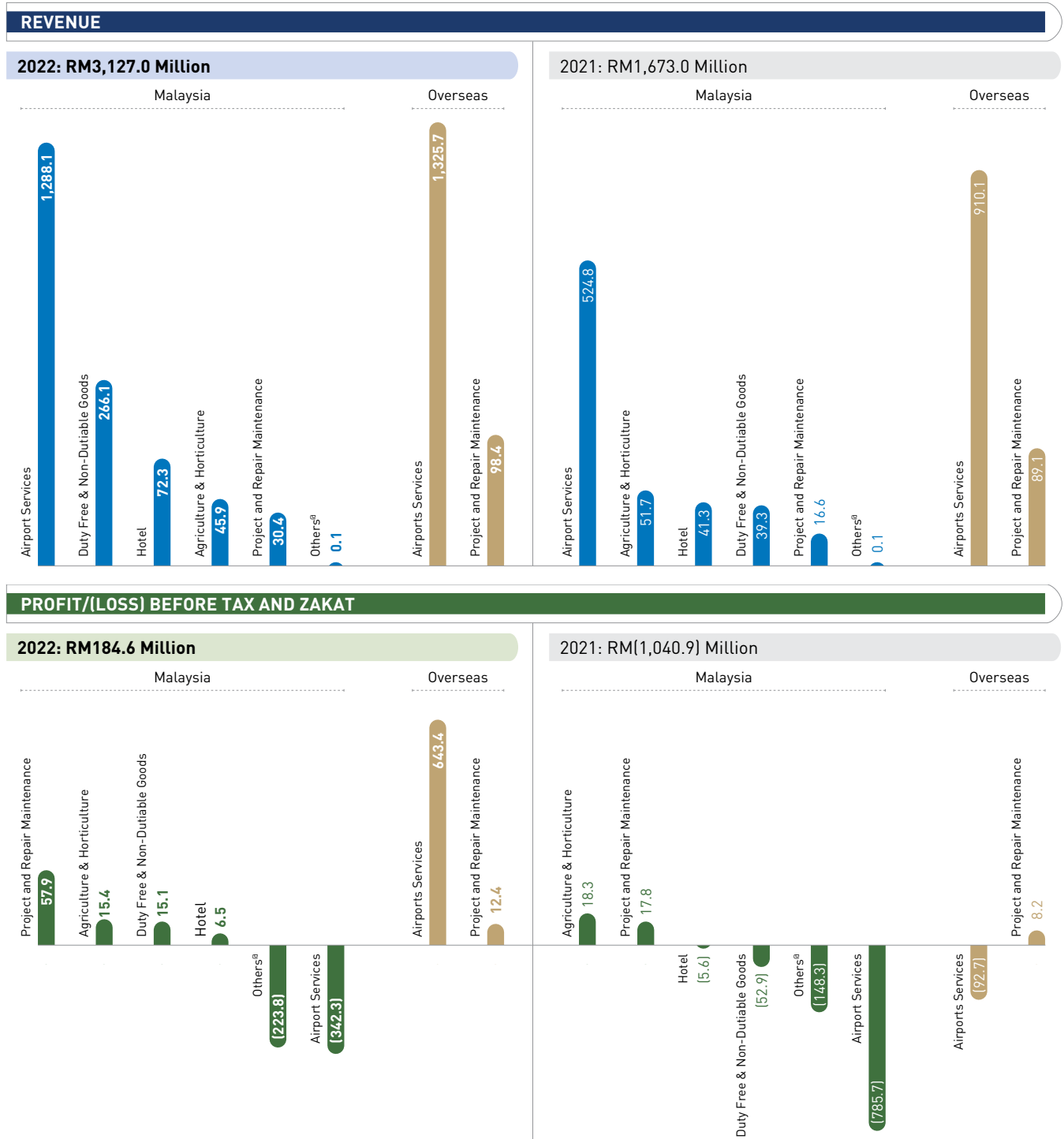
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

| In RM Million | 2022 | 2021 |
|-------------------------------------|-----------------|-----------------|
| Assets | | |
| Property, plant and equipment | 418.3 | 432.5 |
| Right-of-use assets | 132.1 | 61.8 |
| Intangible assets | 14,579.7 | 15,215.4 |
| Investments and financial assets | 602.5 | 561.6 |
| Other non-current assets | 1,132.4 | 1,076.7 |
| Current assets | 2,585.0 | 2,814.6 |
| Total assets | 19,450.0 | 20,162.6 |
| Equity and liabilities | | |
| Share capital | 5,114.3 | 5,114.3 |
| Perpetual sukuk | 997.8 | 997.8 |
| Retained earnings | 1,250.7 | 1,121.0 |
| Hedging reserve | 32.6 | (19.7) |
| Foreign exchange reserve | 24.7 | 30.9 |
| Other reserves | 6.2 | 8.2 |
| Total equity | 7,426.3 | 7,252.5 |
| Non-current liabilities | 9,166.3 | 9,770.8 |
| Current liabilities | 2,857.4 | 3,139.2 |
| Total liabilities | 12,023.7 | 12,910.0 |
| Total equity and liabilities | 19,450.0 | 20,162.6 |
| Net asset per share (RM) | 4.48 | 4.37 |
| Return on assets | 1.0% | -3.8% |

FINANCIAL REVIEW

GROUP SEGMENTAL ANALYSIS



Note:

The group revenue segmental analysis excludes inter-segment transactions and consolidated adjustments

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

FINANCIAL REVIEW

GROUP SEGMENTAL ANALYSIS

REVENUE



FINANCIAL REVIEW

STATEMENT OF INCOME DISTRIBUTION
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

| In RM Million | 2022 | 2021 |
|---|----------------------------|----------------------------|
| Current income available for distribution¹ | 3,415.6¹ | 1,883.1¹ |
| To supplier | | |
| Purchase of goods and services | 1,231.8 | 915.8 |
| To employees | | |
| Employment costs | 751.4 | 675.7 |
| To financier | | |
| Finance costs | 193.6 | 634.1 |
| To government | | |
| User fee and taxation | 214.4 | (190.8) ² |
| Utilisation of assets | | |
| Depreciation and amortisation | 837.2 | 614.7 |
| Retained for re-investment, future growth and dividend payment | | |
| Net increase/(reduction) in retained profits | 187.2 | (766.4) |
| | 3,415.6 | 1,883.1 |

¹ Current income available for distribution includes revenue, other income and share of results of associates & joint ventures

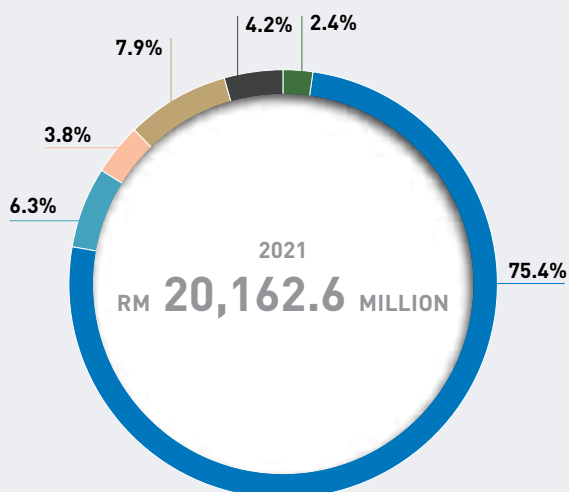
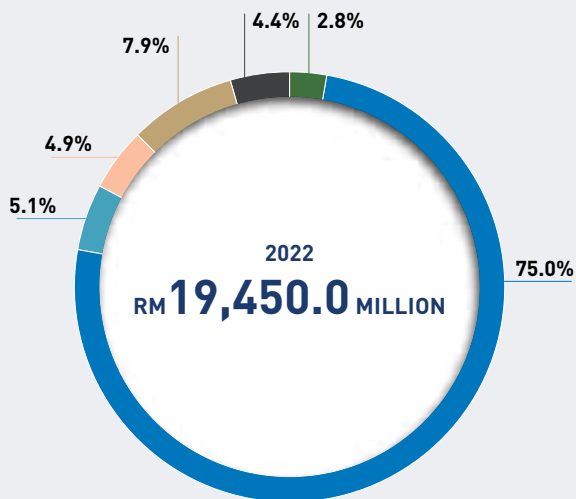
² The distribution to the government is as a result of tax credits that were largely due to the recognition of the tax recoverable and deferred tax assets

FINANCIAL REVIEW

STATEMENT OF FINANCIAL POSITION

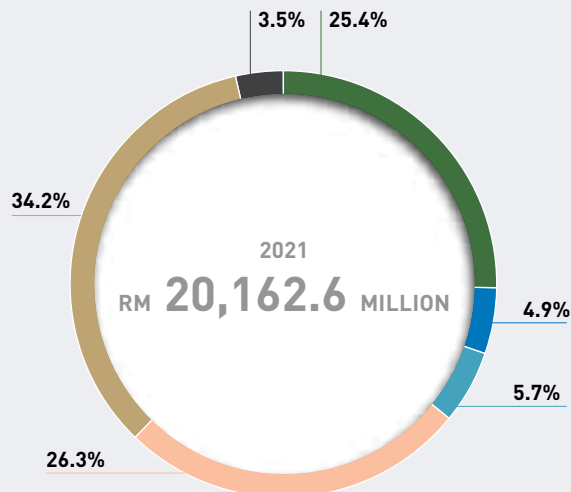
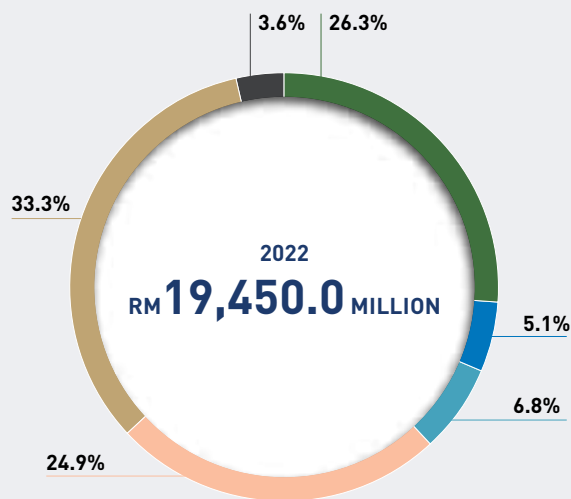
AS AT 31 DECEMBER 2022

TOTAL ASSETS



- Property, plant, and equipment & right-of-use assets
- Intangible assets
- Investments and financial assets
- Trade and other receivables
- Cash and cash equivalents
- Other assets

EQUITY AND LIABILITIES



- Share capital
- Perpetual sukuk
- Reserves
- Borrowings
- Trade and other payables
- Other liabilities

OPERATIONAL REVIEW

Malaysia Airports' business operations comprises airport as well as non-airport operations. Airport operations cover the two major revenue streams derived from aeronautical business and non-aeronautical business. These two revenue streams form the bulk of the Group's revenues. Non-airport businesses comprise the hotel, agriculture and horticulture as well as project and repair maintenance businesses. Beyond that, off-terminal landside development drives key economic activities to create a synergistic airport-aeropolis ecosystem centred at **KUL** and **SZB**.

KEY AIRPORT STATISTICS

| Group | MY | SAW |
|--|-----------|---------|
| Passenger Movements (million) | | |
| 83.9 | 52.7 | 31.2 |
| 132.4% | 390.9% | 23.0% |
| Commercial Aircraft Movements | | |
| 744,861 | 549,473 | 195,388 |
| 80.6% | 133.5% | 10.3% |
| Cargo Movements (metric tonnes) | | |
| 1,132,952 | 1,083,083 | 49,869 |
| 3.1% | 3.4% | -2.4% |

Group-wide

Malaysia Airports' network including Istanbul Sabiha Gökçen International Airport (IATA Code: SAW) in Türkiye recorded 83.9 million passengers in 2022, representing a growth of 132.4% year-on-year (YoY). Compared to pre-pandemic volumes, this represented 59.4% of 2019 levels. This was driven largely by the reopening of Malaysia's international borders to international travellers in April and the subsequent further lifting of travel restrictions in Malaysia from May till August, which saw the restoration of pre-pandemic ease of travel for the vast majority of travellers. As a result, passenger movements for airports in Malaysia rose sharply by 390.9% YoY.

International passenger movements totalled 32.2 million while domestic passenger movements totalled 51.6 million, reaching 47.8% and 70.1% of 2019 levels respectively.

In December 2022, the Group registered the highest monthly passenger movements since February 2020 with 9.5 million passengers, reaching 74.1% of 2019 levels. For perspective, the Group-wide monthly passenger movements in December 2021 was 5.36 million or 41.7% of pre-COVID levels.

Commercial aircraft movements increased by 80.6% YoY. In this regard, airports in Malaysia registered an increase of 133.5% with regards aircraft movements, while SAW registered a moderate increase of 10.3% as Turkish borders had reopened earlier in 2021. International aircraft movements Group-wide had increased by 94.5% YoY while domestic aircraft movements grew 74.5% YoY.

Cargo movements amounted to 1.1 million metric tonnes, representing a modest growth of 3.1% YoY. This was the highest annual volume of cargo handled by our network of airports, and was only the third year that the volume had surpassed a million metric tonnes.

OPERATIONAL REVIEW

Airports in Malaysia

At the beginning of 2022, Malaysia was in Phase Four of the National Recovery Plan which was designed to enable the country to transition out of the COVID-19 pandemic and move towards endemicity. In terms of travel, only fully vaccinated individuals in Malaysia were allowed to travel freely within Malaysia and also overseas.

Foreigners intending to travel to Malaysia were still required to apply for permission to enter the country through MyTravelPass, and were subject to quarantine and testing requirements. The Langkawi International Travel Bubble and the Malaysia-Singapore Vaccinated Travel Lane had been launched to facilitate quarantine-free travel to Malaysia for fully vaccinated individuals, but they were nevertheless subject to stringent testing requirements.

On 1 April, Malaysia entered a 'Transition to Endemicity' phase, and with that, reopened its international borders to foreign travellers. Fully-vaccinated travellers enjoyed quarantine-free travel to Malaysia subject to pre-departure and arrival tests, while those who were not fully vaccinated were required to undergo a five-day quarantine upon arrival. This was followed by further relaxation of travel restrictions in May before the remaining restrictions were lifted for all travellers into Malaysia on 1 August, restoring pre-pandemic ease of travel.

EASING OF MALAYSIA'S REMAINING COVID-19 TRAVEL RESTRICTIONS IN 2022

24 January

The quarantine period for fully vaccinated travellers who had received a booster shot is reduced to five days. For other travellers, a quarantine period of seven days (fully vaccinated, no booster) or ten days (partially vaccinated or unvaccinated) is required. Pre-departure and on-arrival tests are mandatory for all travellers, while foreigners must have travel insurance covering COVID-19.

1 April

International borders reopen. Fully vaccinated travellers are exempt from quarantine while those who are not fully vaccinated must undergo five-day quarantine upon arrival.

1 May

Fully vaccinated travellers are exempt from pre-departure and on-arrival COVID-19 tests, while those who are not fully vaccinated must undergo a five-day quarantine as well as pre-departure and on-arrival tests. Travel insurance will no longer be required for foreign travellers.

1 August

Remaining quarantine and testing restrictions are lifted for all travellers regardless of vaccination status, and with this, pre-pandemic ease of travel to Malaysia is restored.

As travel restrictions eased in Malaysia, the corresponding rise in passenger traffic continued to demonstrate that demand for travel to and from Malaysian destinations remained strong. For the full year, passenger movements in Malaysia totalled 52.7 million, which is a sharp increase of 390.9% YoY.

International passengers accounted for 16.5 million passenger movements while domestic passengers accounted for the bulk of passenger traffic with 36.2 million passenger movements, which were 1,114.0% and 285.9% higher YoY.

Commercial aircraft movements rose by 133.5% YoY with international aircraft movements 149.6% higher YoY and domestic aircraft movements 128.3% higher YoY.

Cargo movements for Malaysia expanded slightly by 3.4% YoY with 1,083,083 metric tonnes in total. Domestic cargo movements grew 9.9% YoY while international cargo movements were largely flat with 1.0% increase YoY.

OPERATIONAL REVIEW

KUL

KUL recorded 25.4 million passenger movements in 2022, a sharp rise of 533.1% YoY. International passenger movements totalled 14.1 million and domestic passenger movements stood at 11.1 million, increasing 984.6% and 311.9% YoY respectively. Comparing the two KUL terminals, passenger movements at KLIA Terminal 1 expanded 518.3% YoY while passenger movements at KLIA Terminal 2 expanded by 549.0% YoY.

▶ **Passenger movements at KUL totalled 25.4 million**
a rise of **533.1% YoY**

▶ **Passenger movements at other airports in Malaysia totalled 27.3 million**
an increase of **306.0% YoY**

Airports in Malaysia ex KUL

Passenger movements for the other airports in Malaysia excluding KUL registered an increase of 306.0% YoY with a total of 27.3 million passenger movements. This comprised 2.3 million international passenger movements, a sharp rise of 6,214.8% YoY, and 25.1 million domestic passenger movements, a 274.5% rise YoY. In 2021, with travel restrictions in place, all international passenger movements were channelled through KUL as the sole international gateway for the nation, except for passengers arriving at Langkawi International Airport (IATA Code: LGK) under the Langkawi International Travel Bubble.

▶ **In December 2022, Group-wide passenger movements reached 9.5 million**
for the month, or **74.2%** of 2019's levels.

SAW

Air traffic for SAW continued to demonstrate strong growth. The airport recorded 31.2 million passenger movements, a growth of 23.0% YoY. This represents 86.7% of 2019 levels. SAW was ranked the 9th busiest airport in Europe for November 2022, and was topped only by major European hubs in the Top 8 which traditionally dominate the rankings.

International passengers increased by 75.1% compared to 2021, with 15.7 million passenger movements. Domestic passengers contracted by 5.6% YoY to 15.5 million passenger movements as airlines switched their slots at SAW to international routes. The passenger mix at SAW was 50.4% international and 49.6% domestic passengers. It is also noteworthy that international passenger movements have surpassed 2019 levels, recording a growth of 10.4% over the 2019's international passenger movements. A higher proportion of international passengers will generally drive higher revenue yield for airports.

Commercial aircraft movements at SAW increased by 10.3% YoY to 195,388 movements. In this regard, international aircraft movements grew 48.1% YoY to 100,639 while domestic aircraft movements contracted by 13.2% YoY to 94,749.

▶ **Passenger movements at SAW totalled 31.2 million**
which was **86.7%** of 2019 levels



OPERATIONAL REVIEW

AIRPORT OPERATIONS

AERONAUTICAL BUSINESS

Ramping up connectivity

Our aeronautical business activities focused on ramping up connectivity while ensuring that our airports were primed to support the growing level of operations as air traffic rose. This required a rethinking and reimagining of workflow and processes to increase efficiency and maintain lower costs.

A highlight of our aeronautical business was LGK's perfect score in the Airports Council International's service quality survey, and winning the 'Best Airports' award in the Asia Pacific in its category. KUL ranked 9th in the survey in its category with a score of 4.99 out of 5.00, winning four awards with its top 5% ranking in key service quality areas - Airport with the Most Dedicated Staff, Easiest Airport Journey, Most Enjoyable Airport and Cleanest Airport.



The aeronautical business derives its revenues from airlines and passengers who use our airports, as well as cargo which is transported through our airports. The main categories of revenues are passenger service charges, aircraft landing and parking charges and charges for use of airport facilities. These aeronautical revenues are strongly correlated with the volume of airlines, passenger numbers (in particular, a higher proportion of international passengers) and cargo handled using our facilities.

OPERATIONAL REVIEW

AIRPORT OPERATIONS

In 2022, as Malaysia rolled back its pandemic travel restrictions in line with the majority of global economies, this resulted in a sharp rise in passenger numbers by 390.8% YoY for our operations in Malaysia. In Türkiye, the operating environment enabled SAW to post strong YoY growth of 23.0% in passenger movements. As a result, passenger movements for the Group rose by 132.4% YoY.

Aeronautical revenues amounted to RM1,657.4 million, a YoY growth of 107.7%. Operations in Malaysia contributed RM868.0 million, which is 262.4% higher than the previous year, while aeronautical revenues from Türkiye operations contributed RM789.3 million, a YoY increase of 41.3%.

Key Priorities for Aeronautical Business

Work with airlines to ramp up network connectivity

Maintain high service quality despite increased traffic

Leverage on technology to enhance safety and security and airport experience

Enhance readiness, capacity and critical assets

► Work with airlines to ramp up network connectivity

Operations in Malaysia

As aeronautical revenues are correlated with the volume of passengers and with a higher proportion of international passengers, one of our main priorities in 2022 was to regain the network connectivity which had been disrupted during the pandemic and attract airlines to return to Malaysia.

We extended the Network Reconnecting Programme to facilitate, assist and encourage airlines to resume their services to and from Malaysia. Through the programme, Malaysia Airports sought the commitment of airlines to secure the early resumption of suspended routes to boost traffic by tapping into the potential of pent-up demand for international travel.

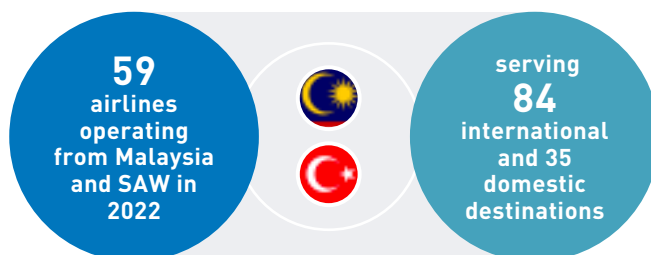
In addition, we also collaborated closely with Batik Air Malaysia and Firefly to facilitate recovery of operations, hub capacity building as well as establishing local hubs at PEN and BKL to support their route network development. This was aimed at restoring their international flights and to further develop international routes from PEN and BKL respectively.

As a result of working in partnership with our airline stakeholders, 17 airlines resumed operations into Malaysia in 2022, serving 32 cities around the globe. In addition, three new foreign-based carriers commenced operations to Malaysia –

Lanmei Airlines (Phnom Penh-KUL), Kuwait Airways (Kuwait -KUL), Spring Airlines (Nanning-KUL). Among the foreign-based carriers already flying into airports in Malaysia, eight new services from international destinations were also introduced.

In terms of home-based carriers, two new airlines commenced operations in 2022 – MYAirlines and SKS Airways – serving domestic destinations. In addition to reviving their pre-pandemic routes, existing home-based carriers – AirAsia, AirAsia X, Batik Air Malaysia, Firefly and Malaysia Airlines – also introduced nine new routes.

Pre-pandemic, there were 60 airlines operating to airports in Malaysia, and we are working with the remaining airlines to resume flying into Malaysia.



OPERATIONAL REVIEW

AIRPORT OPERATIONS

Operations in Türkiye

At SAW, the Group made a major push to increase international destinations. As a result, two new airlines began flying to SAW, namely Iraqi Airways and Air Arabia. Four new international destinations were added to the network – Yerevan, Ganja, Helsinki and Nur-Sultan.

In addition, the major home-based airline partners, Pegasus Airlines and AnadoluJet, began shifting their operations to A321Neo aircrafts which have an additional capacity of 20% over the previous aircrafts. They are also switching their existing slots at SAW from domestic to international routes,

and this will generate more passenger movements and also revenue for the airport. In view of the intense competition in the market, we are revising the existing Airline Incentive Programme to focus on international departures for existing and new airlines, with the aim of defending and further growing this segment.

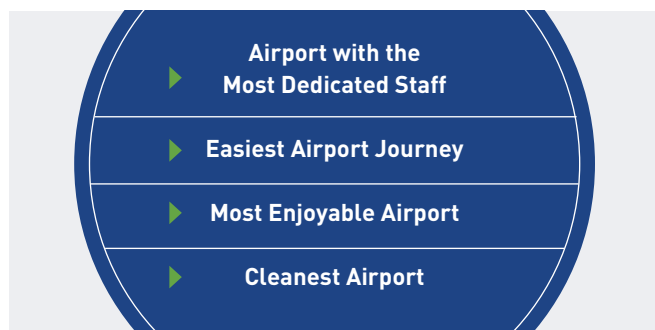
In total, for operations in Malaysia and Türkiye combined, there are now 59 airlines operating to 84 international and 35 domestic destinations in 2022 compared to 48 airlines to 51 international and 32 domestic destinations in 2021.

► Maintain high service quality despite increased traffic

Ranked among global leaders in service quality

KUL scored 4.99 out of 5.00 in the Airport Service Quality (ASQ) survey by Airports Council International (ACI), while LGK returned a perfect score of 5.00. This ranked KUL at #9 in the above 40 mppa category while LGK ranked #1 in the 2-5 mppa category.

In addition, KUL received awards in all four new categories of the ASQ Awards, placing it among the top 5% of performers globally in those key service quality areas. The new categories which reflect the evolution of customer needs and recognise the efforts of airports to meet customers' needs are:



Taken together with the perfect 5.00 scores achieved by both airports in 2021, this indicates the sustained consistency of high service quality across all 31 of ASQ's indicators despite annual passenger traffic expanding by 533.1% at KUL and 194.2% LGK respectively.

Continued Washroom Improvement Programme

Malaysia Airports completed the washroom refurbishment at both KLIA Terminal 1 and Terminal 2 in early 2022, improving the facilities as well as ambiance and comfort level. As washrooms significantly impact guest satisfaction, the Group places high importance sustaining the positive impact of the refurbishment exercise. The maintenance of the washrooms is closely monitored via an RFID system that tracks the cleaning of the facilities. The Corporate Quality Management Department together with Washroom Adopters, comprising the Group's Management personnel, conduct regular surveillance audits to sustain the high service quality of the washrooms, the results of which are reviewed monthly by the Washroom Improvement Programme Committee.

Based on the latest available results of the Malaysian Aviation Commission's (MAVCOM) Quality of Service (QoS) framework, both passenger and staff washrooms scored above 96% for most of the inspection months.

Retail and F&B outlets expanded

The Group has recruited new retail and F&B tenants under its Commercial Reset programme, enhancing the customer experience at the airports. The brands that opened airport outlets in 2022 include The Coffee Bean & Tea Leaf, 4Fingers and KyoChon at KLIA Terminal 1 and Costa Coffee at KLIA Terminal 2. Sense of Malaysia, which provides a platform for local artisanal products to be featured at international gateways, opened its first outlet at LGK. The first 4Fingers

OPERATIONAL REVIEW

AIRPORT OPERATIONS

outlet in Sarawak opened at KCH, making the airport a dining destination for Kuching residents. BKI welcomed the opening of Noodles, the first outlet in Sabah. McDonald's reopened at PEN with a refreshed outlet design, conveniently located at the kerbside, making it accessible to the public and non-travellers. Two new airport lounges also opened in PEN and KCH for the comfort of the passengers.

Metro-Terminal Connection at SAW

With the completion of the Pendik-Sabiha Gökçen Metro station in 2022, SAW is linked to downtown Istanbul via the metro line, positioning the airport as Istanbul's 'City Airport'. The metro station, which is connected directly to SAW's

terminal building, makes it very convenient for passengers to get to the airport from the city in just 45 minutes, with no traffic congestion. With the metro connection, traffic congestion at the terminal kerbside has also eased.

Enhanced maintenance of facilities that impact service quality

At SAW, in view of the increased passenger traffic, we stepped up the maintenance of facilities such as heating-cooling systems, ventilation, air conditioning, escalators, elevators, travelators and aerobridges to ensure that we meet quality service standards and ensure availability of services.

▶ **Leverage on technology to enhance safety and security and airport experience****Leverage on technology to enhance airport experience, capacity and security**

We leveraged on our Airports 4.0 digital transformation initiative to enhance the airport experience, improve capacity and efficiency and boost security as these are building blocks for future growth. The use of technology has enabled the Group to rethink and redesign its operations particularly in the light of the new travel norms.

EZPaz

We rebranded the biometric facial recognition system at KUL to 'EZPaz' and rolled out the solution for Malaysia Airlines' and AirAsia's domestic flights. The system enhances airport security with the use of biometric data and delivers an enhanced seamless experience for passengers as they only need to show their documents once at check-in. Subsequently the system's biometric facial recognition capability will identify passengers, eliminating the need for the traditional boarding pass and identification documents at airport checkpoints.

MYairports mobile app

The app was further enhanced and relaunched, offering a convenient method for passengers to access a comprehensive range of information and features that assist passengers on their journey through KUL. This includes the EZPaz, the Butterfly Effect for persons with hidden disabilities, flight information and tracking, wayfinding, special assistance information and one-click access to the shopMYairports shopping site.

ISG Portpal

This airport loyalty programme at SAW is also Türkiye's first such programme. ISG Portpal has garnered over 2,500 members who collect points when spending at the airport, which can then be redeemed for a range of rewards at the airport or from the programme's partners.

ISG Recommends

This trip planner offers passengers local trip recommendations which are prepared by local guides. In addition to helping passengers find interesting experiences for their trips, ISG Recommends also gathers data to improve its recommendations to passengers of services and products which are available at the airport.

Multi-year projects

The Group also kicked off several multi-year digitisation projects. The Airport Collaborative Decision Making project kicked off with the signing of a Memorandum of Understanding by Malaysia Airports and key stakeholders, namely CAAM, airlines and ground handling companies. The project will enable national aviation players to access and share real time data, and collaborate to improve operational efficiency and process flow at KUL.

OPERATIONAL REVIEW

AIRPORT OPERATIONS

► Enhance readiness, capacity and critical assets

Work commences to replace Automated People Mover

The Group has begun its replacement of the Automated People Mover at KLIA Terminal 1, which is known as the Aerotrains. Phase 1 of the project, being the design work started in March, and the project is expected to complete in 2025. In the meantime, a round-the-clock bus service shuttles passengers between the terminal's contact pier and the satellite terminal.

Contract awarded for replacement of Baggage Handling System

The contract for replacement of the Baggage Handling System at KLIA Terminal 1 was awarded in October. This project is to replace the existing Baggage Handling System which has been in operation since the airport commenced operations in 1998.

Airport expansion and optimisation in Malaysia

Currently, KBR is undergoing expansion to increase its capacity from 1.5 million passengers per annum (mppa) to 4 mppa. The proposed expansion of PEN from 6.5 mppa to 12 mppa is currently in its planning stage. Space optimisation studies were conducted for airports which were operating beyond capacity pre-pandemic – BKI, IPH, KCH, SBW and TWU. In these studies, we assessed the potential for reconfiguration of existing floor area to alleviate crowding at bottleneck areas.

Improving pavement integrity

Several projects were completed in 2022 to upgrade and restore airfield pavements at KLIA Terminal 2, AOR, BKI, KCH and LMN ensuring compliance with applicable safety standards while reducing potential repair costs.

Reconfiguration exercise at SAW

This project aimed to work around capacity constraints at SAW with its increased international passenger traffic. By converting eight domestic gates into international gates, the airport enhanced its ability to handle more international flights. The BusGate project was complemented by the reconfiguration of passenger areas, transit zones, customs and security checkpoints and the creation of a new fast-

track transit area to improve passenger flow and minimise passenger waiting times. The reconfiguration exercise also created new commercial spaces which will boost non-aeronautical revenue.

Second runway at SAW

The construction of the second runway at SAW is on-going and is expected to complete in 2023. This will ease the current capacity issues at SAW as the single runway restricts operation hours given the need for mandatory regular maintenance of the runway.

Aerodrome Emergency Exercises implemented

Malaysia Airports returned to the pre-pandemic schedule conducting all the targeted 72 Aerodrome Emergency Exercises. This includes 12 full scale exercises, 10 partial exercises Exercise, 10 Partial Exercise, 22 virtual tabletop exercises and 28 building fire drills. All relevant external stakeholders were included in the exercises, enhancing the knowledge and readiness towards emergency preparedness.

Airport Fire and Rescue Service (AFRS)

Malaysia Airports initiated a three-year programme in 2021 to replace aging AFRS fire vehicles at the airports as the vehicles were reaching their maximum lifespan. In 2022, 11 fire vehicles were replaced at the following airports - BTU (2), IPH (2), KBR (2), LMN, MKZ, MYY, SDK and TGG.

With the rise in air traffic in 2022, Malaysia Airports recruited 57 new personnel to fill AFRS vacancies to maintain requisite levels of AFRS manpower and Rescue and Fire Fighting capabilities. The recruitment of new personnel is in addition to the internal training and reskilling efforts to redeploy Aviation Security staff to the AFRS in the previous year.

In conjunction with the National Preparedness Month 2022, Malaysia Airports in collaboration with the National Disaster Management Agency (NADMA) jointly organised a National Air Disaster Management Webinar. The programme, which aimed to increase cooperation and coordination among agencies in the event of an air disaster, attracted a total of 685 participants from various government agencies.

OPERATIONAL REVIEW

NON-AERONAUTICAL BUSINESS

Reimagining Airport Retail

Reimagining our non-aeronautical business has refreshed our approach to enhance our propensity to generate revenue and growth. This includes expanding retail space, new retail brands, exciting campaigns, omni-channels and even extending our reach beyond the airport retail space. The New Rental Model also helps sustain and retain existing partners to ensure the prime readiness of our airport retail spaces as passenger traffic expands.



The two main components of the Group's non-aeronautical business are first, rental and royalties derived from leasing out airport space and secondly, retail sales of duty free and non-dutiable goods by our subsidiary, Malaysia Airports (Niaga) which is better known by its brand name, Eraman.

This year, fuelled by the growth in passenger numbers, particularly international passengers Group-wide, non-aeronautical revenues grew by 80.5% YoY to RM1,206.5 million. Revenues from rental and royalties stood at RM807.1 million, a YoY increase of 50.3%. Retail sales of duty free and non-dutiable goods (inclusive of F&B) by Eraman contributed revenues of RM262.4 million, 6.7 times higher than the previous year.

OPERATIONAL REVIEW

NON-AERONAUTICAL BUSINESS

Notably, rental and royalties at SAW grew 55.6% YoY with a total revenue contribution of RM481.3 million. This includes revenue generated from SAW's duty free business of RM291.1 million which is 74.2% higher YoY. In addition to continued efforts by Dufry, the world's largest duty free airport operator which operates the travel retail offerings at SAW, the growth in international passengers at SAW was also a key driving factor.

Key Priorities for Non-aeronautical Business

Improve commercial offerings and occupancy levels

Expedite mobilisation to realise the Commercial Reset

Expand omni-channel capabilities

Increase retail spend per pax at Eraman

RENTALS AND ROYALTIES

► Improve commercial offerings and occupancy levels

We capitalised on the reopening of Malaysia's international borders and the strong recovery in passenger traffic to accelerate rolling out new brands and revamped outlets at the airports. We galvanised tenants and partners into action to tap the pent-up demand for travel and shopping while creating an exciting vibe at the airports. This was in line with the entrepreneurial mindset which we had adopted to spur a propensity to generate revenue.

We went the extra mile to facilitate clients in transacting business as early as possible, and even while waiting for their outlets to be launched. In this regard, we set up pop-up outlets and promotional outposts to enable them to introduce themselves to the market before their physical stores were ready. We encouraged food and beverage tenants to utilise these temporary storefronts at strategic locations in the terminals. This was a win-win situation for both tenants and passengers as there were concerns on the availability of food and beverage beyond the security checkpoints, especially in the earlier part of the year when not all outlets had reopened.

To improve efficiency, the Commercial Services e-Tender Automation was implemented as a workflow improvement initiative, speeding up and simplifying the business acquisition period and the tender management process. This led to the reduction in lead time from the closing of the tender to

award from six months to approximately 10 weeks. To further accelerate the process of opening an outlet, a Commercial Mobilisation Task Force was formed comprising Senior Management personnel, project managers as well as cross-departmental representatives to facilitate and smoothen the outlet opening process.

We also realised the commercial real estate value of previously under-utilised areas. An example of this is the relocation of high-traffic fast food restaurants – McDonald's and KFC – to the viewing gallery at KLIA Terminal 1, 'Anjung Tinjau'.

At SAW, the conversion of eight domestic gates into international gates has also resulted in the creation of new commercial spaces in those areas of the terminal. This provides the opportunity to boost non-aeronautical revenues. SAW's airport loyalty programme, ISG Portpal, was also launched in 2022, and is Türkiye's first such programme. ISG Portpal rewards users with points for their purchases from programme partners, which are mainly the airport's commercial tenants. The points may be later redeemed for goods and services from the programme partners. A digital voucher system was also introduced at SAW which supports cross sales among different F&B outlets, retailers and duty free outlets.

OPERATIONAL REVIEW

NON-AERONAUTICAL BUSINESS

Collaborations

KUL Art Airport

A collaboration between Malaysia Airports and the National Art Gallery of Malaysia: This collaboration promotes public artworks at KUL, BKI, KCH and PEN to elevate local artists by showcasing their artwork at international gateways to Malaysia. The art exhibits also improve the comfort factor and customer friendliness of the airport space.

The Life of Malaysia's First Prime Minister

A collaboration between Malaysia Airports and the National Archives of Malaysia: This exhibition at KUL paid tribute to Tunku Abdul Rahman, Malaysia's first Prime Minister in conjunction with the country's National Day and Malaysia Day. Visitors had the opportunity to see some of the personal items used by Tunku Abdul Rahman including his iconic white Chevrolet, which he used to travel across the country while campaigning for the 1959 general election. The car was also featured prominently in the nation's National Day celebration in 1959.

▶ Expedite mobilisation to realise the Commercial Reset

The Commercial Reset initiative had begun in 2018 to refresh the commercial spaces at the airports and future-proof our airports by combining infrastructure improvement with a new retail layout and retail mix to maximise footfall and revenues. This includes everything within the commercial spaces from full digital adoption, rethinking the end-to-end customer journey and offering seamless online-offline experiences.

Through the Commercial Reset, our airports, particularly international airports, will enjoy an enhanced profile and position themselves as premier travel retail and lifestyle destinations in their own right as opposed to being merely a conduit for air travel. A pilot commercial reset programme was implemented in LGK and its new and exciting lifestyle offerings are a showcase of a successful commercial reset, earning enthusiastic feedback from travellers and other airport users. The airport also enjoys the distinction of housing the island's first Burger King, Charles & Keith and Costa Coffee outlets.

Since the beginning of the Reset journey in 2018, 808 outlets across Malaysia had been earmarked for the Commercial Reset, with 96% of the outlets already being tendered out while the remaining 4% will be reserved for future

development as passenger numbers grow. Approximately 86% of the 808 outlets under the Commercial Reset have been awarded.

Once the Commercial Reset is complete, passengers can look forward to more than 70 exciting brands across our airports offered under five new retail formats – Duty Free, F&B, Designer Fashion, Retail-tainment and Sense of Malaysia.

Among the brands that we welcomed at the airports in 2022 were The Coffee Bean & Tea Leaf, 4Fingers and KyoChon at KLIA Terminal 1 and Costa Coffee at KLIA Terminal 2. KCH opened the first 4Fingers outlet in Sarawak, making it a dining destination for the Kuching community while BKI welcomed Noodles' first outlet in Sabah. PEN saw McDonald's reopened with a refreshed outlet design which is conveniently accessible from the kerbside. International brands, Starbucks and WH Smith, continued to expand at several domestic airports in Malaysia. Two new lounges also opened in KCH and PEN for the comfort of passengers.

In addition, the first Sense of Malaysia outlet opened at LGK, providing a platform for local artisanal products to be featured at an international gateway.

OPERATIONAL REVIEW

NON-AERONAUTICAL BUSINESS

► Expand omni-channel capabilities

Malaysia Airports' Airports 4.0 digital transformation initiative has seen the introduction of online e-commerce platforms in Malaysia and Türkiye – shopMYairports and shop@saw - which aim to enhance customers' experience on the retail front. By providing the online platforms to airport retailers, they are able to expand their reach beyond their bricks and mortar shops at the airport to sell to access non-passengers. This also enables airport tenants to remain agile and capture future growth through online shopping which has seen explosive growth during the pandemic.

The online platforms also offer click and collect options, enabling passengers to be serviced efficiently without them having to be physically present at the outlet, freeing up commercial space for products which are best sold in-person.

In 2022, Malaysia Airports obtained approval from the Royal Malaysian Customs Department for the sale of duty free goods on the shopMYairports platform through a convenient click and collect process, namely pre-order online and collect at the airport. This is a new milestone as previously duty free items were only available for in-store purchase.

Malaysia Airports celebrated the first anniversary of shopMYairports with the 'Goldenaire' campaign which ran from September 2021 till February 2022 which gives shoppers a chance to a grand prize of a 200-gram gold bar and monthly prizes of 2.5 gram gold wafers worth up to RM100,000.

RETAIL SALES OF DUTY FREE AND NON-DUTIABLE GOODS

► Increase retail spend per pax at Eraman

This year provided an opportunity for Eraman to move strongly ahead with revenue generation given the realignment exercise and new channels put in place during the pandemic. We focused on four major areas in 2022 to increase the propensity of this business segment to generate revenue as passenger traffic at airports rose through the year – business enhancement, digitalisation, improved brand experience and promotions. As a result of that, Eraman's sales per ticket rose to RM280, compared to RM233 recorded pre-pandemic in 2019. This was remarkable, because in 2022, international passenger movements at airports in Malaysia, the main driver of Eraman's sales traditionally, recovered to only 31.0% of 2019's levels.

Business enhancement

As part of the overall Commercial Reset undertaken by Malaysia Airports, the F&B segment was enhanced, particularly at KLIA Terminal 1 where Eraman operates the 'Food Garden KLIA'. With the opening of the revamped Food Garden KLIA at the end of 2021, a diverse mix of tenants and brands continued to open up their outlets in 2022 including PastaMania, O'Brien's, Dunkin' Donuts, TGM by Plaza Premium, Asian Noodle and Little Wok. In 2022, Food Garden KLIA generated sales of RM16.6 million.

Travel retail was another area for enhancements to capitalise on travellers looking to release pent-up demand for travel retail products. We opened a new emporium at PEN for perfumes and cosmetics as well as chocolates in April 2022, with the outlet generating revenue of RM2.9 million. A multi-brand perfumes and cosmetics outlet in collaboration with House of Coty also opened at KLIA Terminal 1 at the end of 2022.

One of the strategies we developed during the pandemic was to extend our sales reach beyond the airport premises – through delivery services for F&B, direct sales through corporate and government links and third-party e-commerce platforms. We continued to enhance these alternative channels for example by providing delivery of Food Garden KLIA and Marrybrown F&B products to customers located within a 10 km area surrounding KUL. We also organised direct sales activities in partnership with government entities and corporate bodies, setting up sales promotions within their premises. In addition, we added a storefront selling duty paid products on the Shopee platform to expand our e-commerce reach.

OPERATIONAL REVIEW

NON-AERONAUTICAL BUSINESS

Digitalisation

With online platforms becoming key enablers of our business, we enhanced our online presence in several ways. First, we leveraged on promotions for the newly launched shopMYairports 'Click & Collect' capabilities. We extended our digital marketing on Facebook and Google and expanded our e-payment partners to improve customer convenience for online purchases.

Improved brand experience and promotions

We grew our loyalty programme, the 'Eraman Privilege Card' with the number of members increasing by 80% YoY. We launched a 'Welcome Back' promotion in April offering special discounts to coincide with the reopening of Malaysia's international borders. This promotion was also designed to drive new members for the Eraman Privilege Card.

In addition to that, we also drove higher spend with targeted initiatives through partnerships and collaboration with banks and e-Wallet providers such as Maybank and GrabPay. Thematic campaigns for festive seasons, major public holiday, and birthday promotions made their return in 2022.

In addition to the above, there were also initiatives to transform workflow at Eraman by streamlining operations, reducing duplication and redeploying employees according to business needs. In the back office, Eraman also embarked on an automation initiative to ease processing and reduce manual processes. This will lead to better efficiency and enable real-time monitoring of business activities.



OPERATIONAL REVIEW

NON-AIRPORT OPERATIONS

Malaysia Airports' non-airport operations comprises three business divisions – Hotel, Project and Repair Maintenance Operations, and Agriculture and Horticulture. In 2022, revenues for non-airport operations as a whole increased 27.5% YoY to RM263.2 million.

HOTEL

Gearing up for increased demand

Revenues in Malaysia grew 75.2% YoY with the average daily rate increasing by 19.2% over 2021. Hotel operations in Türkiye grew by 109.1%. Malaysia hotel operations have geared up since the completion of the renovation and refurbishment works at Sama-Sama Hotel KLIA.



Malaysia Airports operates hotels in both Malaysia and Türkiye. In Malaysia, the hotels are operated by Malaysia Airports' wholly owned subsidiary, KL Airport Hotel Sdn Bhd, under the brand 'Sama-Sama Hotel'. There are three Sama-Sama Hotels – the five-star Sama-Sama Hotel KL International Airport (Sama-Sama Hotel KLIA) and two airside transit hotels – Sama-Sama Express KLIA Terminal 1 and Sama-Sama Express KLIA Terminal 2. In Türkiye, the hotel is known as 'Airport Hotel' and is located at the landside of SAW. KL Airport Hotel Sdn Bhd also operates the Airport Fast Track service at KLIA Terminal 1, a premium kerbside-to-gate service that offers guests fast track lanes for check-in, customs and immigration, transportation services and buggy and concierge services.

OPERATIONAL REVIEW

NON-AIRPORT OPERATIONS

The performance of the hotel segment is dependent on several factors. Traditionally, passenger traffic at KUL and airline routes are key drivers of occupancy rates as transit passengers and airline crew layovers are key customer segments. In addition, the demand for meeting and event facilities is another key factor. Growing passenger numbers as well as the removal of public health restrictions on large meetings, conferences, events and gatherings were a boost for the hotel business in Malaysia in 2022.

In 2022, revenues for the hotel business as a whole showed strong growth of 80.1% YoY with a total of RM88.4 million. Revenues for operations in Malaysia grew by 71.5% YoY to RM72.3 million, while hotel revenues from operations in Türkiye grew 109.1% to RM16.1 million.

Hotel operations in Malaysia

With passenger traffic for KUL growing 533.1% YoY for operations in Malaysia, the average occupancy rate rose to 65% in 2022, an increase of 13 percentage points from 2021. This was accompanied by a corresponding rise in the Average Daily Rate to RM373 a 41.0% rise compared to 2021. The growth was captured primarily in the second half of the year with strong demand for rooms from the transit business and leisure segment as well as local corporates and wholesale business. Food and beverage revenue as well as banquet and meeting sales also grew in 2022, increasing 130% over 2021.

In terms of room sales for Sama-Sama Hotel KLIA, short term crew stays which was a major segment pre-pandemic are still far behind pre-pandemic levels. This is because the airlines have not fully restored their operations to KUL or were operating reduced frequencies or turnaround flights compared to their pre-pandemic schedules. This was however mitigated by stronger sales to local corporates and wholesale and leisure, namely travel agents. Sales to online travel agents showed strong growth of 1,378% while walk-in business from transit passengers increased by 240% YoY. We will be looking to tap these markets further for the year ahead.

Sales for Sama-Sama Express Hotel KLIA Terminal 1 and Terminal 2, the transit hotel at KLIA Terminal 1, sales had grown by 60.7% over 2021, with 68.5% of room nights generated from the hotel's active presence on web searches. The transit hotel at KLIA Terminal 2 did not perform well as major Air Asia X flights at the terminal were not in full operation in 2022.

Sama-Sama Hotel KLIA completed its renovations in the first quarter of 2022, which was marked with the official opening of Continents, the hotel's new and vibrant all-day dining restaurant, in March. The new concept has garnered positive reviews for its new vibe and culinary experience from

in-house guests, conferences and meetings attendees as well as non-in house guests from the airport community. The new ballroom, meeting rooms and VIP Sky Suite have also generated banquet sales revenue.

In 2022, the hotel business faced stiff competition in terms of room pricing; however with the renovation and refurbishment of our facilities during the pandemic, we were able to attract customers while raising daily rates. We also had to address manpower shortages which had affected the hospitality industry overall, and reorganised our available workforce to meet business needs.

Sama-Sama Hotel KLIA also achieved a high guest satisfaction rate of 92.3%. In addition, our hotels also won several travel industry award.

2022 Hotel Awards

SAMA-SAMA HOTEL KL INTERNATIONAL AIRPORT

World Luxury Hotel Awards

Best Airport Hotel – Global Winner

Haute Grandeur Global Awards

Best Airport Hotel – Global
Best Conference Venue Hotel – Asia
Best Culinary Experience – Malaysia
Best Hotel Service – Malaysia

Malaysia Tourism Gold Awards

Gold Award 5 Star Hotel
Gold Award Gastronomy Experience

Malaysia Tourism Industry Awards

Best Business Hotel Luxury Hotel
Best Contemporary All Day Dining – Continents Restaurant

Trip Advisor

Certificate of Excellence Best of the Best

SAMA-SAMA EXPRESS HOTEL KLIA TERMINAL 1

World Luxury Hotel Awards

Best Airport Transit Hotel – Global Winner

SAMA-SAMA EXPRESS HOTEL KLIA TERMINAL 2

World Luxury Hotel Awards

Best Airport Transit Hotel – Continents Winner

OPERATIONAL REVIEW

NON-AIRPORT OPERATIONS

PROJECT AND REPAIR MAINTENANCE OPERATIONS

Delivering Operational Excellence

A profitable year with a new facilities management contract at DOH and gaining new clients in Malaysia are the highlights of this segment.



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

MACS ME has provided facilities management at Hamad International Airport (IATA Code: DOH) in Doha, Qatar since 2013. Among the services provided by MACS ME are comprehensive facilities management services, interim security services, custodial and janitorial services, repair and maintenance services of the airport special systems as well as equipment supply and maintenance support for the suspect baggage tracking system through the RFID platform.

UTW is a leading Total Facilities Management services provider in Malaysia with over 20 years of experience, and is certified with ISO 41001:2018 Facility Management Systems, ISO 9001:2015 Quality Management Systems, ISO 14001:2015 Environmental Management Systems and ISO 45001:2018 Occupational Health and Safety Management Systems.

OPERATIONAL REVIEW

NON-AIRPORT OPERATIONS

In total, revenues for the project and repair maintenance operations segment grew 21.9% YoY to RM128.8 million in 2022.

MACS ME

In 2022, MACS ME's revenue increased by 10.4% YoY to RM98.4 million, on the back of delivery of services under airport maintenance contracts at DOH, namely Projects CP310 for IT maintenance support and FM0015 for facilities management as well as forex gains in 2022. As a result, this segment recorded a PBT of RM11.0 million for 2022, an increase of 66.7% YoY.

In terms of the existing projects, for CP310, MACS ME is in its fourth year of a five-year contract period which ends in December 2024. CP310 was awarded in 2014, and MACS ME has secured a two further extensions of the term on the back of its excellent performance. With FM0015, the project was awarded in April 2015 and has been extended by a series of change orders, with the latest Change Order 11 expiring end-October 2023.

In 2022, MACS ME has also had to successfully navigate the challenges particularly in recruiting manpower from outside Qatar due to travel restrictions and a complex and costly hiring process. In addition, operational costs have increased due to inflation, impacting the existing contracts.

UTW

For 2022, revenues for UTW, excluding inter-company revenues, stood at RM30.5 million, an increase of 83.8% YoY. In 2022, UTW's focus was to solidify its position as a reliable and innovative partner in providing advanced facility management services to its clients. The company secured new non-airport business contracts amounting to RM125.7 million and contract extensions worth RM122.1 million, while pursuing opportunities to offer aviation-related services through strategic partnerships.

UTW's client list includes an impressive list of established local and international companies and organisations. These include airports - KUL, LGK, PEN and SZB, the Malaysia

Airports Corporate Office as well as Airbus Helicopter Malaysia, Cainiao Aeropolis eWTP Hub, Petronas Precinct Buildings (KLCC Twin Towers, KLCC Tower 3, KLCC Common Estate & Common Facilities, Menara Permata Sapura, Masjid Asy-Syakirin, Menara ExxonMobil, Petronas Digital Collaboration Center), Persada PLUS, MITSUI Outlet Park KLIA, SPIRIT Aerosystems Malaysia, and Sime Darby Plantation.

In 2022, UTW's new clients include Malaysian Research Accelerator for Technology & Innovation (MRANTI), Bank Negara Malaysia and KLCC Urusharta.

UTW also implemented innovative technology digitalisation through its SMARTASSET Management System ("SAMs") for future uncertainties. Its maintenance activities leverage technology, such as Smart Asset Management System apps and RFID, for real-time data and information analysis, monitoring, and reporting. UTW has also developed a Facility Management Operation Center that integrates customer calls online with technology and digital solutions to address clients' needs. UTW leverages technology to enhance its clients' cost optimisation efforts and improve operational efficiencies as well as improving services delivery to stakeholders.

An example of technology at work in facility management is the installation of the Customer Real Time Feedback Survey System at all washrooms at KUL had provided valuable data for improving service delivery to airport stakeholders and passengers. This was one of the factors that led to a near-perfect 4.99 out of 5.00 ASQ score at KUL, underscoring the added value that UTW brings to clients.

UTW also received recognition for its exemplary leadership, management, technical capabilities, integrated ICT, and project management, earning a 5-star SCORE rating from CIDB. Additionally, the company is certified in compliance with various service standards.

OPERATIONAL REVIEW

NON-AIRPORT OPERATIONS

AGRICULTURE AND HORTICULTURE

A challenging year

MAAH was impacted by labour shortages and adverse weather conditions.



Malaysia Airports' agriculture and horticulture business segment is conducted by its wholly-owned subsidiary, MAB Agriculture-Horticulture Sdn Bhd (MAAH). MAAH is focused primarily on the cultivation and management of mature oil palm and coconut plantations as well as landscaping at KUL. Its oil palm plantation is certified under the national Malaysian Sustainable Palm Oil (MSPO) certification while the company adheres to ISO9001 standards. Its new crops are pineapple and banana.

In 2022, MAAH's revenues declined 11.2%YoY to RM45.9 million due to lower production of fresh fruit bunches of 41,888 metric tonnes, which was 23% lower than 2021. This was due to a labour shortage following restrictions on foreign workers entering Malaysia imposed during the pandemic

which had impacted the plantation sector across the country. As a result, in particular, harvesting and collection of oil palm fresh fruit bunches which is reliant on foreign workers was affected. MAAH's landscape, maintenance and cash crops businesses were also impacted by the labour shortage. In addition, the yearly monsoon period had resulted in flooding, adversely impacting harvesting and crop recovery activities in the plantation.

To resolve the reliance on foreign workers, MAAH collaborated with Jabatan Penjara Malaysia (the Prisons Department of Malaysia) to train 120 inmates to fill the labour gap. This is potentially a win-win situation for both MAAH and the inmates as it provides work and income for the inmates as preparation for reintegration into the national workforce and society while also resolving MAAH's labour shortage.

The participation of the inmates in this scheme is voluntary on their part. They are paid wages which comply with Malaysian labour laws and regulations, including the Minimum Wages Order 2022.

The average price of crude palm oil was volatile in 2022, rising from RM4,407 per tonne in 2021 to hit an all time high of RM6,873 per tonne in March before moderating in the second half of the year. The average price for the year was RM5,088 per tonne, 15% higher YoY.

MAAH's activities are duly certified in accordance with international and local standards as follows:

- Achieving sustainability in core business of oil palm with zero Non-Compliance Reports in accordance with ISO 9001: 2015 certification (Short Term and Ongoing) and MSPO 2350:2013 (Part 3: Oil Palm Producers) (Short Term and ongoing)

- Certification by Malaysian Good Agricultural Practice (myGAP) from the Malaysian Department of Agriculture for pineapple and banana, and as a genuine producer to sell cash crop suckers (Medium Term)

OPERATIONAL REVIEW

LANDSIDE OFF-TERMINAL DEVELOPMENT

Unlocking revenue potential with global anchor tenants making long term commitments



Aeropolis is the integrated and synergistic off-terminal real estate development and solutions by Malaysia Airports with a focus on key economic sectors namely aerospace and aviation, air cargo and logistics, MICE and Leisure as well as green & technology which are aligned to national blueprints and aspirations.

KLIA Aeropolis Sdn Bhd, as the centralised development arm for Malaysia Airports, provides real estate portfolio management for the Group including principal leasing activities such as sublease of land and rental of logistics warehouses, hangarage, light industrial facilities, and operation offices on mid to long term leases to generate a stable and predictable income stream.

At present, at KUL, the Aeronautical Support Zone 1 which serves the airport support ecosystem is 98% developed, and hosts global anchors such as Alibaba's Cainiao Aeropolis eWTP Hub and Airbus' Asia Pacific Customer Service Centre and facilitates more than 200 logistics players. In SZB, we have attracted global aviation market leaders such as Spirit Aerosystem and Senior Aerospace into an established aerospace and business aviation ecosystem. Approximately 60 companies employing over 4,000 high-skilled workers are located in SZB, spurring the development of both the breadth and depth of the local value chain. These achievements underscore our capabilities in airport synergistic development strategies and our commitment to formulate and execute a comprehensive masterplan at both KUL and SZB.

OPERATIONAL REVIEW

LANDSIDE OFF-TERMINAL DEVELOPMENT

The development of integrated industrial precincts by Malaysia Airports have the potential to become engines of growth beyond the airport boundaries which attract substantial foreign and domestic direct investments in the e-commerce logistics and maintenance, repair and overhaul (MRO) sectors.

Secured 99-year lease for KLIA Aeropolis development

On 17 November 2022, Malaysia Airports was granted a 99-year lease over 8,537 acres of land in the immediate vicinity of KLIA demarcated as KLIA Aeropolis Lands by the Government of Malaysia (GoM). The executed Development Agreement and Land Lease Agreement with the GoM and Federal Lands Commissioner gives rights to its subsidiary, KLIA Aeropolis Sdn Bhd, to plan and develop the KLIA Aeropolis Lands. The investor-friendly terms of the lease will strengthen Malaysia Airports' ability to accelerate off terminal opportunities around KUL which generate long term economic value for the nation, by way of injecting catalytic projects and creating vibrancy at KLIA Aeropolis.

Subang Airport Regeneration Plan approved in-principle

Malaysia Airports received approval-in-principle for its Subang Airport Regeneration Plan from the Cabinet in early February 2023, which will position the Sultan Abdul Aziz Shah Airport or Subang Airport as a leading City Airport

and Business Aviation Hub in Asia Pacific. The regeneration plan, centered on three segments namely Aerospace Ecosystem, Business Aviation and City Airport, will see the transformation of the Subang Airport into an integrated mixed development of a smart city airport together with terminal-linked commercial and high value aerospace industries. The development will also integrate seamless air-rail-road connectivity, enhancing the attractiveness and creating vibrancy for the Subang Airport and its surrounding area. This provides a stronger value proposition to foreign aerospace and business aviation operators for establishing a regional operations hub at Subang Airport.

Enhancing the Aeropolis around KUL

Phase 3 of Mitsui Outlet Park KLIA Sepang's expansion was officially launched in April 2022. With a total gross development area measuring 162,500 square metres (sqm), retail space of 40,800 sqm, 205 stores and 2,500 parking bays, it is now the largest outlet mall in Southeast Asia. Phase 3 features a trendy sports zone as well as an array of contemporary home and living offerings. The large concept stores offer shoppers a better shopping and browsing experience, exclusive in-store events and services, as well as innovative displays. There are two brand new tenants in Phase 3 – OBJET and COURTS – as well as new concept stores by international household names like Adidas, Nike and PUMA.



OPERATIONAL REVIEW

LANDSIDE OFF-TERMINAL DEVELOPMENT

Developments around Subang Aerotech Park

Collins Aerospace, the third largest aerospace manufacturer in the world, held the groundbreaking ceremony for the construction of their new Maintenance, Repair and Overhaul facility in September. The new facility at Subang Aerotech Park measures 164,837 square feet, which is three times larger than its existing Bukit Raja facility.

As part of the expansion, the facility will add new MRO capabilities for Collins Aerospace's air cycle machines, heat exchangers, engine starters, valves, propellers and actuation systems. The site will support a variety of aircraft, including the B787, B777X, A320, A380, ATR 42 and ATR allowing for faster turnaround time and more efficient service for its customers in the region. The new facility is targeted to be operational by Q4 2024.

Looking Ahead

Malaysia Airports will be undertaking revision and amendment to the masterplan for KLIA Aeropolis and Subang Airport. These masterplans are the blueprints for accelerating economic growth for Malaysia through the development of sustainable airport cities which are designed to catalyse high impact growth industries and future-proofing development amidst global megatrends. The approvals of the Development Order ("Kebenaran Merancang") from the local authorities are expected in 2023.

