



A BREAKTHROUGH YEAR

ANNUAL REPORT 2023

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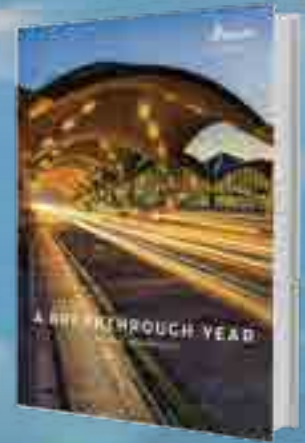
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A BREAKTHROUGH YEAR

In a breakthrough year, Malaysia Airports strode confidently into a growth era following a successful recovery from the pandemic. To signify this transition, we set a three-year strategy to identify and seize opportunities for expansion centred around reimagining the passenger experience at our airports.

We firmly believe that prioritising passengers in our strategic approach is key to maintaining the competitiveness of our airports and increasing market share, especially as the aviation industry anticipates rapid expansion. The cover of this Annual Report depicts the rapid pace of our efforts and our journey to a bright future for the Group and its stakeholders.

Culminating this pivotal year, we achieved outstanding financial results as our Malaysian operations returned to profitability. 2023 has also stood out as one of the most profitable periods in our corporate history.

-  More information on this report
-  More information on our website www.malaysiaairports.com.my



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'.

APPLICABLE REQUIREMENTS AND STANDARDS

This report is prepared according to the following regulatory requirements:

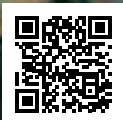
- Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
- Malaysian Financial Reporting Standards;
- International Financial Reporting Standards;
- Companies Act 2016;
- Malaysian Code on Corporate Governance 2021; and with reference to the voluntary standards for sustainability reporting:
- GRI Standards for Sustainability Reporting

VALUE CREATION MODEL

Our value creation model is disclosed on pages 40 to 43. It outlines our focus on value creation which is driven by championing connectivity as a global airport group and the sustainability of airport communities that we serve.

SCOPE AND BOUNDARY

This report covers our financial and non-financial performance during the period from 1 January 2023 to 31 December 2023. Information presented relates to the principal 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.



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



REPORTING SUITE

The Reporting Suite for 2023 is similar to last year and comprises this Annual Report, Financial Statements and Airport Statistics.

NAVIGATION ICONS

Six Capitals

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

Key Stakeholders

- S1** Airlines
- S2** Regulatory Authorities
- S3** Passengers
- S4** Business Partners
- S5** Employees
- S6** Capital Providers
- S7** Tenants
- S8** Vendors and Service Providers
- S9** Associations and Professional Bodies
- S10** Media
- S11** Local Community

Material Matters

- M1** Total Airport Experience
- M2** Airport Safety and Security
- M3** Economic Performance
- M4** Cybersecurity and Data Privacy
- M5** Regulatory Compliance
- M6** Climate Change
- M7** Integrity and Anti-Corruption
- M8** Talent Attraction and Development
- M9** Supply Chain Management
- M10** Biodiversity
- M11** Noise Management
- M12** Market Presence
- M13** Waste
- M14** Human Rights
- M15** Water Effluent
- M16** Contribution to Local Community

MATERIALITY

The content of our integrated report is dependent on the principle of materiality. 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 58 to 75.

FORWARD LOOKING STATEMENT

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

ASSURANCE

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

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

GLOBALLY,
MALAYSIA AIRPORTS
IS ONE OF THE
WORLD'S LARGEST
AIRPORT OPERATOR
GROUPS, BASED
ON THE TOTAL
NUMBER OF
PASSENGERS
HANDLED
ANNUALLY.

Manages

39
airports

throughout Malaysia

5 international airports | **17** domestic airports | **17** STOLports

Owns and manages 1 international airport
in Istanbul, Türkiye

OUR VISION

A Global Airport Group that Champions
Connectivity and Sustainability

BRAND PROMISE

Hosting Joyful Connections

CORE VALUES

Integrity, Customer-Centricity,
Accountability, New Ideas



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

Total Revenue

RM **4,045.5** million

Malaysia

RM **2,284.2** million

Overseas

RM **1,761.3** million

Profit Before Tax and Zakat

RM **510.8** million

Malaysia

RM **136.0** million

Overseas

RM **374.8** million

Group Passenger Traffic Movements

Malaysia

81.9 million

▲ 55.4% from 2022

Türkiye

37.6 million

▲ 20.5% from 2022



DUTY FREE AND NON-DUTIABLE GOODS

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

Total Revenue

RM **577.0** million

Profit Before Tax and Zakat

RM **21.1** million

Number of Retail Outlets



Number of Employees



Retail Area



● 2022 ● 2023



PROJECT AND REPAIR MAINTENANCE

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

Total Revenue

RM **154.7** million

Malaysia
RM **54.6** million

Overseas
RM **100.1** million

Profit Before Tax and Zakat

RM **71.9** million

Malaysia
RM **61.6** million

Overseas
RM **10.3** million

Number of Employees



● 2022 ● 2023

Our Malaysia operations comprises five key business activities which are **airport services, duty free and non-dutiable goods, project and repair maintenance, hotel 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 RM12.28 billion at the end of 2023.



HOTEL

Manage and operate hotels

Total Revenue

RM **105.3** million

Profit Before Tax and Zakat

RM **17.0** million

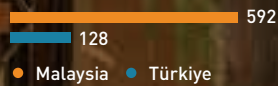
Number of Hotels

4

Number of rooms

720

Breakdown of rooms



* Total Revenue and Profit Before Tax and Zakat is for hotels in Malaysia. Revenue for hotel in Türkiye is RM 23.6 million, which is reported under Airport Services.



AGRICULTURE AND HORTICULTURE

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

Total Revenue

RM **31.6** million

Profit Before Tax and Zakat

RM **2.1** million

Oil Palm Planted Area

6,247.1 ha

Fresh Fruit Bunches

36,724.5 MT

We are a constituent of the FTSE4Good Bursa Malaysia 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.

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.

WHERE WE OPERATE

International Airports

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)

Domestic Airports

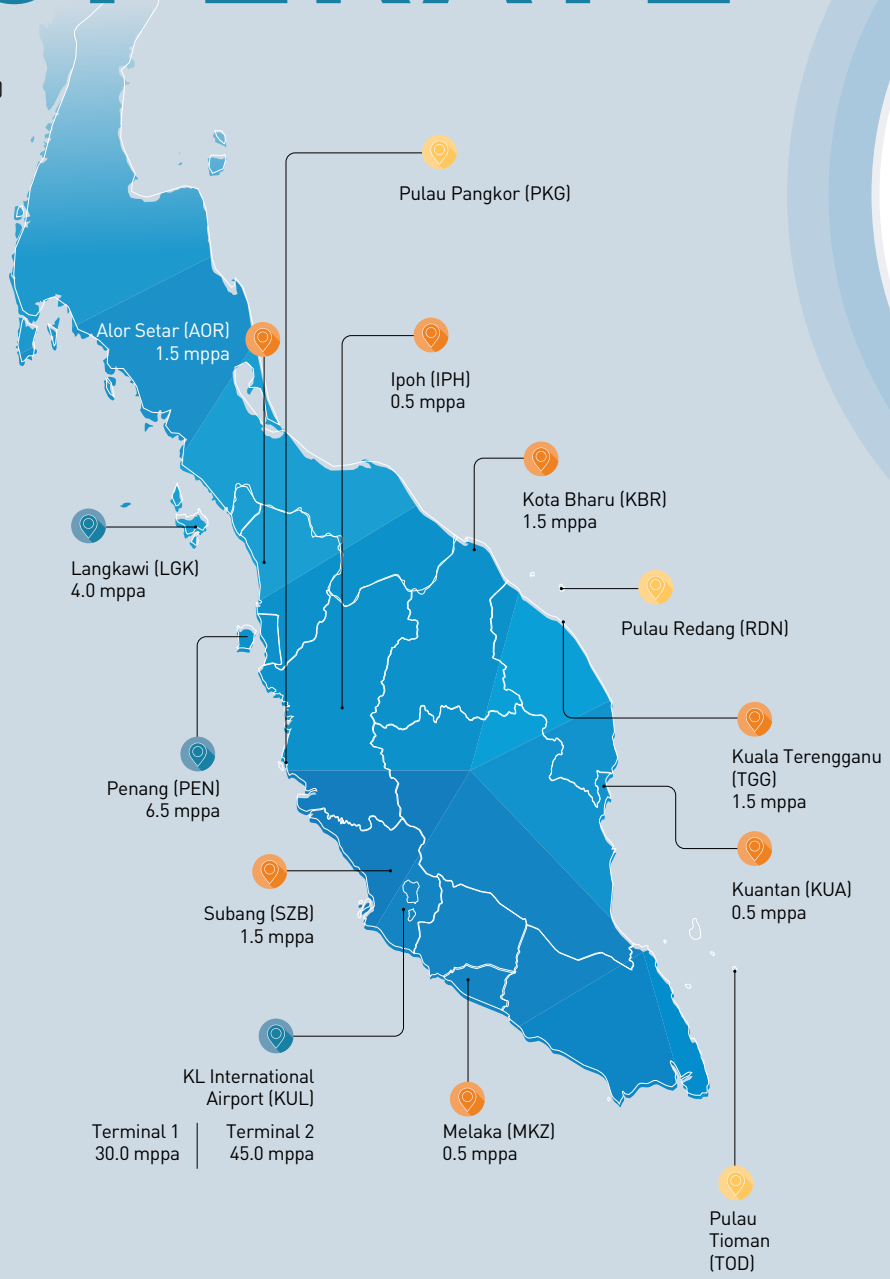
- Melaka Airport (MKZ)
- Sultan Abdul Aziz Shah Airport, Subang (SZB)
- Sultan Abdul Halim Airport, Alor Setar (AOR)
- Sultan Ahmad Shah Airport, Kuantan (KUA)
- Sultan Azlan Shah Airport, Ipoh (IPH)
- Sultan Ismail Petra Airport, Kota Bharu (KBR)
- Sultan Mahmud Airport, Kuala Terengganu (TGG)
- Bintulu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

Short Take-Off and Landing Ports (STOLPORTS)

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

Duty Free and Non-Dutiable Goods

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





Agriculture and Horticulture

- KL International Airport (KUL)
- Bintulu Airport (BTU)
- Miri Airport (MYM)
- Sibul Airport (SBW)

Hotels

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

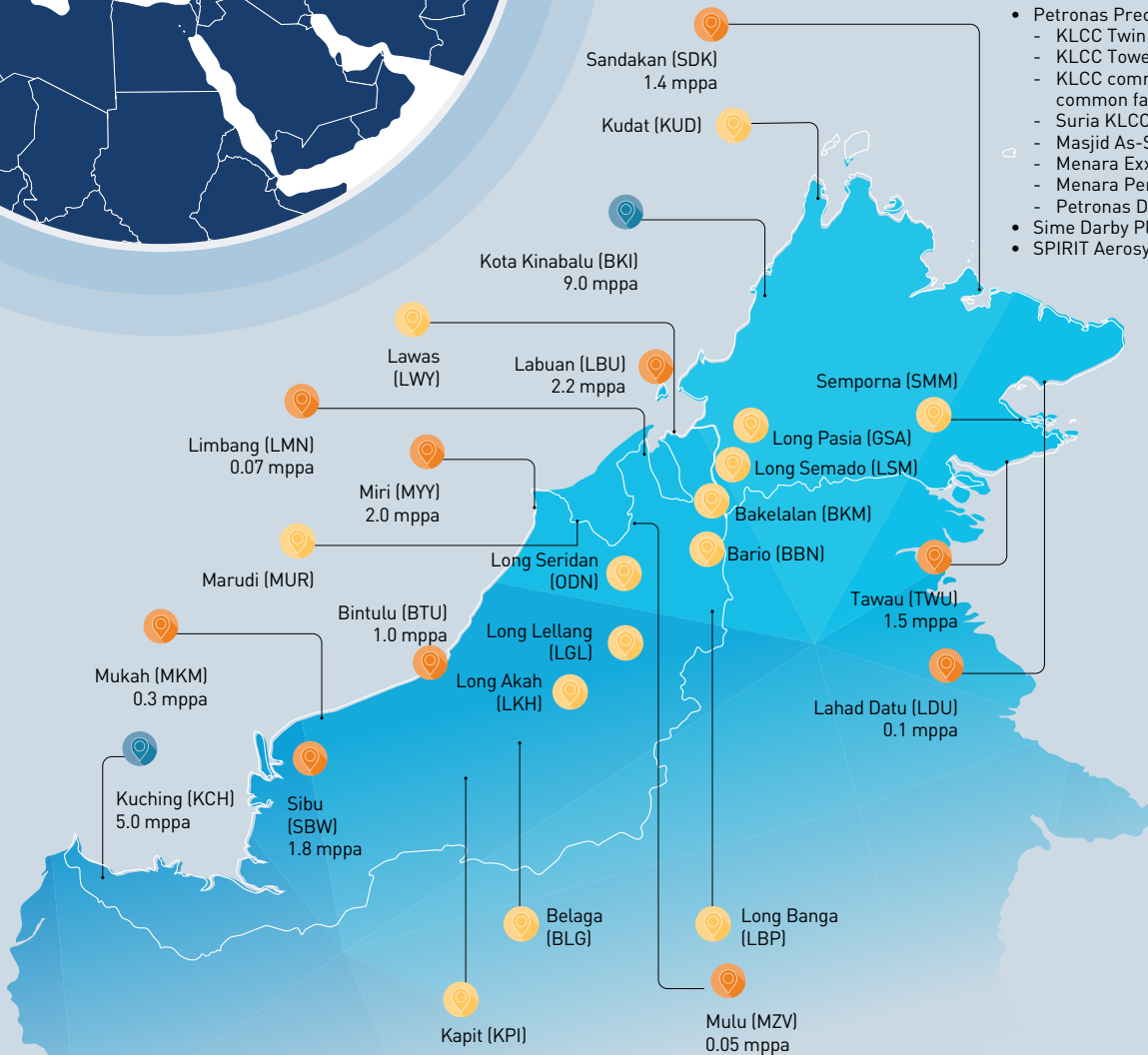
Project and Repair Maintenance

Airports

- KL International Airport (KUL)
- Langkawi International Airport (LGK)
- Penang International Airport (PEN)
- Sultan Abdul Aziz Shah Airport, Subang (SZB)
- Sultan Ismail Petra Airport, Kota Bharu (KBR)
- 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)
- MAS Golden Lounge
- Mitsui Outlet Park KLIA
- Persada PLUS
- Petronas Precinct Buildings
 - KLCC Twin Towers
 - KLCC Tower 3 (Retail Podium)
 - KLCC common estate & common facilities
 - Suria KLCC
 - Masjid As-Syakirin KLCC
 - Menara ExxonMobil
 - Menara Permata Sapura
 - Petronas Digital Collaboration Center
- Sime Darby Plantation
- SPIRIT Aerosystems Malaysia



CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Dato' Zamzuri Abdul Aziz
(Non-Independent Non-Executive)

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

Datuk Amran Hafiz Affifudin
(Non-Independent Non-Executive)

Rohaya Mohammad Yusof
(Non-Independent Non-Executive)

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

Ramanathan Sathiamutty
(Independent Non-Executive)

Cheryl Khor Hui Peng
(Independent Non-Executive)

Dato' Seri Ir. Koe Peng Kang
(Independent Non-Executive)

Chris Chia Woon Liat
(Independent Non-Executive)

Mohd Nizam Mohd Khir
(Non-Independent Non-Executive)
(Alternate Director to Dato' Zamzuri Abdul Aziz)

BOARD AUDIT COMMITTEE

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

Datuk Amran Hafiz Affifudin
(Non-Independent Non-Executive)

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

Dato' Seri Ir. Koe Peng Kang
(Independent Non-Executive)

BOARD NOMINATION AND REMUNERATION COMMITTEE

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

Datuk Amran Hafiz Affifudin
(Non-Independent Non-Executive)

Ramanathan Sathiamutty
(Independent Non-Executive)

Cheryl Khor Hui Peng
(Independent Non-Executive)

BOARD PROCUREMENT COMMITTEE

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

Dato' Zamzuri Abdul Aziz
(Non-Independent Non-Executive)

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

Ramanathan Sathiamutty
(Independent Non-Executive)

Mohd Nizam Mohd Khir
(Non-Independent Non-Executive)
(Alternate Director to Dato' Zamzuri Abdul Aziz)

BOARD RISK MANAGEMENT COMMITTEE

Ramanathan Sathiamutty
(Chairman)
(Independent Non-Executive)

Rohaya Mohammad Yusof
(Non-Independent Non-Executive)

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

Cheryl Khor Hui Peng
(Independent Non-Executive)

BOARD SUSTAINABILITY COMMITTEE

Rohaya Mohammad Yusof
(Chairman)
(Non-Independent Non-Executive)

Cheryl Khor Hui Peng
(Independent Non-Executive)

Dato' Seri Ir. Koe Peng Kang
(Independent Non-Executive)

BOARD DEVELOPMENT COMMITTEE

Dato' Seri Ir. Koe Peng Kang
(Chairman)
(Independent Non-Executive)

Dato' Zamzuri Abdul Aziz
(Non-Independent Non-Executive)

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

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

Chris Chia Woon Liat
(Independent Non-Executive)

Mohd Nizam Mohd Khir
(Non-Independent Non-Executive)
(Alternate Director to Dato' Zamzuri Abdul Aziz)

ACTING GROUP CHIEF EXECUTIVE OFFICER/ GROUP CHIEF FINANCIAL OFFICER

Mohamed Rastam Shahrom

GROUP COMPANY SECRETARY

Zawardi Salleh
SSM Practicing Certificate No. 202008003088
MAICSA 7026210

REGISTERED OFFICE

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Selangor Darul Ehsan
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E-mail : zawardi@malaysiaairports.com.my

WEBSITE

www.malaysiaairports.com.my

SHARE REGISTRAR

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Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
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Fax : 603-2094 9940/2095 0292

AUDITORS

Messrs. Ernst & Young PLT
Level 23A, Menara Milenium
Jalan Damanlela
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

| Malaysia Airports Holdings Berhad | |
|-----------------------------------|--|
| 100% | Malaysia Airports Sdn Bhd |
| 100% | Malaysia Airports (Sepang) Sdn Bhd |
| 30% | MFMA Development Sdn Bhd |
| 100% | Malaysia Airports Consultancy Services Sdn Bhd |
| 100% | Urusan Teknologi Wawasan Sdn Bhd |
| 49% | Malaysia Airports Consultancy Services Middle East LLC |
| 100% | Malaysia International Aerospace Centre Sdn Bhd |
| 100% | Malaysia Airports (Niaga) Sdn Bhd |
| 100% | Eraman (Malaysia) Sdn Bhd |
| 100% | Malaysia Airports (Properties) Sdn Bhd |
| 100% | K.L. Airport Hotel Sdn Bhd |
| 100% | MAB Agriculture-Horticulture Sdn Bhd |
| 20% | Kuala Lumpur Aviation Fuelling System Sdn Bhd |
| 100% | Airport Ventures Sdn Bhd |
| 100% | Malaysia Airports Technologies Sdn Bhd |
| 100% | Malaysia Airports MSC Sdn Bhd |
| 40% | Istanbul Sabiha Gökçen Uluslararası Havalimanı Yatırım Yapım ve İşletme A.Ş. |
| 40% | SGC Havalimanı İşletmeleri Ticaret ve Turizm A.Ş. |
| 30% | Cooling Energy Supply Sdn Bhd |
| 100% | Malaysia Airports Capital Berhad |
| 100% | Malaysia Airports Cities Sdn Bhd |
| 40% | Istanbul Sabiha Gökçen Uluslararası Havalimanı Yatırım Yapım ve İşletme A.Ş. |
| 40% | SGC Havalimanı İşletmeleri Ticaret ve Turizm A.Ş. |
| 100% | KLIA Aeropolis Sdn Bhd |
| 100% | Malaysia Airports International Sdn Bhd |
| 100% | MA Elogistics Sdn Bhd |
| 30% | Alibaba KLIA Aeropolis Sdn Bhd |
| 100% | Malaysia Airports (Subang) Sdn Bhd |
| 100% | BP Malaysia Airports Subang Aerotech Sdn Bhd |
| 100% | BPMA HS Sdn Bhd |
| 100% | MAHB (Mauritius) Private Limited |
| 100% | Malaysia Airports (Labuan) Private Limited |
| 30% | Segi Astana Sdn Bhd |
| 23% | Airport Cooling Energy Supply Sdn Bhd |
| 20% | Istanbul Sabiha Gökçen Uluslararası Havalimanı Yatırım Yapım ve İşletme A.Ş. |
| 20% | SGC Havalimanı İşletmeleri Ticaret ve Turizm A.Ş. |

In 2023, Malaysia Airports made 'Reimagining Passenger Experience' our core strategic focus and launched a comprehensive programme to improve and modernise our terminal identity, look and feel, and design for greater efficiency and an enhanced passenger journey



CHAIRMAN'S STATEMENT

A BREAKTHROUGH YEAR



CHAIRMAN'S STATEMENT

“2023 was a breakthrough year for Malaysia Airports. Making progress on all fronts, we capped the year with a profit after tax that exceeded that of 2019, and set the Group on a focused growth trajectory.

In early 2024, we inked new Operating Agreements with the Government of Malaysia which affirm Malaysia Airports' continued role of operating, managing, maintaining and developing the 39 airports and STOLports in Malaysia for the next 45 years until 2069.

Through a capital return mechanism in the new agreements, Malaysia Airports will have the flexibility to strategically invest in airport development and modernisation, and alleviate the financial burden on the Government.”

TAN SRI DATUK ZAINUN ALI
Chairman

Opportunity amidst challenges

In 2023, the global economic environment was challenging due to tight monetary policies to address inflation. The monetary policy measures to manage inflation include interest rate hikes which had continued to dampen growth. As a result, global economic growth had slowed to 3.1% in 2023 compared to 3.5% in 2022.

In Malaysia, the economy faced challenges, primarily weak external demand from the dampened global environment, manpower shortages which impacted commodity production and higher cost of living. Nevertheless, the Malaysian economy expanded by 3.7% in 2023 compared to 8.7% in 2022, according to Bank Negara Malaysia. The continued recovery of tourism activities continued to be one of the key drivers of economic growth in Malaysia, with 20.1 million tourist arrivals in Malaysia in 2023, which was double that of 2022, but still 22.8% lower than pre-pandemic levels in 2019. In Türkiye, despite facing severe inflation, the economy grew by 4.5% in 2023, compared to 5.5% in 2022.

In 2023, there was continued evidence of strong pent up demand globally for air travel post-pandemic, and the reopening of China's borders for international travel in early 2023 provided an extra boost. Passenger traffic in Malaysia showed robust growth to reach 77.8% of 2019 levels in 2023 while at our airport in Türkiye, Istanbul Sabiha Gökçen International Airport (IATA Code: SAW), passenger traffic had exceeded 2019's levels by 4.5%.

Passenger movements for operations in Malaysia reached

77.8%
of 2019 levels

Passenger movements for operations in Türkiye was

4.5%
of above 2019 levels

CHAIRMAN’S STATEMENT

An inflection point

At the beginning of 2023, despite challenging global and domestic economic conditions, the aviation sector was in the midst of a remarkable recovery. Malaysia Airports was at an inflection point – the Group was fresh from the announcement that we had returned to profitability for 2022 following the pandemic, but to build on the momentum in the evolving operating environment, we knew that it was imperative not just to maintain competitiveness but also to enhance it and to sustain and grow usage of our airports and services.

We also acknowledged that what had worked well in the past to lead us to success may not suffice to propel us forward in the dynamic landscape.

Malaysia Airports therefore faced a watershed test of our capabilities – to create and capture opportunities in an otherwise challenging economic environment globally as well as in the countries in which we operate. While the indicators pointed to robust growth in air traffic and travel, reimagining the passenger experience and ensuring competitiveness in the face of increased traffic are critical steps in maintaining and growing market share in the aviation sector. To compound the complexity of the challenges, the Group was embarking on multi-year projects to replace critical assets at our main hub, KL International Airport (IATA Code: KUL) which had reached the end of their lifespan, namely the Aerotrains and the Baggage Handling System.

It was time to tap into our resilience and adaptability – traits of our organisation which had served us well during the pandemic – and build upon our strengths.

I am proud that our people rose to the occasion and met the challenges head on. The Group embarked on a journey to reimagine the passenger experience at our airports, and optimise operational efficiency to ensure that our airports are able to accommodate growing traffic without compromising service quality. We were focused, tenacious and unrelentless in our efforts.

In a nutshell, collectively, we turned 2023 into a breakthrough year for Malaysia Airports, and moved from post-pandemic recovery to set our course firmly on a growth trajectory.

I am therefore pleased to share with stakeholders how Malaysia Airports shifted the Group’s priorities and strategy towards expansion and development, leveraged on long-standing relationships with stakeholders and achieved stellar results this year.





CHAIRMAN'S STATEMENT

Building a solid growth trajectory

With all indicators pointing at air traffic growth in the short to medium term, the Group recognised the need to build on our foundations for sustained expansion. At the starting point of our journey was a simple premise – prioritise passengers as they play a pivotal role in shaping our ability to deliver value for stakeholders.

3-Year Strategic Plan (2024 - 2026)

Following on from that, there were several strategic measures that the Board had put in place. Chief among them was formulating a strategic plan for a three-year period spanning 2024 to 2026, centred on the overarching theme 'reimagining the passenger experience'. The strategic plan outlines the Group's focus on elevating the passenger experience and enhancing flight connectivity across our airport network, while delivering unparalleled convenience, choice and comfort by rejuvenating our commercial and retail offerings. It also addresses accelerating the Group's off-terminal development business, the expansion of Penang International Airport (IATA Code: PEN), strengthening our international business primarily at SAW, our commitment to building a sustainable business and the Group's focus on execution.

A workforce united by a common purpose

One of the keys to the success of the Group's strategic focus was the alignment of our corporate goals with the Group's identity framework to foster a common purpose that unites our workforce. Complementing our Vision, Brand Promise and Core Values, we emphasised the significance of our people's collective role in moving the Group forward through a Purpose Statement –

'To create delightful experiences through great airport ecosystems, great people, great service, and great operations'.



CHAIRMAN'S STATEMENT

Anchored by sustainability principles

Recognising that the Group's business operates within an ecosystem with interdependencies among stakeholders, Malaysia Airports has always maintained its commitment towards building a sustainable business that creates long term value for stakeholders. To amplify the Group's vision 'A Global Airport Group that Champions Connectivity and Sustainability', the Board in 2023 formed a Board Sustainability Committee to oversee the Group's commitments in Environmental, Social and Governance (ESG) matters and to provide a forum for more in-depth discussion on incorporating sustainability considerations throughout our business.

Environmental stewardship

Malaysia Airports also underscored its commitment towards building a sustainable business, by launching the Group's journey towards Net Zero Carbon Emissions by 2050. The commitment is supported by the Group's Environmental Masterplan 2.0 which outlines the progression of the Group over a long-term roadmap towards a net zero carbon future in line with Malaysia's long-term pledge to become a net zero greenhouse gas emissions nation at by 2050.

Our stakeholders will already see some of our work in progress in terms of environmental stewardship as Malaysia Airports increases the adoption of renewable energy, primarily solar power, by installing photovoltaic solar panels on the rooftops of airport terminals and other buildings.

Currently we are proud that the Group's solar power capacity is approximately 22.5 MWp from solar projects across six airports, including KUL, which reduces Scope 2 carbon emissions by 15%.

Under the Environmental Masterplan 2.0, the Group will rapidly increase its use of renewable energy including converting available land within the vicinity of KUL to house a solar farm.

We also took a collaborative approach to work with members of the airport ecosystem to strengthen existing partnerships and open up new avenues for growth and innovation. An example of this was the Group's collaboration with Malaysia Aviation Group, which we proudly unveiled the nation's inaugural Electric Ground Support Equipment (e-GSE) infrastructure. This groundbreaking initiative marks a significant stride in our collective efforts to mitigate carbon emissions and noise pollution in the aviation industry.

Transitioning from conventional diesel-powered Ground Power Units to state-of-the-art Electric Ground Power Units yields remarkable benefits, in terms of reduced carbon emissions and lower noise levels. This pioneering initiative underscores our commitment to sustainability and our dedication to advancing eco-friendly practices by partnering with stakeholders within the aviation sector.

Making positive human impact

In the social sphere, Malaysia Airports is committed to bringing a positive human impact through our operations. In this regard, we constantly examine how our business can positively impact our employees' development, wellbeing and safety, promote diversity, champion human rights and enrich the communities in which we operate.

Despite aviation being a traditionally male-centric industry, I am proud of the diversity of the Malaysia Airports workforce. At Board-level, for our holding company in Malaysia, at the end of 2023, the Board had 40% female directors, with each bringing a wealth of experience and expertise to the table. In our operations in Türkiye, one-third of the board of İstanbul Sabiha Gökçen Uluslararası Havalimanı Yatırım Yapım ve İşletme A.Ş. comprises female directors. Across the Group, approximately one-third of our employees are female.



CHAIRMAN'S STATEMENT

Employee learning and development stands as a cornerstone of our social objectives, aligning closely with the Group's commitment to fostering an inspiring workplace environment and nurturing the holistic growth of our employees, both professionally and personally.

In 2023, our focus on learning and development took centre stage, particularly within our operations in Malaysia. We witnessed a significant uptick in the average training hours per employee, soaring by 45.7% YoY to clock 51 hours per employee, compared to 35 hours per employee in 2022. Empowering our employees with the tools, resources, and opportunities needed to thrive in an ever-evolving landscape is a catalyst for the Group's sustainable success and reinforcing our position as an employer of choice.

In 2023, Malaysia Airports' community enrichment initiatives as part of the #MYAirportCARES programme, benefitted 3,343 individuals across Malaysia. These initiatives encompassed a variety of impact-driven programmes that brought together our employees and other members of the airport community to make a positive impact on the communities we serve.

One such initiative, the MYAirportCARES School Airport Tour, aimed to inspire young aviation enthusiasts through immersive airport tours. Throughout the year, the Group facilitated visits for over 1,800 students from 40 primary and secondary schools, offering them a behind-the-scenes look at airport operations and to learn first hand from our employees and members of the airport community across 21 airports in Malaysia.

We also support the educational journey of B40 students residing near our airports. Through our efforts, we provided school uniforms and essential back-to-school supplies to 300 students, ensuring they could begin the new academic year with confidence and enthusiasm. In collaboration with the MyKasih Foundation, we extended assistance to an additional 300 needy students by funding their necessities through MyKasih student smartcards that enable students to purchase essential items such as food, beverages, books, and stationery from school canteens and bookstores.

Lending a helping hand

To alleviate the suffering of communities devastated by humanitarian crises, Malaysia Airports stepped up to contribute towards the humanitarian relief efforts. Following the devastating earthquake in southeast Türkiye in February

2023, SAW was used as a rescue and logistics hub for rescue personnel and relief efforts, as well as a crisis management centre. Our colleagues at the airport stepped up to provide all necessary support and assistance including food and drink for the relief workers.

The Group, together with SAW and our employees, donated approximately EUR5.0 million for humanitarian relief to the Disaster and Emergency Management Authority of Türkiye (AFAD) and Turk Kızılay (Turkish Red Crescent).

Upholding governance and integrity

Malaysia Airports remains steadfast in its commitment to fostering robust corporate governance practices, underpinned by a culture of integrity and transparency across the Group. We recognise that good corporate governance serves as the cornerstone guiding our strategic direction, decision-making processes, and accountability. Ultimately, a culture of governance and integrity enables the Group to continue to deliver sustainable long-term value to our stakeholders.

This Annual Report encapsulates our dedication to upholding exemplary corporate governance standards. It includes a comprehensive Corporate Governance Overview Statement pages 208 to 250 and a detailed Statement on Risk Management and Internal Control pages 255 to 261. Furthermore, within the Material Matters section of this report, stakeholders will find highlights on the Group's progress in 'Integrity and Anti-Corruption' and 'Regulatory Compliance' pages 73 and 71. These sections provide insight into our ongoing efforts to uphold the highest standards of governance and ethical conduct throughout our operations.

The Group's Board of Directors and Management have also reiterated their unwavering commitment to upholding a corruption-free workplace, in the presence of senior members of the Malaysian Anti-Corruption Commission. As part of this commitment, the Corruption-Free pledge is also delivered online to all employees within the Group, which they digitally sign to affirm their accountability and dedication to maintaining a corruption-free environment.

In addition to the digital pledge, the Group conducts both online and in-person briefings on anti-bribery and corruption matters. In 2023, 99.65% of employees completed these briefings, underscoring the widespread understanding and commitment to combating corruption within the organisation.

CHAIRMAN'S STATEMENT

Results

I am pleased to share with stakeholders that in this breakthrough year, Malaysia Airports produced stellar results in its key focus areas. Across all airports in our network the Group recorded a total of 119.5 million passenger movements or approximately 84.6% of 2019's record high. This was also the first time we passed the 100 million threshold since the pandemic. For our operations in Türkiye, passenger movements for SAW exceeded 2019 levels by 4.5% to register 37.6 million passenger movements, a new record for the airport.



For the financial year ended 31 December 2023 (FY2023), **Malaysia Airports** recorded **revenue of RM4,914.2 million, 57.2% higher year-on-year (YoY).**

Revenue from airport operations which combines both aeronautical and non-aeronautical **revenue increased significantly by 60.6% YoY to RM4,598.9 million**, due to higher passenger movements, in particular international passengers.

Malaysia operations recorded a Profit Before Tax and Zakat (PBT) of RM384.6 million, a significant turnaround compared to the Loss Before Tax of RM263.2 million in FY2022. Our operations in Türkiye recorded its second year of profits with PBT of RM113.1 million, with four profitable quarters throughout FY2023.

To cap our stellar performance in FY2023, in terms of net profit, although overall passenger movements fell short of pre-pandemic levels, Malaysia Airports' net profit of RM543.2 million for FY2023 exceeded our 2019's numbers by 1.15%.

In February 2024, the Board approved a single-tier final dividend of 10.80 sen per ordinary share for FY2023. As such the total dividend payout for FY2023 is RM180.2 million based on the number of ordinary shares issued at the end of FY2023. This is in line with the Group's dividend policy to distribute a dividend payout of at least 50% of the consolidated annual net profit after taxation and minority interest annually, subject to availability of distributable reserves.

CHAIRMAN'S STATEMENT

Recognition from stakeholders

We are pleased that our efforts received encouragement, support and recognition from our stakeholders. In particular, we are proud of the recognition from the Government of Malaysia and its trust in Malaysia Airports as demonstrated by the signing of the Operating Agreements in March 2024 under which the Group will continue to operate, manage, maintain and develop the network of 39 airports and STOLports for the next 45 years until February 2069. In addition, the Operating Agreements provide for favourable commercial terms and a transparent investment return mechanism which give Malaysia Airports the flexibility to pursue strategic investments which are essential to enhance airport capacity, facilities and infrastructure to elevate overall service standards.

The support and approvals from the Government at Federal, State and local levels with regards to our development plans, particularly for the expansion of Penang International Airport, the KLIA Aeropolis and the Subang Airport Regeneration Plan, is also recognition of the role of Malaysia Airports in generating long-term value for stakeholders through our initiatives. In addition, the support of the Government of Türkiye and government agencies has been evident in their support for the expansion of SAW in the completion of the airport's second runway in 2023 as well as agreeing to invoke the force majeure provisions which reduced the Group's financial burden from the pandemic.

We are also greatly encouraged by the support from shareholders. When the Group declared its dividends for FY2022, we offered shareholders a dividend reinvestment plan that enables them to receive dividends in the form of the Group's shares in lieu of cash. This offer was taken up by the vast majority of shareholders resulting in an 87.5% subscription rate for shares under the dividend reinvestment plan. Over the course of the year, the Group's foreign shareholding has increased by over six percentage points. This increased support is an indication of the higher optimism on the Group's recovery and growth prospects.

We are also proud to be recognised by human capital specialists as an employer of choice. In particular, we were singled out by GRADUAN, HRD Corporation and Talentbank in their rankings and awards for human capital practices. This is a recognition of our efforts in nurturing talent and developing our people as well as our ability to provide an exciting and fulfilling career path for our people.

In addition, our efforts to provide a high quality of service to passengers continue to be recognised. In Airports Council International's annual Airport Service Quality survey for 2023, KUL was ranked 9th and Langkawi International Airport (IATA Code: LGK) clinched the top spot in their respective categories. This is the third consecutive year that KUL has been placed in the top 10, and that LGK has topped its category.



CHAIRMAN'S STATEMENT

Outlook

In terms of economic outlook, the International Monetary Fund (IMF) forecasts the global GDP is projected to grow at 3.1% in 2024 from 3.0% in 2023, on the account of greater-than-expected resilience in the United States and several large emerging market and developing economies, as well as fiscal support in China.

Meanwhile, Bank Negara Malaysia expects Malaysia's GDP to grow between 4% - 5% in 2024, driven by resilient domestic demand and expenditure and the expected recovery in exports from improved external demand. Tourism is a key economic sector that is expected to improve further while the progress of multi-year infrastructure projects and the implementation of catalytic initiatives will also drive domestic growth.

The IMF also expects Türkiye's GDP growth to moderate from 4.0% in 2023 to 3.1% in 2024, supported by expansionary fiscal policies, increase in net minimum wage as well as the reconstruction efforts in earthquake zones with large multiplier effects.

In terms of industry outlook, IATA estimates the global passenger traffic to recover to 99% of 2019 levels in 2024 driven by the accelerated recovery following the reopening of Chinese market in January, increase in domestic air travel from strong pent-up demand as well as the effects of early opening and robust domestic demand in North America. Over a longer horizon (2019 - 2040), global passenger traffic is expected to grow with an annual increase of 3.4%.

Traffic in Asia Pacific is expected to recover to 94% of 2019 levels in 2023 and exceed pre-pandemic levels in 2024 (110%), as the gradual ramp-up of airline operations and return of tourism are poised to drive further growth. Despite being the only region to reach its pre-pandemic passenger levels in 2024, Asia Pacific is likely to see the most rapid growth in passenger traffic with an annual increase of 4.5% in the number of passengers between 2019 and 2040, at which point the region is expected to make up more than half of global passenger demand.

Meanwhile, traffic in Europe is expected to remain resilient and continue its strong momentum to reach 2019 levels and 110% in 2024, and continue to steadily grow with an annual increase of 2.2% between 2019 and 2040.

Additionally, the Malaysian Aviation Commission (MAVCOM) anticipates passenger traffic for Malaysia to reach between 93.9 million and 107.1 million passengers in 2024, reflecting a growth of 10.0% to 25.0% over 2023. This forecast signifies a recovery of up to 98% of 2019 levels due to domestic and international travel to China and the ASEAN region.

This optimism in passenger recovery and growth trajectory is essential for Malaysia Airports to catalyse financial stability, foster further innovation, enhance competitiveness and further fuel performance and sustainable growth.





CHAIRMAN'S STATEMENT

Thank you

I would like to extend a warm welcome back to Dato' Zamzuri Abdul Aziz and his alternative, Encik Mohd Nizam Mohd Khir, who rejoined the Board on 5 June 2023, as well as Datuk Amran Hafiz Affifudin, Dato' Seri Ir. Koe Peng Kang and Mr Chris Chia Woon Liat who joined the Board on 1 September 2023, 12 December 2023 and 11 March 2024 respectively.

The Board would also like to thank our former members, Tan Sri Mohamad Salim Fateh Din, Datuk Azailiza Mohd Ahad, Datuk Johan Mahmood Merican and Ms Wong Shu Hsien who resigned in 2023, as well as our former Managing Director, Dato' Sri Iskandar Mizal Mahmood. On behalf of the Board, I would like to record our appreciation for their service and contribution towards the Group.

Furthermore, the Board extends its heartfelt gratitude to our dedicated employees who have tirelessly served the Group with unwavering commitment throughout the year. We recognise and appreciate the numerous sacrifices they have made in fulfilling their responsibilities, and we are immensely grateful for their steadfast support.

We also extend our sincere appreciation to our shareholders and all other stakeholders, including various ministries, government agencies, airline partners, retail partners, vendors and other business partners, for their invaluable support and contributions in navigating the challenges and seizing the opportunities of 2023.

As we embark on the journey into 2024, we do so with renewed confidence in our capabilities to generate value for our stakeholders. We are poised to embrace new opportunities for growth and development while ensuring the sustainability of our hard-earned achievements in transforming the Group. As custodians of the nation's gateways, we remain committed to creating long-term value for our stakeholders as we continue to build and nurture a sustainable business for the future.

TAN SRI DATUK ZAINUN ALI
Chairman



For those who need some peace and quiet before their journey, there are numerous lounge options for you. Rest, relax, and recharge, or perhaps catch up on work to get your journey off to a great start





GROUP CHIEF EXECUTIVE OFFICER'S MESSAGE



A BREAKTHROUGH YEAR YIELDS STELLAR RESULTS

“In a breakthrough year for Malaysia Airports, we resolved that our core strategic focus would be to delight passengers and reimagine their journey through our airports. Working in tandem with key airport stakeholders to enhance the passenger experience, we achieved several major milestones in our corporate journey.

We take pride that our efforts in 2023 culminated in one of the most profitable years in the history of Malaysia Airports.”

Mohamed Rastam Shahrom
Acting Group Chief Executive Officer



GROUP CHIEF EXECUTIVE OFFICER'S MESSAGE

Malaysia Airports began 2023 with renewed energy, having posted a significant turnaround to return to profitability in 2022. With the pandemic serving as a catalyst for urgent transformation of the aviation industry, Malaysia Airports had embarked on a Group-wide effort to put in place the building blocks for a sustainable business that creates long-term value for stakeholders. In 2023 therefore, the Group completed its transition from recovery to growth, amply demonstrating its multifaceted capabilities as a custodian of strategic national infrastructure, coupled with the nimbleness to capitalise on revenue generating opportunities.

As the operator of international gateways including the crown jewels, KL International Airport (IATA Code: KUL), and Istanbul's city airport, Istanbul Sabiha Gökçen International Airport (IATA Code: SAW) in Türkiye, we have a full agenda in growing the market share of our airports while ensuring that passengers and other stakeholders continue to be well served. Nevertheless, one thing remains constant – we must always put our passengers first and foremost at the very top of our agenda.

Therefore, with passenger experience as key in everything that we do, we have refocused the Group's strategic growth plan on delighting our passengers as the foundation for creating long-term value for the Group and its stakeholders.

The theme for this year's annual report, 'A Breakthrough Year', encapsulates our efforts to transform the passenger journey through our airports. Through numerous iterations, we refined processes, empowered our people through training, leveraged on technology, and explored avenues to enhance the overall passenger experience. As our airports operate within an ecosystem, it was crucial for us to engage with other stakeholders and present them with a compelling value proposition to harness the synergies inherent in a collaborative approach.

119.5 million
passenger movements
in 2023

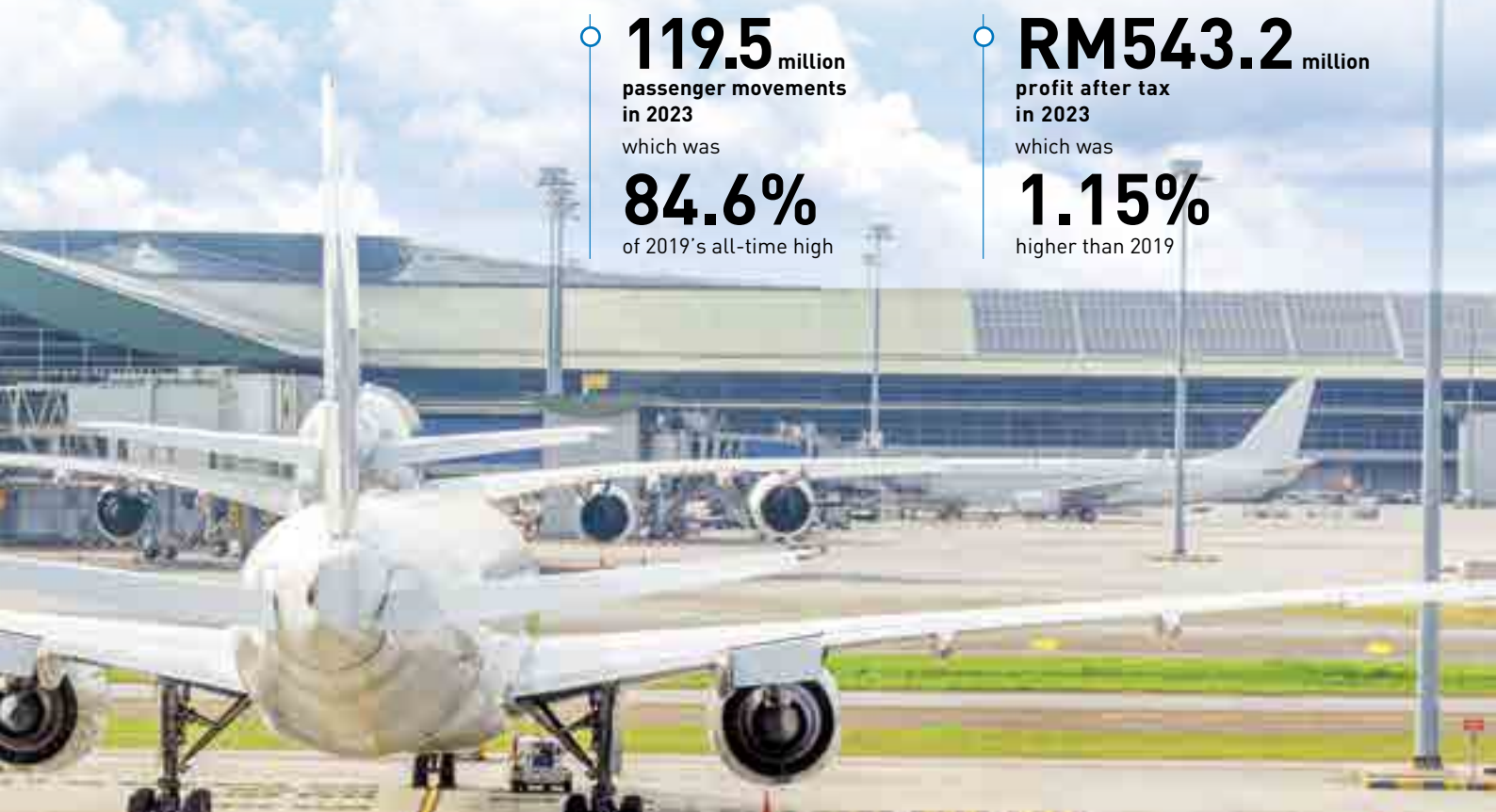
which was

84.6%
of 2019's all-time high

RM543.2 million
profit after tax
in 2023

which was

1.15%
higher than 2019



GROUP CHIEF EXECUTIVE OFFICER'S MESSAGE

Our efforts enabled us to celebrate several key milestones in this landmark year. The Group recorded a total of 119.5 million passenger movements or approximately 84.6% of the all-time high in 2023. This was also the first time we passed the 100 million threshold since 2019. In our operations in Türkiye, passenger movements for SAW shot past 2019 levels by 4.5% to register 37.6 million passenger movements, a new record for the airport.

Although overall passenger movements were still short of pre-pandemic levels, for the financial year ended 31 December 2023 (FY2023), Malaysia Airports' net profit surged past our 2019 numbers by 1.15% to RM543.2 million. This achievement signaled one of the most profitable years for Malaysia Airports since the inception. The Group also declared a final dividend of 10.80 sen per share for FY2023.

In recognition of the Group's consistent financial performance, Malaysia Airports was honoured with The Edge Billion Ringgit Club award in 2023 for the 'Highest Return to Shareholders over Three Years' for the Transportation and Logistics sector. The award is testament to our prudent management, consistent performance as well as our resilience and agility, given the volatility of the operating environment over the three-year period.

We are proud that our transformative efforts have been recognised by the Government of Malaysia with the signing of the Operating Agreements in March 2024 entrusting the Group with the continued role of operating, managing and maintaining, 39 airports and STOLports for the next 45 years until February 2069. In addition, the Operating Agreements also provide for favourable commercial terms and a transparent investment return mechanism which give Malaysia Airports the flexibility to pursue strategic investments which are essential to enhance airport capacity, facilities and infrastructure to elevate overall service standards, thereby expanding Malaysia Airports' role beyond being a pure airport operator, to an airport developer.

I am pleased to share with Malaysia Airports' shareholders the highlights of this breakthrough year, our achievements and the challenges we overcame in creating value for shareholders, and our strategies for future growth and development.

An elevated passenger experience

Our core strategic focus for 2023 was reimagining the passenger journey through our airports and elevating their experience by enhancing convenience, comfort and connectivity.

ACI accreditation for customer experience

In tandem with the increase in passenger movements, it was crucial to ensure the passenger experience at our main hub at KUL continued to adhere to international best practices and standards. Hence, in early 2023, Malaysia Airports embarked on the Airport Customer Experience Accreditation (ACEA) programme, an initiative of Airports Council International (ACI) World that builds airports' long-term capacity to enhance customer experience management.

By the end of 2023, KUL had made significant progress, with ACI accrediting our airport at Level 2 of the ACEA programme's five levels, reflecting the airport's success in orchestrating a seamless passenger-centric journey to enhance customer satisfaction. The accreditation also signifies Malaysia Airports' focus on continuous improvement of customer experience and services in line with international standards.

Airport Service Quality recognition for KUL and LGK

Our efforts at KUL were also recognised in passenger feedback, resulting in a score of 4.99 out of a possible 5.00 points in ACI World's Airport Service Quality (ASQ) programme, the globally recognised initiative that provides ACI member airports with tools and expertise to measure and improve passenger satisfaction, business performance and airport service quality. Langkawi International Airport (IATA Code: LGK) scored a perfect score of 5.00 in the same programme.

With these scores, KUL was tied 9th in the ASQ rankings for airports in Asia Pacific with capacity of over 40 million passengers per annum (mppa) while LGK secured the top spot for airports with capacity of 2-5 mppa, a testament to our ability to maintain passenger satisfaction despite the increase in passenger movements in the year.



GROUP CHIEF EXECUTIVE OFFICER'S MESSAGE

Leveraging on technology

As we recognise the importance of our ability to collect, consolidate and address passenger feedback, we deployed STARdesk, an electronic feedback management platform, at KUL to encourage passengers to submit their feedback through the MYAirports mobile app regarding issues that they encounter at the airport. This enables our customer experience team to validate and respond to passenger feedback within 15 minutes. The feedback received on the platform is also analysed to enable Malaysia Airports to recognise trends, identify common pain points and take proactive action.

We further leveraged on technology to enhance passenger convenience for a stress-free journey through the terminal by reducing manual checks, allowing passengers to navigate check points quickly and by-pass congestion. For example, we launched a Self-Service Bag Drop system in May 2023, which lets passengers check-in their baggage faster and more efficiently, taking only 45 seconds to check-in each bag.

Comfort, convenience and care

We also addressed the challenges to passenger experience posed by the suspension of the Aerotrain operations at KUL, that shuttles passengers to and from the Satellite Terminal at KUL Terminal 1. The suspension was part of the replacement programme for the Aerotrains which had reached their end-of-life after being in service since the inception of KUL.

While a Shuttle Bus Service is the primary mode of transportation pending the new Aerotrain going into operations in Q1 2025, Malaysia Airports has taken multiple steps to enhance the interim solution. First, to ferry passengers to and from the Satellite Terminal, we added low deck buses with larger capacity to boost the efficacy of the shuttle bus fleet and to ensure that even at peak periods, there are buses standing by for passengers. Our customer experience team assists passengers at the point of boarding and ensures that capacity limits are adhered to so that passengers complete the four-minute bus trip in comfort.

Secondly, the Aero FastTrack was introduced as a paid premium option to provide passengers a tailor-made meet-and-greet service to ensure a seamless, smooth and swift journey through KUL. Guests who purchase the Aero FastTrack package are assisted by FastTrack ambassadors

Leveraging on international best practice and know-how, technology and an innate service culture, we were determined to go the extra mile for passengers.

upon arriving at the airport kerbside to expedite their passage through airport check points. They are then ferried to the Satellite Terminal in a premium MPV before a buggy ride takes them to the departure gate.

Further, in early 2024, we made available a Premium Shuttle Bus complete with lounge facility for departing and arriving first and business class passengers at KUL Terminal 1 to ensure a seamless transfer between the Main Terminal Building and the Satellite Building.

Going the extra mile for passengers

To provide a stress-free start for departing passengers from the moment they arrive at the airport, in early 2024, we launched 'The KLIA Trolley Crew' a complimentary porter service which is free for all passengers at KUL Terminal 1. The KLIA Trolley Crew welcomes passengers at the kerbside of the Departure level by getting them a trolley and lifting their luggage onto the trolley. The KLIA Trolley Crew also operates at the Baggage Reclaim Area at the arrival hall to assist arriving passengers with their luggage.

Exciting shopping, dining and hospitality options

Malaysia Airports' Commercial Reset which has seen the transformation of our commercial and retail spaces has transformed the passenger experience at our airports. At the end of 2023, the Group had leased 88% of lettable commercial space for airports in Malaysia. Operational occupancy had progressed strongly to 81% at the end of 2023, compared to 55% in Q1 2023.

These new outlet openings translate into winning propositions for passengers, providing them with a wide range of shopping and dining options that make for a fun and rewarding time at the airport.

We also showcased Malaysian art and cultural performances at the airport terminals to enrich the passenger experience, in line with our Corporate Responsibility pillars to support Malaysian art, culture and heritage.

GROUP CHIEF EXECUTIVE OFFICER'S MESSAGE

To headline the new dining and shopping offerings at our airports, the Group secured exciting international and local brands, including Malaysian culinary icon, Chef Wan.

Our airports also welcomed refreshed shops by Polo Ralph Lauren, Michael Kors, Bulgari, Tory Burch, TUMI, Sunglass Hut, Kashka and Gold City at KUL, while Lego, Royal Selangor, Bath & Body Works and Victoria's Secret at PEN and Habib Jewels at LGK that opened their doors to passengers in 2023.

Among the new food and beverage brands at the airports in 2023 were international chains, Din by Din Tai Fung, Hard Rock Café, Jamie Oliver's Pizzeria and Paul Le Café, and Malaysian franchises, Ahh-Yum, Grandmama's, Jibby Chow, Serai, Kitchen by Open House and Petit Cafe by Chef Wan 1958.

Adding to the 'Sense of Malaysia' outlet at KUL Terminal 1, we extended the concept store to our other international terminals - KUL Terminal 2, BKI, KCH, LGK and PEN - to showcase the richness of Malaysian culture and heritage featuring gifts, souvenirs, handicraft and delicacies.

Eraman unveiled its new duty free emporiums at KUL Terminal 1 with a revamped concept design which offers a wider range of products and brands. At PEN, the opening of Eraman's new chocolate store at International Departures was popular with passengers seeking gifts before flying off.

We also acknowledged the rising demand for rest and recharge services. In line with international best practice, the Group is future-proofing its lounge strategy by focusing on a single host airline lounge by Malaysia Airlines, while lounges for other airlines, alliances and passengers are operated by renowned lounge operators such as SSP and Plaza Premium Group which manage more than 270 lounges worldwide.

In total, seven lounges have been identified for KUL Terminal 1, giving travellers an elevated lounge experience and a wide range of options including a state-of-the-art first and business class lounge as well as paid lounges. The first Kepler sleeping pod facilities outside Türkiye also made their debut with two transit hotels at KUL Terminal 1.

Restoring pre-pandemic network connectivity

In 2023, we continued to make a push to restore the airline network and flight connectivity of our airports which had declined during the pandemic. The wide availability of airlines and routes greatly benefit passengers in terms of choice as well as pricing of flights for their travel.

In 2023, encouraging traffic demand coupled with the resumption and launch of new airlines have contributed to a 9.1% increase in airlines operating within Malaysia Airports' network of local airports to 72 airlines from 66 airlines in 2022.

Our main hub, KUL, had earned the distinction of being named by the global travel data provider, OAG, as the most internationally connected airport in Asia Pacific, and the 4th most connected globally. KUL also topped the OAG's global rankings of Low-Cost Carrier Airport Megahubs. In addition, the Malaysian Aviation Commission (MAVCOM) had noted that Malaysia had retained its position as the 5th most connected country in ASEAN, while KUL Terminal 1 upheld its status as the 3rd most connected airport in ASEAN.

At SAW, we expanded the network connectivity with 12 new international destinations across Europe, Africa and the Middle East and the introduction of two new airlines – British Airways and Royal Air Maroc. This has resulted in a favourable mix of international passengers making up 52% of the total, and a vast improvement in international connectivity. SAW was also ranked 8th in OAG's list of top 10 European airports for international connectivity for 2023, a great leap from its 55th placing in 2019.

Most Internationally Connected Airports



Low-Cost Carrier Airport Megahubs



Source: OAG Megahubs Index 2023



GROUP CHIEF EXECUTIVE OFFICER'S MESSAGE



Flourishing international business

Our airport in Istanbul, Türkiye, SAW, continued its outstanding performance into 2023, surpassing its 2019 passenger movements by 4.5% and achieving an all time high of 37.6 million passengers in 2023. The airport also recorded four quarters of profits throughout 2023, the first year that it has maintained consistent profitability through the year. The completion of the airport's second runway in December 2023 which doubles its airside capacity is a catalyst for significant expansion of air traffic in the following years in addition to enhancing efficiency at SAW.



Malaysia Airports also completed the divestment of its 11% stake in GMR Hyderabad International Airport Limited (GHIAL), the holding company that manages Hyderabad International Airport in India, to the GMR Group for USD100.0 million. The divestment of the stake originally acquired in 2008 for USD10.0 million, yielded a 10-fold gain compared to the original cost, or 1.3 times over the latest carrying amount. The divestment is in line with Malaysia Airports' international business growth strategy to streamline its overseas investment portfolio and unlock value from its non-core assets.

GROUP CHIEF EXECUTIVE OFFICER'S MESSAGE

Close collaboration with stakeholders

We worked hand in hand with stakeholders to harness the synergies of our collaborative efforts, resulting in win-win situations for Malaysia Airports and its stakeholders.

Expanding airport development responsibilities

On behalf of Malaysia Airports' employees, I would like to thank the Government of Malaysia for its trust in Malaysia Airports and its confidence in our capabilities to operate, manage, maintain, and develop the nation's 39 airports and STOLports for the next 45 years until 11 February 2069. We are excited about our added role to pursue strategic investments to build a balanced and sustainable path for Malaysia Airports and its airport network to play a vital role as an economic development catalyst for Malaysia.

In this breakthrough year also, Malaysia Airports was appointed by the Government of Malaysia to manage the expansion of Tawau Airport (IATA Code: TWU) and to oversee the expansion project for Sultan Ismail Petra Airport, Kota Bharu (IATA Code: KBR) currently undertaken by the Government. This is a departure from the traditional role of the Group as an airport operator and the Government's role as owner to develop and expand the airports. Entrusting Malaysia Airports in this manner is a recognition of our experience in airport management and our ability to execute projects and initiatives to improve passenger experience at the airports.

In addition, Malaysia Airports received the green light from relevant Government authorities to commence physical works for two significant expansion projects. First is the Malaysian Cabinet's approval for the expansion of Sultan Abdul Aziz Shah Airport, Subang (IATA Code: SZB) to cater for jet operations and to double its capacity from 1.5 mppa to 3.0 mppa as part of the positioning of SZB as a regional aviation maintenance, repair and overhaul (MRO) hub. The second project was the expansion of Penang International Airport (IATA Code: PEN) from 6.5 mppa to 12.0 mppa which represents the first phase of the expansion of the airport to cater to 25.0 mppa in the future.

Malaysia Airports' expanded role as an airport developer lays the groundwork for enhancing airport capacity, facilities and infrastructure, thereby elevating overall service standards.

Greater efficacy in the airport ecosystem

In the airport ecosystem, we work alongside the Civil Aviation Authority of Malaysia (CAAM) and other members of the airport community to ensure the safety and security of airport operations, particularly at the airside, through regulations, oversight and monitoring of the technical and safety standards. Together, we completed 74 aerodrome emergency exercises including 12 full-scale exercises and 27 evacuation drills throughout our airport network in 2023.

Malaysia Airports also continued to take the lead in breaking new ground with the airport community as we worked through 2023 with airport stakeholders to implement the Airport Collaborative Decision-Making (A-CDM) integrated system to increase operational efficiency within the KUL ecosystem. The airport stakeholders are the Ministry of Transport, CAAM, Malaysia Airlines, AirAsia, Batik Air, Aerodarat, Pos Aviation and Ground Team Red who collectively manage air traffic control, airline operations and ground handling at KUL.

The A-CDM is a significant advancement in Malaysia Airports' ongoing efforts to meet the twin challenges of growing passenger volumes and the need for environmental stewardship. Our trial runs have shown that the implementation of A-CDM enhances operational cohesion, facilitates better resource allocation, promotes predictability and elevates airport efficiency which in turn translates into improved punctuality for passengers and cost savings for all parties. In addition, the A-CDM will see a reduction in fuel consumption and emissions, in line with Malaysia Airports' ESG commitments towards a greener and more sustainable aviation sector.

The Group also embarked on a collaborative effort with airport stakeholders to reduce queue times for passengers at various touch points. At check-in, we worked with airline partners to revamp the current queue system at check-in counters. At immigration checkpoints, we developed a predictive queue management dashboard which assists the Immigration Department in optimising manpower allocation, particularly during peak periods. At departure gates, the Group is also currently redesigning the security screening process, potentially halving the queue times.



GROUP CHIEF EXECUTIVE OFFICER'S MESSAGE

Enhancing sustainable value creation

True to our corporate vision to become 'A Global Airport Group that Champions Connectivity and Sustainability', we continued to break new ground in the area of sustainability, enhancing our ability to create long term value for stakeholders.



INVESTING IN RENEWABLE ENERGY

- 6 airports including KUL tap on solar energy
- Reduce scope 2 emissions by **15%**
- Solar farm in the works to provide over **20%** of KUL's total energy needs

Environmental stewardship milestones

Environmental stewardship was at the top of our corporate agenda, with the announcement of our commitment to achieve Net Zero Carbon Emissions by 2050 together with a roadmap towards achieving the goals as laid out in the Group's Environmental Masterplan 2.0. In 2023, we made strides towards achieving these stated goals, particularly in the use of renewable energy and improving energy efficiency.

Among our immediate goals was to tackle Scope 1 and Scope 2 emissions. In this regard, we accelerated the roll out of renewable energy initiatives, primarily, the installation of solar photovoltaic panels at our airports. Currently, six airports in Malaysia tap into solar energy while work remains in progress at two other airports, with total solar power capacity of 22.5 MWp, potentially reducing the Group's Scope 2 emissions by 15%. The use of solar energy costs 30% less than conventional power, generating savings of about RM2.1 million in 2023.

Given our experience with the availability and reliability of solar energy, the Group has begun planning to expand our use of solar energy by building a 30 MW solar photovoltaic farm to supply power to KUL. Based on 2022 energy usage data, this potentially increases the percentage of solar energy from 4.2% to 22.4% of KUL's total energy needs while reducing carbon emissions by up to 59,000 tCO₂e yearly.

Improved energy efficiency

In a joint venture with TNB Engineering Corporation Sdn Bhd, the Group transformed and modernised the district cooling plant at KUL which powers the airport's air-conditioning needs, to improve efficiency and run fully on electricity. This has resulted in lowering the Group's cooling costs, namely chilled water cost, which was 7.6% lower YoY in 2023, compared to 2022.

As a result of the Group's renewable energy and energy efficiency measures, electricity intensity per passenger in Malaysia recorded a sharp reduction of 21.3% YoY in 2023.

GROUP CHIEF EXECUTIVE OFFICER'S MESSAGE

Giving back to communities we serve

In this record-breaking year in terms of profitability, we remain firmly committed to giving back to the communities we serve.

Humanitarian aid for those in need

To alleviate the suffering of communities devastated by humanitarian crises, Malaysia Airports stepped up to contribute towards the relief efforts. Following the devastating earthquake in southeast Türkiye in February 2023, our airport in Istanbul, SAW, was used as a rescue and logistics hub and crisis management centre for rescue personnel and relief efforts. Our colleagues at the airport provided all necessary support and assistance including providing food and drink for those involved in the relief efforts. Donations from our employees to the Disaster and Emergency Management Authority of Türkiye (AFAD) and Turk Kızılay (Turkish Red Crescent) totalled just over EUR 5.0 million.



Making a difference in the community

Closer to home, our focus was centred primarily on education initiatives. A total of 21 airports in Malaysia opened their doors to over 1,800 students from 40 primary and secondary schools through the MYAirportCARES School Airport Tour programme.

Over 600 B40 students around our airports benefit from our education aid programmes in which Malaysia Airports contributes back to school necessities such as uniforms, bags and other supplies as well as on-going assistance for students to buy food and books in the course of the school year. In addition, in conjunction with the CAPA Asia Aviation Summit & Sustainability Awards 2023 hosted by Malaysia Airports, a donation of smart TVs and sports equipment was made to SK Bukit Bangkong (A), a primary school in the vicinity of KUL.

Through the airport tours, we aim to inspire young aviation enthusiasts by taking them behind the scenes at various airside and landside locations, and encouraging them to engage with members of the airport community to learn first-hand about airport operations.



GROUP CHIEF EXECUTIVE OFFICER'S MESSAGE

Recognising our employees' contribution

We take great pride in our people who are the heartbeat and pulse of Malaysia Airports, and celebrate their dedication and commitment in ensuring the success of our business operations.

Our employees contribute in myriad roles, from security and customer service to operations and management, to create a welcoming environment for passengers and ensuring that their journeys begin and end with safe, efficient and pleasant experiences at our airports.

During the pandemic, Malaysia Airports had made a commitment to employees to maintain a policy of zero retrenchments despite the pressure on our available financial resources. Against this backdrop, we are pleased to continue to enhance the welfare of our employees by completing collective agreements with all three unions – KESMA, KEPEMAB and KEPMAS – in 2023. I would like to express my thanks to the union chiefs for their spirit of mutual cooperation which enabled frank and transparent discussions to be held, leading to the speedy finalisation of the three collective agreements

in a period of two months. The collective agreement provide for improved terms of employment including across-the-board salary increments together with an increase in certain allowances and annual leave entitlement.

Talent management and recognition

Employee learning and development continue to be important aspects of our strategic focus. In 2023, in line with our commitment to nurture the professional and personal growth of our employees, the average training hours rose by 45.7% YoY to 51 hours per employee, compared to 35 hours per employee in 2022. The Group's investment for training for employees in Malaysia rose 69.5% YoY to RM3.9 million in 2023, compared to RM2.3 million in 2022.

We are therefore proud that the capabilities and talents of our people are recognised in the international aviation industry. Airports Council International (ACI) Asia-Pacific awarded its signature Young Executive Award 2023 to our employee, Noor Sabrina Mat Barhan, Acting Manager, Stakeholder Relations & Regulatory Affairs for her research paper on 'The Future of the Airport Workforce' that explores the trends in airport workforce challenges and provide recommendations on shaping the future of the airport workforce.

We are also honoured in being acknowledged as a leading employer of choice. Notably, GRADUAN, HRD Corporation, and Talentbank have singled us out in their accolades for our exceptional human capital practices. This recognition underscores Malaysia Airports' dedication to fostering and developing talent within our workforce, and providing them with enriching career and development opportunities.



GROUP CHIEF EXECUTIVE OFFICER'S MESSAGE

A strategy for continued growth

To ensure that Malaysia Airports continues to build on its growth momentum, the Group has formulated a 3-year strategic plan which is anchored on improving the passenger journey and focused on execution.

3-Year Strategic Plan (2024 - 2026)

The strategic plan outlines the strategic focus of the Group for 2024 - 2026, and features eight strategic themes with ambitious targets.

Malaysia Airports 3-Year Strategic Plan (2024 - 2026)

| Strategic Themes | | Targets |
|---|--|--|
|  | Reimagining Passenger Experience Establish an exciting and comprehensive programme to improve and modernise our terminal identity, look and feel, and design for greater efficiency and an enhanced passenger journey | KUL to attain Top 5 airport ranking in ACI's Airport Service Quality annual survey |
|  | Enhancing Airline and Hub Connectivity Attract reputable carriers to operate into Malaysia, enhance accessibility, and strengthen connectivity to the West, West Asia and India to support KUL's growth as a regional hub | KUL as a leading hub with connectivity to 107 international destinations |
|  | Rejuvenating Commercial and Retail Enhance the non-aeronautical business through the revitalisation of commercial offerings and spaces at airports including the rejuvenation of the Eraman brand and outlets | KUL as one of the best airport shopping and retail destinations |
|  | Accelerating Off-Terminal Opportunities Create economic value through the synergistic airport-aeropolis ecosystem development at KLIA Aeropolis, KLIA's Aeronautical Support Zone and Subang Airport | Off-terminal revenue to grow by 1.5x over 3 years |
|  | Penang International Airport (PEN) Terminal Expansion Project Expansion of PEN or Northern Getaway Development (NGD) Project outlines the terminal, aviation facilities and public infrastructure expansion whilst tapping on commercial opportunities at airside and landside | Laying the foundation and building internal capability for development and capacity growth |
|  | Strengthening International Business Strengthen business performance by improving connectivity and elevating passenger experience in Istanbul Sabiha Gökçen International Airport (SAW) | |
|  | Commitment to ESG Integrate Environmental, Social and Governance (ESG) practices throughout the Group's businesses to create and deliver long-term value to its stakeholders | Carbon emissions reduction from 14% to 40% for airports in Malaysia |
|  | Focusing on Execution Boost organisational resources and capabilities to effectively facilitate the implementation of the key People Agenda | Fulfil human resource requirements and build capability in terms of competencies, leadership and innovative mindset |

For further information on the Group's strategic plan, please refer to Our Strategy on pages 44 to 57.



GROUP CHIEF EXECUTIVE OFFICER'S MESSAGE

A call to embrace and embody the Group's purpose

I have full confidence in our team executing the strategic plans and delivering the targeted results to stakeholders. Our people have demonstrated their resilience and determination on the frontlines of the pandemic, as they faced and overcame the grimmest moments in both the Group's history and the aviation industry as a whole.

Therefore, to see the strategic plan to fruition, we have rallied our people with a clear and compelling purpose. We introduced the Group's purpose statement – 'To create delightful experiences through great airport ecosystems, great people, great service and great operations', to state in simple terms our daily mission and goals at work.

We have developed several workstreams to integrate the Group's corporate identity into critical business operations. This will enhance the alignment between the overarching vision, brand promise, values and purpose of the Group with the daily tasks and operations that each employee undertakes. By instilling a sense of pride and unity in the Malaysia Airports brand across all aspects of daily operations, we firmly believe that this will be the pivotal factor to achieve the ambitious objectives outlined in our strategic plan.

We firmly believe that instilling a sense of pride and unity in the Malaysia Airports brand across all aspects of daily operations is the pivotal factor to achieve the ambitious objectives outlined in our strategic plan.

Heartfelt thanks and gratitude

In this breakthrough year, we have many stakeholders and partners to thank for their support and contribution.

I extend my deepest appreciation to our Board of Directors for their guidance and leadership at the helm of Malaysia Airports. Their strategic direction, unwavering support, and insightful counsel have been instrumental in propelling us forward to pursue our ambitious goals.

I am equally grateful to my colleagues for their unwavering commitment, dedication and resilience. Their numerous sacrifices throughout 2023 have been pivotal to our achievements.

Furthermore, I wish to express my heartfelt thanks to all our stakeholders, including the Governments of Malaysia and Türkiye, various ministries, government agencies, airline and retail partners, vendors, and other business collaborators, as well as our shareholders, for their invaluable support which is a cornerstone of the Group's success.

I am confident that the collaborative spirit between Malaysia Airports and its stakeholders that has led to a breakthrough year in 2023 will continue to strengthen in the future. As we chart the journey ahead together, I look forward to working closely with all of you in 2024 and beyond.

MOHAMED RASTAM SHAHROM
Acting Group Chief Executive Officer

CROISSANT

PAUL
LE CAFÉ

COFFEE

EXIT





Whether for a quick bite or a leisurely meal with friends and family before flying off, we have you covered. Our airports offer a wide range of Malaysian and international food and beverage offerings to suit and satisfy all taste buds

OUR APPROACH TO VALUE CREATION

Malaysia Airports seeks to create positive sustainable value for our stakeholders. Our approach to value creation integrates a balanced consideration of the operating environment, risks, areas of interest of our stakeholders as well as material matters that impact our business and our stakeholders.

Operating Environment

We regularly assess the operating environment and industry outlook which may affect our strategy and decisions

- Economy
- Aviation Industry

Refer to pages 16 to 17

Key Risks

We implement appropriate mitigation and control measures to effectively manage ten key risks

| | |
|------------------------|----------------------------|
| R1 Strategic | R6 Key Projects |
| R2 Customer Experience | R7 Financial |
| R3 Safety and Security | R8 Regulatory & Compliance |
| R4 Cyber Security | R9 People |
| R5 Digitalisation | R10 Sustainability |

Refer to pages 257 to 259

Stakeholders' Areas of Interest

We regularly engage with key stakeholders to determine their interests, priorities, needs and expectations, and to respond appropriately

| | |
|---------------------------|---|
| S1 Airlines | S7 Tenants |
| S2 Regulatory Authorities | S8 Vendors and Service Providers |
| S3 Passengers | S9 Associations and Professional Bodies |
| S4 Business Partners | S10 Media |
| S5 Employees | S11 Local Community |
| S6 Capital Providers | |

Refer to pages 78 to 86

Capitals

We allocate the six capitals as resources across our business activities, enabling us to generate outputs and outcomes for our stakeholders

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

Refer to page 41

Strategy

We develop our strategy anchoring on eight strategic themes

- Reimagining Passenger Experience
- Enhancing Airline and Hub Connectivity
- Rejuvenating Commercial and Retail
- Accelerating Off-Terminal Opportunities
- Penang International Airport (PEN) Expansion Project
- Strengthening International Business
- Commitment to ESG
- Focusing on Execution

Refer to pages 44 to 57

Material Matters

Through a materiality assessment conducted with stakeholders, we identified the top material matters which impact our strategic decisions across our business activities

| | |
|--------------------------------------|--------------------------------------|
| M1 Total Airport Experience | M5 Regulatory Compliance |
| M2 Airport Safety and Security | M6 Climate Change |
| M3 Economic Performance | M7 Integrity and Anti-Corruption |
| M4 Cybersecurity and Data Protection | M8 Talent Attraction and Development |
| | M9 Supply Chain Management |

Refer to pages 58 to 75

Value Creation Model

We seek to create value to our stakeholders through our five business activities, taking into consideration all of the above and underpinned by effective governance and risk management.

Airport Services

Duty Free and Non-dutiable Goods

Hotel

Project and Repair Maintenance

Agriculture and Horticulture

Refer to pages 42 to 43

We embed Environmental, Social and Governance (ESG) considerations in our value creation process, guided by our Sustainability Framework, Material Matters and Our Strategy. Please refer to pages 126 to 127, 58 to 75 and 44 to 57 respectively.

OUR APPROACH TO VALUE CREATION

We create value by transforming the six capitals across our business activities to generate impactful outputs and outcomes for our stakeholders.

F FINANCIAL CAPITAL

The equity, debt and operating cash flow generated from our business activities form the financial capital that is strategically utilised across our business activities and invested in other forms of capitals

RM 5,170.7 million
in share capital

RM 1,845.1 million
in cash and cash equivalents

RM 4,587.1 million
in borrowings

M MANUFACTURED CAPITAL

The physical infrastructure and assets that we manage, operate and invest in represent the manufactured capital essential for our business activities

39 airports in Malaysia and **1** in Türkiye

4 hotels with 720 rooms in Malaysia and Türkiye

79,018.7 square metres of airport retail space in Malaysia

6,247.1 hectares of palm oil planted area in Malaysia

Off-terminal real estate

I INTELLECTUAL CAPITAL

The expertise, knowledge and rights to manage and operate 39 airports in Malaysia and 1 in Türkiye form our intellectual capital in addition to the systems and solutions we deploy throughout our business activities to enable us to operate efficiently

Rights to manage and operate airports in Malaysia and Türkiye

More than 30 years of experience in managing and operating airports in Malaysia

Airports 4.0 digital transformation initiative

Knowledge and expertise in the provision of total facilities management and consultancy services

H HUMAN CAPITAL

The diversified range of skills, capabilities and experience of our employees act as the human capital that plays a key role across our business activities

9,835 employees across 3 countries

RM3.9 million invested for employee training and development in Malaysia

S SOCIAL CAPITAL

The relationships, network, collaboration and trust within and between our stakeholders as well as the surrounding communities form the social capital that enables partnerships and cooperation across our business activities

1,274 Malaysian vendors and service providers engaged

Proactive and continuous engagement with Government, regulators, airlines, passengers and related stakeholders

N NATURAL CAPITAL

The renewable and non-renewable resources we utilise account for our natural capital in addition to our efforts to manage the impact on the environment from the by-products and emissions generated across our business activities

22.5 MWp solar power capacity across 6 airports in Malaysia

571,085,455 kWh of energy consumed for airport operations in Malaysia and Türkiye

10.81 million cubic metres of water consumed for airport operations in Malaysia and Türkiye