VALUE CREATION MODEL

OUR VISION ▶ A Global Airport Group that Champions Connectivity and Sustainability

OUR **CAPITALS ...**   ... AND OUR **STRATEGIES**

INPUTS

F FINANCIAL CAPITAL
As at 1 January 2023:
- RM5,114.3 million in share capital
- RM1,529.6 million in cash and cash equivalents
- RM4,841.8 million in borrowings

M MANUFACTURED CAPITAL
- 39 airports in Malaysia and 1 in Türkiye
- 79,018.7 square metres of airport retail space in Malaysia
- 4 hotels with 720 rooms in Malaysia and Türkiye
- 6,247.1 hectares of palm oil planted area in Malaysia
- Off-terminal real estate

I INTELLECTUAL CAPITAL
- 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
- Stakeholder relationships

H HUMAN CAPITAL
- 9,835 employees across 3 countries
- RM3.9 million invested for employee training and development in Malaysia

S SOCIAL CAPITAL
- 1,274 Malaysian vendors and service providers engaged
- Proactive and continuous engagement with Government, regulators, airlines, passengers and related stakeholders

N NATURAL CAPITAL
- 22.5 MWp solar power capacity across 6 airports
- 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

Our Strategy

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

For details on our strategy, please refer to pages 44 to 57

Underpinned By

OPERATING ENVIRONMENT	GOVERNANCE	RISKS
For details on our Operating Environment, please refer to pages 16 to 17	For details on our Governance, please refer to pages 208 to 250	For details on our Risks, please refer to pages 257 to 259

Sustainability Framework

Malaysia Airports developed a new Sustainability Framework that aims to provide a more holistic approach in addressing the Group's material matters and aligning with our organisational strategy.

World Class Experience
- M1 Total Airport Experience
- M2 Airport Safety & Security (Customer)
- M3 Economic Performance
- M4 Cybersecurity and Data Privacy
- M5 Regulatory Compliance
- M7 Integrity & Anti-Corruption
- M9 Supply Chain Management
- M12 Market Presence

Net-Zero and Resilient Airport
- M6 Climate Change
- M10 Biodiversity
- M11 Noise Management
- M13 Waste
- M15 Water Effluent

Empowering our People and Communities
- M2 Airport Safety & Security (Employee)
- M8 Talent Attraction & Development
- M14 Human Rights
- M16 Contribution to Local Community

VALUE CREATION MODEL

OUR BRAND PROMISE ▶ Hosting Joyful Connections

ENABLE OUR BUSINESS ...   ... TO CREATE VALUE FOR OUR **STAKEHOLDERS**

KEY BUSINESS ACTIVITIES

- Airport Services
- Duty Free and Non-dutiable Goods
- Hotel
- Project and Repair Maintenance
- Agriculture and Horticulture

OUTPUTS

- RM4,914.2 million in revenue
- RM2,285.2 million in EBITDA

OUTCOMES

- RM180.2 million in dividends
- RM474.4 million in User Fees and taxes contributed to the Government

Stakeholder groups impacted: S2, S6

OUTPUTS

- 119.5 million total passenger movements
- 72 airlines (excluding full freighters)
- 707 airport retail outlets throughout Malaysia
- 74.4% average hotel occupancy rate in Malaysia, 96% in Türkiye
- 36,725.0 metric tonnes of fresh fruit bunches
- Aeropolis development around KUL and SZB

OUTCOMES

- 147 destinations comprising of 113 international and 34 domestic destinations
- KUL ranked #9 globally in Airport Service Quality (ASQ) among airports with above 40 million passengers per annum (mppa)
- LGK ranked #1 globally in Airport Service Quality (ASQ) for the 2-5 mppa category

Stakeholder groups impacted: S1, S2, S3, S7

OUTPUTS

- Digital airport solutions and systems including Self-Service Check-In, Self-Service Bag Drop, MYairports App, STARdesk, ISG Portpal, shopMYairports and shop@SAW
- 14 clients in Malaysia and 1 in Qatar

OUTCOMES

- Efficient airport operations complying to international and local regulatory requirements
- Enhanced airport experience, capacity and security leveraging on digitalisation, technology and automation

Stakeholder groups impacted: S1, S2, S3

OUTPUTS

- 442,027 training hours for employees in Malaysia
- 8,143 employees in Malaysia trained on occupational health & safety

OUTCOMES

- Average of 51 training hours per employee in Malaysia
- Zero workplace fatalities

Stakeholder groups impacted: S5

OUTPUTS

- RM429,927.56 invested for community enrichment programmes in Malaysia
- RM949.9 million spent on Malaysian vendors and service providers
- Strong relationships with stakeholders

OUTCOMES

- 3,343 beneficiaries from 53 community enrichment programmes in Malaysia
- 96% of procurement spending on Malaysian vendors and service providers

Stakeholder groups impacted: S2, S4, S8, S11

OUTPUTS

- 27,725.39 MWh of solar power generated in Malaysia
- 104,864 tonnes in Scope 1 and Scope 2 carbon emissions at KUL*
- 3.4% of waste at KUL recycled

OUTCOMES

- 11.6% reduction in Scope 1 and Scope 2 carbon emissions (vs 2019) at KUL*
- 14,915.42 tonnes of carbon emissions avoided from use of solar power in Malaysia
- Renewal of KUL's Airport Carbon Accreditation at Level 3: Optimisation

Stakeholder groups impacted: S2, S6

Emissions data is up to FY2022 and is independently verified as part of the renewal of KUL's Airport Carbon Accreditation (ACA) at Level 3: Optimisation in FY2023.

STAKEHOLDER GROUPS IMPACTED

OUR STRATEGY

Malaysia Airports realigned its strategies in 2023 to focus on improving passenger experience. Leveraging on the Group's strengthened financial and operational foundations, Malaysia Airports is now primed to unlock a great airport ecosystem.

Prior to this in 2022, Malaysia Airports was focused on navigating post-pandemic challenges and opportunities. The Group returned to profitability as a lean and resilient entity, demonstrating its ability to capitalise on business opportunities and the sustainability of its cost containment measures.

In light of the Group's enhanced financial performance and improved operating environment in 2023, Malaysia Airports was well positioned to capitalise on growth opportunities to generate value for its stakeholders. Therefore, a 3-Year Strategic Plan (2024 - 2026) was developed, 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.

With the aim of 'Reimagining Passenger Experience', the Group has turned its focus towards elevating the overall passenger experience across its airport network. The implementation and execution of the strategic plan is key to driving sustained long-term value for its primary stakeholders. The 3-Year Strategic Plan (2024 - 2026) is anchored on eight strategic themes:

STRATEGIC THEMES	LINKS
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	M H S2 S3 M1 M2 M5
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	F M S S1 S2 S3 M1 M3 M5 M12
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	F M I S3 S7 S11 M1 M3
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	F M I H S S1 S2 S3 S5 S6 S7 S8 S10 S11 M1 M2 M3 M4 M6 M7 M10 M12 M13 M14 M15 M16
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	M S S1 S2 S3 M1 M3 M6 M12 M16
Strengthening International Business Strengthen business performance by improving connectivity and elevating passenger experience in Istanbul Sabiha Gökçen International Airport (SAW)	F M I H S N S1 S2 S3 S5 S6 M1 M2 M3 M4 M5 M6
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	F M I H S N S1 S2 S3 S5 S6 S7 S8 S10 S11 M1 M2 M3 M4 M5 M6 M7 M10 M12 M13 M14 M15 M16
Focusing on Execution Boost organisational resources and capabilities to effectively facilitate the implementation of the key People Agenda	F M I H S N S1 S2 S3 S5 S6 S7 S8 S10 S11 M1 M2 M3 M4 M5 M6 M7 M10 M12 M13 M14 M15 M16

OUR STRATEGY

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.

Key Activities that Created Value in 2023

Introduced new airport services for a more seamless and enhanced passenger journey
- Implemented premium bus shuttle service and lounges for business and first class passengers.
- A very significant number of new Retail, Food & Beverage outlet openings; described in more detail in the Rejuvenating Commercial and Retail section on pages 49 to 50.
- A number of simple uplifts to the ambience in KUL Terminals 1 and 2; a Welcoming Wall at kerbside arrival area, vibrant local art showcases and performances through RUANG@KUL and RENTAK@KUL, free buggy services as well as the Aero FastTrack paid service.

Adopted the latest airport technology innovations
- Self-Service Bag Drop, Self-Service Check-In and biometric facial recognition system at KUL.
- Service Ticketing Automation & Resolution (STARdesk), our new digital platform which integrates customer feedback from various electronic and social media channels for a speedy response and resolution.
- Upgraded passenger Wi-Fi at KUL to the latest Wi-Fi 6 standard to provide faster and seamless connectivity.

Short to Medium Term Focus

1) Embark on Terminal Identity, Modernisation and Efficiency 2026++ (TIME26++), for four key passenger segments namely Economy Passengers, First and Business Passengers, Passengers Requiring Assistance (reduced mobility, families with children, elderly) and Group Passengers
   - While covering all our airports, it will have a focus on KUL to prepare for Visit Malaysia Year 2026
   - To improve the passenger's experience, new products and services will be delivered through six work streams:
     - Redesign and Refurbish
     - Ambience & Entertainment
     - Fixing the Basics
     - New Services
     - Seamless Journey
     - Digitalisation
   - Redesign and Refurbish: Redesigning passenger flow, throughput capacity, interior design and wayfinding with the outcome of a warm arrival and departure statement that promotes an efficient, modern and easy to use experience at five critical touch points namely:
     - Check-in Hall
     - Immigration Departure
     - Immigration Arrival
     - Baggage Reclaim
     - Arrival Hall

OUR STRATEGY

REIMAGINING PASSENGER EXPERIENCE

Short to Medium Term Focus

- Ambience & Entertainment: Curated Malaysia Cultural Heritage programmes all year round with local art and culture communities via cultural performances, exhibitions, festive celebrations as well as bespoke Malaysia motive decorations to promote Malaysian culture and heritage.
- Fixing the Basics: Continuous facility upgrades to further uplift facility standards such as new and lighter airport trolleys, upgrading of airport seats with charging ports and improvement of airport wayfinding signages.
- New Services: New product offerings to elevate passengers experience through the airport for the following segments
  - Family with Children: Designated parking closer to the terminal, installation of kids playground, dedicated family with children lanes through the airport.
  - Group Travellers: A dedicated group check-in terminal to facilitate group processing and needs.
  - Premium Travellers: Private premium terminal and private car service to aircraft and arrival providing personalised travel experience.
- Seamless Journey: Redesign processing touchpoints namely check-in, security screening and immigration to reduce queue times thus increase dwell times for passengers to relax, shop and dine at the airport.
- Digital Experience: Drive the Self-Service Check-In and Self-Service Bag Drop systems adoption by establishing strategic partnerships with key airlines and extend Self-Service Bag Drop across all our international airports.

2) Complete the interim phase of the Subang Airport Regeneration Plan which will double the terminal capacity from 1.5 million passengers per annum (mppa) to 3 mppa.

Key Performance Indicators

		FY2023	FY2022
Operational			
Airport Service Quality (ASQ) Score	KUL	**4.99**	4.99
	LGK	**5.00**	5.00
Digitalisation			
MYairports Total Active Users	MY	**56,833**	20,687
STARdesk Complaints Resolution Rate (%)	MY	**93.4**	Nil*

STARdesk officially launched in May 2023

Links to :

Capitals:

M   H

Stakeholders:

S2   S3

Material Matters:

M1   M2   M5

OUR STRATEGY

✈ 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.

Key Activities that Created Value in 2023

Catalysed traffic recovery and enhance network connectivity through strategic collaboration with airlines and other stakeholders

- Collaborative efforts with stakeholders to enhance Malaysia's appeal as a destination:
  - Became a member of the Matching Grant Evaluation Committee (Penilai Geran Sepadan Penerbangan Antarabangsa dan Charter - GSPC) under Tourism Malaysia to evaluate proposals by airlines to ensure tourism promotion strategies are aligned.
  - Joint pursuit and strategic collaboration with State Tourism Offices i.e. Penang Global Tourism to attract Qatar Airways to resume their services into PEN by showcasing the market potential and demand for air travel.
  - The creation of the National Air Connectivity Development Committee (NACDC) spearheaded by the Ministry of Transport (MOT) in collaboration with key industry stakeholders aimed at bolstering connectivity into Malaysia.
- The Group network of airports has seen encouraging signs of increasing air travel demand with annual passenger traffic and capacity recovery in FY2023 reaching 84.6% and 88.5% of 2019 levels respectively:
  - Commencement of ten new international services into KUL (Shenzhen Airlines, Super Air Jet, TransNusa, SalamAir, Sichuan Airlines, Xiamen Air, Air China), BKI (T'way Air), KCH (Indonesia AirAsia) as well as PEN (Xiamen Air).
  - Resumption of daily services by Qatar Airways into PEN and several Chinese carriers into Malaysia i.e. Air China into KUL, China Southern Airlines into BKI and PEN, following relaxation of travel restrictions by the Chinese government.
- To foster traffic rebound and growth, two incentive programmes are in place:
  - Launch of the new Airline X-celeration Programme in January 2023 aimed to incentivise airline partners to diversify their network offerings by introducing new services.
  - Continuation of the Special Incentive Programme introduced in July 2022, geared towards expediting airlines' operational plans and enhancing hub capabilities through collaborative efforts.

Short to Medium Term Focus

1) Strengthen Western Connectivity by leveraging on KUL's strategic location and actively engaging key oneworld carriers to establish operations into KUL. This effort will be supported by an enhanced incentive programme to attract and retain these carriers.
2) Enhance West Asia Network Expansion from Malaysia by capitalising on the growth of West Asian and Middle Eastern carriers' mega hub network.
3) Pursuit of India-based carriers into the Group's airports, leveraging on India's promising market potential.
4) Continuous collaboration with Tourism Malaysia and State Tourism offices by actively engaging key airlines along with NACDC's support.
5) Hosted Routes Asia 2024 in LGK in February 2024 together with Tourism Malaysia. This event brings together airlines, airports and tourism authorities to drive Asia Pacific's air service development and continue to fuel the region's aviation recovery. Besides serving as a networking and knowledge sharing platform, we believe that we will be able to enhance our visibility, strengthen our relationship with key industry partners and position ourselves as a leader within the industry.

OUR STRATEGY

✈ ENHANCING AIRLINE AND HUB CONNECTIVITY

Key Performance Indicators

		FY2023	FY2022
Operational			
Passenger Movements (million)	MY	**81.9**	52.7
Commercial Aircraft Movements	MY	**685,323**	549,473
No. of Airlines (excluding full freighters)	MY	**72**	66

Links to :

Capitals:
F M S

Stakeholders:
S1 S2 S3

Material Matters:
M1 M3 M5 M12

OUR STRATEGY

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.

Key Activities that Created Value in 2023

Increased operational occupancy of commercial spaces in line with the air traffic recovery in Malaysia
- Accelerated the opening of outlets to achieve an operational occupancy rate of 81% at the end of 2023 from 55% in Q1 2023, enabled by 'E-Procure', an online tender process to reduce lead times for the tender process as well as the establishment of a 'Fit In-Fit Out' team to assist tenants with the renovation of the premises.

Elevated the retail and food and beverage (F&B) landscape of airports in Malaysia with the opening of new brands as well as refreshed outlets to provide an exciting shopping and dining experience for passengers
- Opening of new outlets at KUL Terminal 1 including Jamie Oliver's Pizzeria, Taco Bell, Illy Café, Hard Rock Café, and local champions i.e. Jibby Chow, Serai, Flight Club Signature and Kitchen by OpenHouse. Several outlets underwent refreshed new looks i.e. Burger King, Noodles Signature, Starbucks and O'Briens.
- Opening of new outlets at KUL Terminal 2 including Din by Din Tai Fung, The Refinery, KREATE, Ahh-Yum, Taste of India, Jollibee, Subway, The Coffee Bean & Tea Leaf and Starbucks.
- Launched McDonald's, Starbucks and Dunkin' Donuts at BKI, as well as Subway and Nooodles at TWU.
- New concepts established for Polo Ralph Lauren, Michael Kors, Bulgari, Tory Burch, TUMI, Sunglass Hut, Kashkha and Gold City featuring enhanced store facades for an elevated shopping experience and ambience at KUL Terminal 1.
- Opening of Lego, Royal Selangor, Bath & Body Works and Victoria's Secret at PEN; as well as Habib Jewels at LGK.
- Established 'Sense of Malaysia' outlets across five international airports in Malaysia including KUL Terminal 2, BKI, KCH, LGK and PEN to showcase the richness of Malaysian culture and heritage featuring local souvenirs, crafts as well as delicacies.

Strengthened Eraman's performance and brand presence with revitalised outlets, improved offerings, expanded partnerships, leveraging on technology
- Launch of Eraman's flagship Duty Free Emporium stores at KUL Terminal 1 Satellite Building, featuring a completely revamped and fresh concept design, self-checkout counters as well as a wide range of products featuring local and international brands.
- Expanded Eraman's retail and F&B segment in Malaysia with the opening of a new chocolate store at PEN, new Burger King franchise outlets at both KUL Terminal 1 and Terminal 2 as well as Singgah, a new in-house brand at KUL Terminal 1.
- Expanded Eraman's partnership with Plaza Premium Group by leveraging on Plaza Premium's loyalty programme 'Smart Traveller' to make available selected Eraman duty free and duty paid products for points redemption by Smart Traveller members.
- Partnered with leading international and local financial institutions such as UOB, Maybank and Mastercard on Eraman's strategic campaigns to drive sales and foster brand loyalty.
- Expanded Eraman's product offerings on shopMYairports, aligning with the Click & Collect initiative.

OUR STRATEGY

REJUVENATING COMMERCIAL AND RETAIL

Short to Medium Term Focus

1) Accelerate the opening of more new brands and outlets as part of the Commercial Reset initiative to further raise the retail profile of KUL and other airports in Malaysia, expand the variety of commercial offerings while elevating the shopping and dining experience for passengers.
2) Rejuvenate Eraman's outlet concept while selected retail and F&B stores across KUL and other airports in Malaysia to undergo brand refresh.
3) Enhance Eraman's outlet digitalisation with self-service checkout at main stores, system automation, collaboration with brands for interactive digitalisation, contactless technologies as well as focus on digital marketing.

Key Performance Indicators

		FY2023	FY2022
Performance Indicator			
Non-Aeronautical Revenue (RM million)	Group	**1,894.9**	1,206.5
Retail Sales of Duty Free and Non-Dutiable Goods Revenue (RM million)	Eraman	**571.1**	262.4

Links to :

Capitals:
F M I

Stakeholders:
S3 S7 S11

Material Matters:
M1 M3

OUR STRATEGY

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.

Key Activities that Created Value in 2023

Unlocking KLIA Aeropolis and driving Malaysia Airports' renewable energy (RE) roadmap
- Secured approval-in-principle of the Pindaan Kebenaran Merancang (Planning Approval) for KLIA Aeropolis from Majlis Perbandaran Sepang (Sepang Town Council) in January 2024.
- Established a strategic partnership for a 30MW Solar Photovoltaic project on a 166-acre site, expandable up to 60MW, to power KUL. This would be amongst the largest solar farms for self consumption. Upon the initial phase launch, ratio of solar to the energy mix for KUL will surge from 4.2% currently to 22.4%, with solar contributing up to 72% during peak hours.

Catalysed economic growth at SZB
- Secured approval of the Pindaan Kebenaran Merancang for Subang Airport Regeneration Plan (SARP) from Majlis Bandaraya Shah Alam (Shah Alam City Council) pertaining to the Business Aviation and Aerospace segment in January 2024.
- Enhance SZB's credibility through undertaking infrastructure and facilities developments to facilitate the SARP development, tailored to the Business Aviation and Aerospace segments. This solidifies SZB as the 'Preferred Aerospace and Business Aviation hub' in the region.
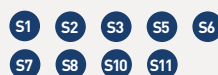
Short to Medium Term Focus

1) Catalyse phase 1 of Aeropolis Industrial Park of 200 acres, positioning it as the regional hub for air-centric and high value industries by attracting leading global aerospace and high-tech firms to establish operations.
2) Elevate KUL's appeal by injecting vibrancy, drawing visitors and creating a population base, whilst prioritising RE and green initiatives at Aeropolis Resort City, an integrated leisure-commercial destination. This strategic focus aligns with Visit Malaysia 2026.
3) Propel progress in the Business Aviation and Aerospace Ecosystem Zones within SARP with rigorous detailed design, strategic planning, streamlined infrastructure works and timely facilities development. This supports:-
   - Completion of Dassault Aviation's Execujet MRO Facility, set to be operational in 2024.
   - Completion of Collins Aerospace' MRO Build-to-Suit Facility, expected to be operational by 2024.
   - Further growth stimulation within the industry ecosystem with a ready-built multi-tenanted facility for regional operators requiring smaller footprint.
4) Maximise land utilisation at SZB through the development of two plots, prioritising global anchors, including Business Jet original equipment manufacturer (OEM)-owned maintenance, repair and overhaul (MRO) facilities and international Business Aviation charters.
5) Complete relocation of DHL from SZB to KUL by April 2024. The new KUL gateway will be DHL Express' first fully auto-sort gateway in Malaysia, increasing processing capacity by >400%. This reinforces KUL's link to the global logistics network.

Links to :

Capitals:
F M I H S

Stakeholders:
S1 S2 S3 S5 S6
S7 S8 S10 S11

Material Matters:
M1 M2 M3 M4 M5 M6 M7
M10 M12 M13 M14 M15 M16

OUR STRATEGY

PENANG INTERNATIONAL AIRPORT (PEN) TERMINAL EXPANSION

Expansion of PEN or Northern Getaway Development Project outlines the terminal, aviation facilities and public infrastructure expansion whilst tapping on commercial opportunities at airside and landside.

Key Activities that Created Value in 2023

Expansion PEN's terminal capacity from 6.5 million passengers per annum (mppa) to 12 mppa to accommodate the increase of passenger traffic
- Secured approval from Cabinet of Malaysia in February 2023 with a favourable capital recovery mechanism, to pursue the expansion and upgrade plans for PEN.
- Secured approval for the Planning, Design Management and Pre-Construction process including project feasibility study as well as permits from relevant authorities and agencies.

Short to Medium Term Focus

1) Commmence the procurement process to start the overall project including the pre-qualification, tendering, and appointment of the service providers.
2) Embark on project implementation, to be carried out in three packages namely Ancillary Works, Apron and Facilities Works as well as Main Terminal Works and Associated Works.
3) Commence of the physical construction works in Q3 2024.

Key Performance Indicators

Performance Indicator	Future State	Current State
Terminal Capacity (mppa)	12.0	6.5
Total Gross Floor Area (GFA) (sqm)	115,672*	54,582
Aircraft Stands (nos)	28**	16
Terminal Car Park Lots (lots)	3,623	2,324

*   GFA inclusive of 20% commercial space
**   Operational aircraft stands inclusive of six remote bays

Links to :

Capitals:

M S

Stakeholders:

S1 S2 S3

Material Matters:

M1 M3 M6 M12 M16

OUR STRATEGY

STRENGTHENING INTERNATIONAL BUSINESS

Strengthen business performance by improving connectivity and elevating passenger experience in Istanbul Sabiha Gökçen International Airport (SAW).

Key Activities that Created Value in 2023

Drove aeronautical and non-aeronautical revenue through improved business performance and operational efficiencies.

- Opening of SAW's second runway in December 2023 to enhance airside operations and terminal capacity with 80 landings and take-offs per hour.
- Expanded SAW's network by introducing diversified network routes with 12 additional international destinations to Plovdiv, Rhodes, Mytilene, Amman, London-Heathrow, Kazan, Podgorica, Al-Qassim, Alexandria, Kutaisi, Dortmund, and Birmingham.
- Secured the commencement of two new airlines operating into SAW namely British Airways and Royal Air Maroc.
- Sustained partnerships with HMSHost, a leading global restaurateur travel experience company, with the launch of four new F&B stores and the renewal of 22 existing stores in SAW.

Elevated the passenger journey experience at SAW

- Enhanced the ambience, amenities and service quality by maximising the seating areas, installing 25 charging stations across the terminal, adding more screening devices at the immigration areas, and refurbishing passengers' washrooms.
- Launched 'SAW Care' hotline, an enhanced Customer Relationship Management platform to manage passenger inquiries and complaints holistically.
- Introduced a digital solution namely XOVIS, a passenger flow management system to monitor and manage crowd movements at the terminal.
- Implemented a smart parking system for passengers who use the long-term parking subscription and complimentary services at SAW.
- Implemented 'E-Translator', a real-time language translation that provides a language accessibility to passengers and to ensure effective communication across language barriers, which has also been awarded as the 'Aviation Technology Project of the Year'.
- Recruited additional terminal inspection officers and dedicated 'Ask Me' personnel to ensure passengers experience good service quality, a seamless journey as well as an improved customer experience.

Short to Medium Term Focus

1) Attract new airlines and destinations through targeted marketing in the Europe, Middle East and Africa (EMEA) as well as the Commonwealth of Independent States (CIS) region.
2) Create new slots for Middle Eastern and cargo carriers through partial or fully removal of runway closure period.
3) Embark on terminal capacity expansion by undertaking various terminal decongestion projects to improve passenger processing time by approximately 20%.
4) Commence the second phase of the car park expansion project, adding 650 parking spaces and the third phase to follow with 800 more parking spaces by summer 2024.
5) Upgrade technology infrastructure to improve free Wi-Fi access.
6) Enhance retail business via reconfiguration of the Duty-Free stores for increasing dwell time.

OUR STRATEGY

STRENGTHENING INTERNATIONAL BUSINESS

Key Performance Indicators

Performance Indicator		FY2023	FY2022
Passenger Movements (million)	SAW	**37.6**	31.2
Commercial Aircraft Movements	SAW	**222,250**	195,388
No. of Airlines	SAW	**45**	44
Aeronautical Revenue (RM million)	SAW	**1,056.8**	789.3
Non-Aeronautical Revenue (RM million)	SAW	**680.8**	520.3

Links to :

Capitals:

F M I H S N

Stakeholders:

S1 S2 S3 S5 S7

Material Matters:

M1 M2 M3 M4 M12

OUR STRATEGY

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.

Key Activities that Created Value in 2023

Launched the Group's 'net-zero carbon emissions by 2050' goal which aims to reduce the environmental impact of the Group's business activities
- Launched the Environmental Masterplan 2.0 which sets out the Group's environmental policies, targets and roadmaps from 2023 until 2030 as the first phase of the net-zero journey and activated the Environment Task Force to streamline the initiatives, reporting and engagements with relevant stakeholders.
- Secured a six-month subscription for February-July 2023 for low carbon or 'green electricity' from Tenaga Nasional Berhad (TNB) under TNB's Green Electricity Tariff programme.
- Expanded the solar power programme through the installation of solar photovoltaic panels at BKI in 2023, leading to a total solar power capacity of 22.5 MWp at six airports nationwide.
- Launched Malaysia's first Electric Ground Support Equipment (e-GSE) infrastructure through collaboration with Malaysia Aviation Group (MAG).

Valued the relationship with employees by creating an inspiring workplace that promotes diversity, development, safety and transparency
- 40% of the total Board members and 34.3% of the total Group's workforce are female.
- Continued broadcast of OSH alerts across the Group to increase awareness among staff, particularly to provide information on communicable diseases as well as safety and health guidelines.

Promoted sound governance practices and integrity culture
- Launched Cybersecurity Acceleration Programme 2.0 to safeguard and strengthen the organisation against cyber threats and attacks.
- Continued roll out of ISO 37001: 2016 Anti-Bribery Management Systems across the Group, with MA Niaga and UTW as the newly certified subsidiaries in 2023.

Short to Medium Term Focus

1) Establish KUL Electric Vehicle Transformation Plan which aims to provide more infrastructure on EV Charging Stations and engagement with Ground Handlers on their fleet transformation.
2) Establish a Greenhouse Gas (GHG) data inventory for MASB Airports by conducting GHG Assessments in BKI, KCH, LGK and PEN.
3) Drive the Asset Replacement Programme for MA (Sepang) and MASB airports with a focus on energy savings and optimisation through the replacement of lights as well as Air Conditioning and Mechanical Ventilation.
4) Utilise the KUL Airport Collaborative Decision Making (A-CDM) Project to monitor and assess operational efficiency for aircraft Landing and Take-Off, with an aim to reduce Scope 3 emissions.

OUR STRATEGY

COMMITMENT TO ESG

Key Performance Indicators

		FY2023	FY2022
Environmental			
Reduction in Scope 1 and 2 Carbon Emissions (%)*	KUL	Nil	11.6%
Energy Consumption (kWh/passenger)	Airports in Malaysia	6.3	8.0
	SAW	1.4	1.6
Solar Power Generated (MWh)	KUL	27,725	19,122
Total Waste Generated (kg/passenger)	KUL	0.13	0.12
Recycling Rate (%)	KUL	3.4	4.4
Cost Savings from Using Green Energy (RM million)	Airports in Malaysia	2.13	1.46
Social			
Community Investment (RM)	Group	29.1 mil	1.1 mil
Occupational Accident Rate			
Incident Rate	MY	1.01	0.45
Frequency Rate	MY	0.40	0.18
Severity Rate	MY	7.31	5.13
Governance			
Employees briefed on anti-corruption policies**	Group	8,350	8,454

*   Emissions data is up to FY2022 and is independently verified as part of the renewal of KUL's Airport Carbon Accreditation (ACA) at Level 3: Optimisation in FY2023.
**   Management, Executive and Non-Executive

Links to :

Capitals:
F M I H S N

Stakeholders:
S1 S2 S3 S5 S7 S8
S9 S10 S11

Material Matters:
M1 M2 M3 M4 M5 M6 M7 M8 M9 M10
M11 M12 M13 M14 M15 M16

OUR STRATEGY

▶ FOCUSING ON EXECUTION

Boost organisational resources and capabilities to effectively facilitate the implementation of the key People Agenda.

Key Activities that Created Value in 2023

Focussed hiring on core and critical roles to respond to the increasing passenger traffic and improve guest experience at the airports

- Regulatory Compliance being key to our operations, led to the hiring of 142 AVSEC and 55 AFRS personnel respectively across all airports.
- Our enhanced focus on Customer centricity saw the establishment of 52 CEM sector leaders positions at KUL to drive immersion into positive guest experience at the airports.
- Elevated our resources in the Bussing Operations with higher headcount to facilitate and improve bussing experience for passengers at KUL Terminal 1, as efficient connection is core to the passenger experience, right from the touchpoints at the Terminal through the boarding on the plane.

Developed skills and competencies to support talent growth and excellence

- Building a healthy talent pipeline for our young talent is key to the success of our future talent pool, hence we have participated actively in the MyStep Programme and hired 125 personnel to support workforce needs as well as supporting the national agenda.
- Project Management is central to our operations as we enhance our productivity through meticulous analysis of our processes in our effort for continuous improvement. In 2023, we focussed on capability development targeting on supporting our talent with professional growth through Project Management Professional (PMP)® Certification, which was attended by 27 project managers.
- Developed a signature Leadership Programme, with the main objective of nurturing visionary leaders across our middle management level with 123 Managers and Senior Managers trained on the Malaysia Airports Visionary & Effective Leadership (MARVEL) Programme.

Forged Better Industrial Harmony, Inclusivity & Safety @ Work

- Successfully signed Collective Agreement 10 between the Group and Unions.

Short to Medium Term Focus

1) Strengthen resources and build organisational capabilities through hiring of best talents and growing a healthy leadership bench strength with a robust succession planning process in place in developing a strategic talent pipeline. This is mapped to support the efficient execution of our business plans.
2) Systematic Workforce planning to resource a productive operating model that is agile to respond to the changing market landscape.
3) Continue to enhance the quality of our talent pool with support for talent professional growth and excellence through Project Management Professional (PMP)® Certification for project managers, aligned with the core requirement of our business and operations.
4) Embed the fundamentals of having strong leadership skills through the development of the current and future leaders using multiple development channels and intervention. (e.g. talent assessment, training programs, coaching and mentoring, with structured approach to the development of individual development plans (IDP).

Key Performance Indicators

		FY2023	FY2022
Total training hours (hours)	MY	**442,027**	297,545
	SAW	**2,024**	6,260
Average total hours of training per employee (hours)	MY	**51.0**	35.0
	SAW	**3.8**	12.2

Links to :

Capitals:
F M I H S N

Stakeholders:
S1 S2 S3 S5 S6 S7 S8 S11 S10

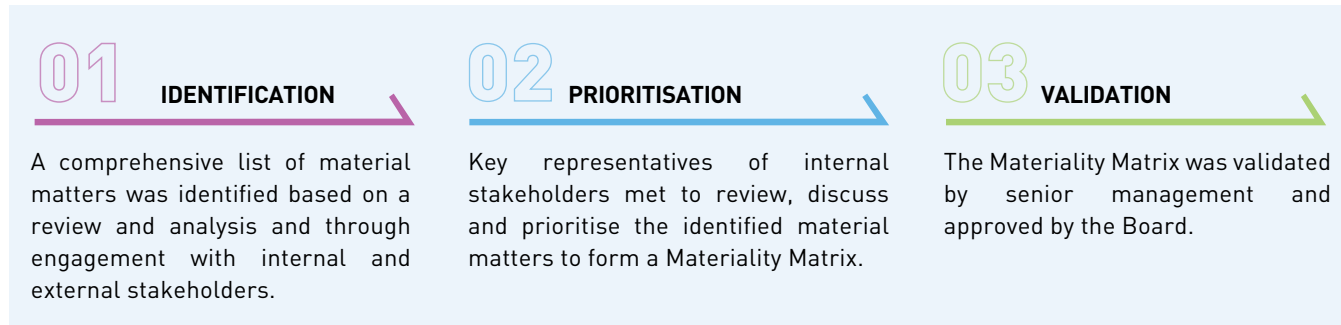**Material Matters:**
M1 M2 M3 M4 M5 M6 M7 M10 M12 M13 M14 M15 M16

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 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.

01 IDENTIFICATION	02 PRIORITISATION	03 VALIDATION
A comprehensive list of material matters was identified based on a review and analysis and through engagement with internal and external stakeholders.	Key representatives of internal stakeholders met to review, discuss and prioritise the identified material matters to form a Materiality Matrix.	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 on Malaysia Airports and secondly, significance to key stakeholders – and maps them to the Sustainability Framework. This guides Malaysia Airports in addressing and managing matters of utmost importance for the business as well as stakeholders.

REVIEW OF MATERIAL MATTERS IN 2023

In 2023, Malaysia Airports started to refresh the Materiality Matrix in line with our commitment to address evolving challenges arising from changes in the operating environment and to align our strategic priorities with stakeholders' concerns. Two new material matters, noise management and biodiversity, have been identified as a result of the review.
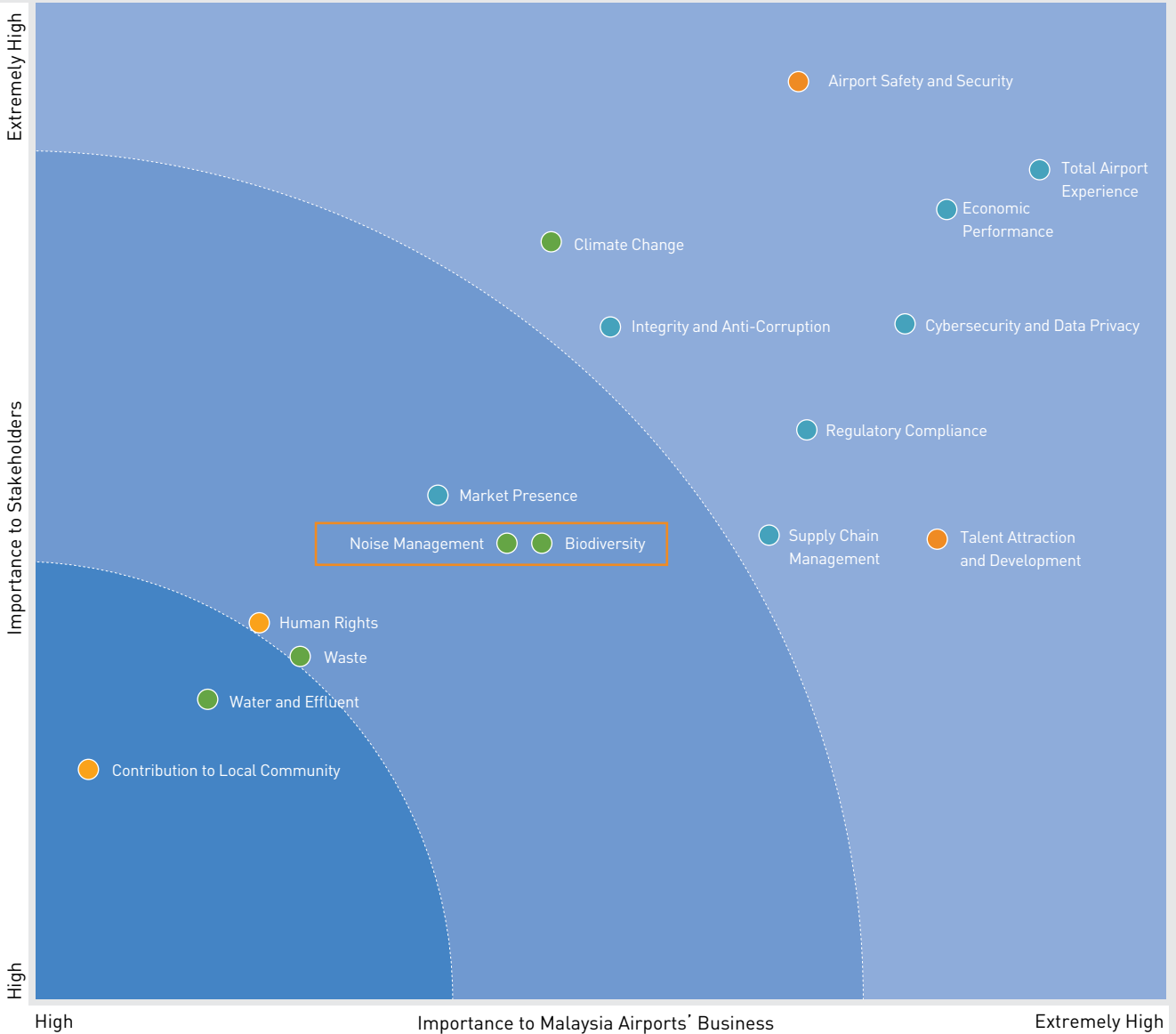
Following the review of key stakeholders for the Group, a workshop was organised to determine the material matters for the Group moving forward. At the workshop, an inventory of material matters was presented to the stakeholders to facilitate a prioritisation exercise. The stakeholders then prioritised the material matters by ranking the importance of each item as well as the impact of each matter on them.

Based on the prioritisation exercise, the Group developed a refreshed Materiality Matrix as depicted below which was then validated by the senior management and approved by the Board Sustainability Committee.

MATERIAL MATTERS

MATERIALITY MATRIX

Importance to Stakeholders (vertical axis: High → Extremely High)

Importance to Malaysia Airports' Business (horizontal axis: High → Extremely High)

Plotted items:
- Airport Safety and Security (Social)
- Total Airport Experience (Economic)
- Economic Performance (Economic)
- Climate Change (Environmental)
- Integrity and Anti-Corruption (Economic)
- Cybersecurity and Data Privacy (Economic)
- Regulatory Compliance (Economic)
- Market Presence (Economic)
- Noise Management (Environmental) — New Material Matters to be implemented in 2024
- Biodiversity (Environmental) — New Material Matters to be implemented in 2024
- Supply Chain Management (Economic)
- Talent Attraction and Development (Social)
- Human Rights (Social)
- Waste (Environmental)
- Water and Effluent (Environmental)
- Contribution to Local Community (Social)

Legend:
- Economic
- Environmental
- Social
- Extremely High
- Very High
- High
- New Material Matters to be implemented in 2024

59

MATERIAL MATTERS

M1   TOTAL AIRPORT EXPERIENCE

Total Airport Experience refers to matters impacting the experience of our passengers as they journey through the airports that we manage. This encompasses Malaysia Airports' efforts in managing airport capacity, enhancing service quality, digitalisation of airport services and transportation and connectivity for the convenience and comfort of our passengers. This Material Matter will be discussed below under four separate headings for clarity – Airport Capacity, Airport Service Quality, Digitalisation, and Transport and Connectivity.

STAKEHOLDERS INVOLVED

S1   S2   S3   S4   S5   S7   S9

CAPITALS AFFECTED AND TRADE-OFFS:

F   I   S   F   H

⊕   ⊕   ⊕   ⊖

LINK TO STRATEGY AND KEY ENABLERS

- Reimagining Passenger Experience
- Enhancing Airline and Hub Connectivity
- Rejuvenating Commercial and Retail
- Penang International Airport (PEN) Terminal Expansion Project
- Focusing on Execution

LINK TO UN SDGS

8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS

HIGHLIGHTS

AIRPORT CAPACITY

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.

Airport expansion projects

In 2023, there were four on-going expansion projects to increase the capacity of the airports namely:

- KBR from 1.5 million passengers per annum (mppa) to 4 mppa. The expansion works is progressing and is scheduled to scheduled to complete in early 2025.
- PEN from 6.5 mppa to 12 mppa. Cabinet and other approvals have been obtained, and in March 2024, Malaysia Airports announced a pre-qualification exercise to appoint contractors for the project.
- SZB from 1.5 mppa to 3.0 mppa. The Subang Airport Regeneration Plan was approved by the Government in 2023, and renovation works are in progress to enable jet operations to commence at the airport in 2024.
- TWU from 1.5 mppa to 3.0 mppa. The allocation for the upgrading of the airport was approved in 2023.

Terminal optimisation projects

Terminal optimisation projects are on-going at BKI, IPH and TOD to optimise the capacity of the existing facilities.

KEY PERFORMANCE INDICATORS AND TARGETS

The current capacity of all airports under the Group is shown in the section 'Where We Operate' on pages 8 to 9.

MATERIAL MATTERS

M1 **TOTAL AIRPORT EXPERIENCE**

DIGITALISATION

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.

HIGHLIGHTS

Airport Collaborative Decision Making (A-CDM) at KUL
The project will enable aviation players at KUL to access and share real time data, collaborate to improve planning and operational efficiency a well as optimise resources and capacity. The Operational Readiness and Airport Transfer (ORAT) for the A-CDM commenced in November 2023. The system was launched in March 2024.

Self-Service Bag Drop rolled out
The Group launched Self-Service Bag Drop at KUL in May 2023, a self-service bag check system which lets passengers check-in their baggage faster and more efficiently, taking only 45 seconds to check-in each bag.

This self-service option allows passengers to directly drop their baggage, elevating their experience, improving airport operations and enabling faster passenger processing. This initiative was successfully rolled out in May 2023 at the KUL Terminal 1 with six units at the Row B check-in counter following an official launch with Malaysia Airlines. In future, Malaysia Airports will expand the availability of Self-Service Bag Drop at KUL Terminal 1 and Terminal 2 in 2024 and other international airports from 2025 until 2027.

Self-Service Check-In
The Self-Service Check-In system underwent enhancements commencing in October 2023, transforming from a single-function enrolment kiosk to a dual-function system that includes both check-in and enrolment capabilities. Additionally, it has integrated biometric features with the Self Service Bag Drop system where enrolled passengers can simply scan their faces to facilitate the baggage drop process. Malaysia Airlines, located at KUL Terminal 1, has successfully utilised this upgraded version and kiosk. The adoption of this innovation has led to a gradual increase in utilisation, due to its expanded functionalities. This is a truly transformational initiative that focuses on delivering a seamless passenger experience, optimising operational efficiency, embracing digital capabilities, and fostering collaboration. Malaysia Airports has been recognised by the IDC Future Enterprise Awards 2023 as the Winner for the Best in Future of Customer Experience for the Seamless Journeys through the Digitalisation of the MYairports App.

MATERIAL MATTERS

M1   TOTAL AIRPORT EXPERIENCE

HIGHLIGHTS

STARdesk

Successfully launched the STARdesk system in May 2023 to encourage passengers to submit their feedback through the MYAirports mobile app regarding issues that they encounter at the airport. By implementing this centralised ticketing system and streamlining processes, Malaysia Airports has enhanced response times, communication, and issue resolution, resulting in higher customer satisfaction levels as indicated by key metrics such as Net Promoter Score and Customer Satisfaction. The project also focused on gaining deeper insights into customer needs and preferences through analytics and data management, allowing for personalised experiences.

SMARTQ

The Smart Queue Monitoring System, equipped with 3D IoT sensors, serves as a digital solution for efficiently tracking passenger flow, queue length, process and waiting times, data analysis and people movement at the airports. It was successfully implemented in September 2023. The ability to monitor passenger queue management at airports empowers the operations team to oversee and enhance the overall passenger journey experience. The system also facilitates airports in meeting MAVCOM requirements by providing reporting and passenger flow data.

Airport Integrated Safety & Security System (AIS3)

The project is still in implementation mode and target to complete by Q3 2024. As part of our effort to future-proof safety and security, this project embarked in 2022 to modernise its security systems and infrastructure with Artificial Intelligence (AI) technologies while complying to the latest local and international standards and policies. Continuous deployment and enhancement of AI and Video Analytics to ensure higher accuracy and larger coverage of the use cases and adding more use cases in the future for better surveillance and outcome.

Internet of Things (IoT) Platform

The project was implemented in 2023 to monitor the status and location of all the buses at near real-time accuracy by using Internet of Things (IoT) technology. It provides our Management and operations teams an informative dashboard and for passengers, it provides information on buses and other key matters at the terminals as the platform is integrated with

the MYairports app and digital displays at strategic locations in KUL Terminal 1. The project started in May 2023 and completed in Dec 2023 while the digital display integration is expected to go live in mid-2024.

Technology refresh for KUL and SAW

The Wi-Fi technology at KUL was upgraded to the latest Wi-Fi 6 standard. This improves the passenger experience and ensures faster, seamless connectivity. The availability of fast and reliable Wi-Fi also encourages the use of our mobile app, MYairports, which was also enhanced during the year. At SAW, we began providing free Wi-Fi throughout the airport to enhance the overall passenger experience, increase satisfaction and build loyalty. The airport's mobile app was also upgraded to enable passengers find their luggage, check their car park status, make e-payments for car parking.

MATERIAL MATTERS

M1 | **TOTAL AIRPORT EXPERIENCE**

HIGHLIGHTS

Moving forward

Among the key focus areas is the strategic integration of cloud-based multi-airport Flight Information Display System (FIDS) and Resource Management System (RMS) for holistic airport management. In our operations in Malaysia, we manage international and domestic airports on a network basis, and hence, they vary in terms of passenger volume, profitability, digital maturity and other characteristics. Nevertheless airports require modernisation commensurate with their level of activity and economic magnitude. The right business model is therefore crucial to achieve the value of digital solutions.

As such Malaysia Airports is examining 'common use' facilities for better control and management of their assets, such as counters, gates, the baggage handling systems, telephone systems and information display systems, which aim to benefit the economics of the airports. In every aspect of today's airport terminal, the advantages of utilising technology properly are becoming increasingly apparent.

In the network of 39 airports in Malaysia, 21 are equipped with FIDS while the remaining STOLports rely on manual systems.

Currently the FIDS at the 21 airports is provided by several vendors offering a variety of products. Moving forward, the Group is planning to design and construct a new architecture for a cloud-based system for FIDS and RMS which will be hosted in the public cloud and readily accessible for other operational requirements. A cloud-based platform offers an optimal setting for the integration, facilitation, and exchange of data and collaboration. By integrating these systems, airports can improve resource utilisation, minimise delays, and enhance the overall efficiency and passenger experience.

The implementation of cloud-based multi-airport FIDS and RMS will be conducted in stages by the airport. The FIDS application must first be deployed at KUL in order to leverage the FIDS software framework at our main hub. By utilising the FIDS framework in conjunction with a subscription model at KUL airport, it is possible to optimise the design and architecture of FIDS without the necessity of creating new FIDS for every other airport in Malaysia, thereby creating a sustainable framework for modernising the airports and ensuring that the benefits of digital solutions are distributed equitably across the network.

KEY PERFORMANCE INDICATORS AND TARGETS

Key Performance Indicators	2023	2022	2021
Total active users			
MYAirports	**56,833**	20,687	5,992
shopMYairports	**11,435**	10,139	4,764

MATERIAL MATTERS

M1   **TOTAL AIRPORT EXPERIENCE**

TRANSPORTATION AND CONNECTIVITY

Transportation and Connectivity refer to ground transportation and network connectivity that link our airports to passengers, employees, airlines, visitors and suppliers within, to and from the airport. Good ground connectivity streamlines the passengers' airport experience before they even set foot at the airport premises as 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. In terms of network connectivity, with more connections available to passengers, they are able to enjoy the convenience of a greater number of options for their journey and potentially benefit from more competitive pricing.

HIGHLIGHTS

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

At SAW, at the end of 2023, there were 45 airlines flying into the airport, which was 76% of the pre-pandemic number of 59 airlines.

Multi-storey carpark at PEN
The newly constructed seven-storey carpark at PEN Airport opened for public use in April 2023. The new facility enhances the availability of parking for motor vehicles by providing 1,742 car parking bays including 22 for the disabled, and 660 bays for motorcycles.

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, 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.

Ground connection to SAW
The metro rail line linking SAW to downtown Istanbul which began operations in 2022 provides 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.

MATERIAL MATTERS

| M1 | **TOTAL AIRPORT EXPERIENCE** |

AIRPORT SERVICE QUALITY

Airport Service Quality refers to matters impacting the experience of our passengers as they journey through the airports that we manage. This encompasses Malaysia Airports' efforts in managing airport capacity, enhancing service quality, digitalisation of airport services and transportation and connectivity for the convenience and comfort of our passengers. This Material Matter will be discussed below under four separate headings for clarity – Airport Capacity, Airport Service Quality, Digitalisation, and Transport and Connectivity.

HIGHLIGHTS

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.

The scores achieved by both airports in 2021 and 2022, this indicates the sustained consistency of high service quality across all 31 of ASQ's indicators despite annual passenger traffic expanding at KUL and LGK post-pandemic.

Level 2 ACI accreditation for KUL for customer experience

With the increase in passenger movements, it was crucial that passenger experience at our main hub at KUL continues to adhere to international best practice and standards. Hence, in early 2023, Malaysia Airports embarked on ACI's Airport Customer Experience Accreditation (ACEA) programme 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.

STARdesk electronic feedback management platform

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, in May 2023 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.

Aerotrain replacement project

The replacement of the Aerotrain at KUL Terminal 1, is progressing to complete in 2025. In the meantime, Malaysia Airports has taken multiple steps to enhance the interim Shuttle Bus Service. This includes boosting the capacity of the shuttle bus fleet and to ensure that even at peak periods, there are buses standing by for passengers and that capacity limits are adhered to so that passengers complete the four-minute bus trip in comfort. Recently the Group introduced the Aero FastTrack service, a paid premium option for passengers requiring a swift transfer to or from the Satellite Building. In early 2024, a Premium Shuttle Bus complete with lounge facility for departing and arriving first and business class passengers was also introduced.

Baggage handling improvements

The replacement of the Baggage Handling System (BHS) at KUL Terminal 1 is currently in progress. In the meantime, we launched the Self-Service Bag Drop in May 2023, a self-service bag check system which enables passengers to self-check their baggage in a speedy and efficient manner, taking only 45 seconds to check-in each bag. This reduces queuing time at the airport for passengers. At SAW, the IT and control systems in the BHS were upgraded to enhance accuracy and efficiency in baggage handling.

Expansion of retail, F&B and hospitality outlets

The Group has recruited new retail, F&B and hospitality tenants under its Commercial Reset programme, enhancing the customer experience at the airports. Retail brands that opened new stores include Polo Ralph Lauren, Michael Kors, Bulgari, Tory Burch and TUMI. Airport outlets of F&B brands that opened in 2023 include 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 and Kitchen by Open House. In addition, Plaza Premium First and TFS Travel Club Lounge & Bar lounges and the Kepler Transit Hotel welcomed passengers at KUL Terminal 1 in 2023.

MATERIAL MATTERS

M1 **TOTAL AIRPORT EXPERIENCE**

KEY PERFORMANCE INDICATORS AND TARGETS

Airport Service Quality Ranking and Score

Airport	2023	2022	2021
KUL			
Rank	9	9	1
Score	4.99	4.99	5.00
LGK			
Rank	1	1	1
Score	5.00	5.00	5.00

Airport Service Quality Scores for Key Indicators - KUL

ASQ Score	2023	2022	2021
Courtesy & helpfulness of staff	4.99	4.99	4.99
Comfort of waiting/gate areas	4.98	4.99	4.98
Speed of baggage delivery	N/A	N/A	4.97
Waiting time to check-in	4.98	4.98	4.94
Waiting time at passport check	4.99	4.99	4.98
Ambience of the airport	4.99	5.00	4.98

Type of Feedback Received

Type of feedback	2023	2022	2021
Enquiries	12,423	17,315	12,782
Lost and Found	3,631	2,022	412
Complaints	3,806	1,619	227
Compliments	1,634	561	265
Suggestions	342	205	50
Total	**21,836**	21,722	13,736

MATERIAL MATTERS

M2 AIRPORT SAFETY AND SECURITY

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 S3 S5 S9

CAPITALS AFFECTED AND TRADE-OFFS:

M I H S F
⊕ ⊕ ⊕ ⊕ ⊖

LINK TO STRATEGY AND KEY ENABLERS
- Reimagining Passenger Experience
- Focusing on Execution

LINK TO UN SDGS

3 GOOD HEALTH AND WELL-BEING | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 11 SUSTAINABLE CITIES AND COMMUNITIES | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS | 17 PARTNERSHIPS FOR THE GOALS

HIGHLIGHTS

Aerodrome Emergency Exercises
Malaysia Airports completed 100% of its 74 scheduled Aerodrome Emergency Exercises. This includes 12 full scale exercises, 11 partial exercises, 24 tabletop exercises and 24 building fire drills. All relevant external stakeholders were included in the exercises, enhancing the knowledge and readiness towards emergency preparedness. One of the full scale exercises was conducted with the National Disaster Management Agency as part of the National Disaster Preparedness Year 2023 at TGG.

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 2023, 17 fire vehicles were replaced at the following airports – AOR (2), BTU (2), IPH (2), KBR (2), LDU, LMN, MKZ, MYY, MZV, SBW, SDK, TGG and TWU.

Training of AFRS personnel
With the rise in air traffic in 2023, Malaysia Airports recruited 55 new personnel to fill AFRS vacancies to maintain requisite levels of AFRS manpower and Rescue and Fire Fighting capabilities. The Group also provided training for eight employees to be certified as AFRS Subject Matter Experts by international bodies.

STOLport security documentation
Documentation for STOLport Security Programmes for five STOLports and STOLport Contingency Plans for seven STOLports were prepared and submitted to CAAM for endorsement in line with applicable regulations.

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. In 2023, among the focus areas was the inspection of security equipment, security restricted areas and controlled areas within the airports.

KUL Airside Safety Committee meetings
The committee meets quarterly to discuss safety issues at the airside.

MATERIAL MATTERS

M2 **AIRPORT SAFETY AND SECURITY**

HIGHLIGHTS

Runway inspections and surveillance
On-site inspections were conducted regularly by the Runway Safety Teams to ensure compliance with runway safety Standards and Recommended Practices (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 2023. 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

	2023	2022	2021
Number of Aerodrome Emergency Exercises conducted	74	72	21
Percentage of targeted safety exercises completed (%)	100	100	100
Number of Safety Management System Certified Airports	18	16	16

MATERIAL MATTERS

M3   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.

STAKEHOLDERS INVOLVED

S1   S2   S4   S6   S7

CAPITALS AFFECTED AND TRADE-OFFS:

F   I   H   S   F
⊕ ⊕ ⊕ ⊕ ⊖

LINK TO STRATEGY AND KEY ENABLERS

- Rejuvenating Commercial and Retail
- Accelerating Off-Terminal Business
- Strengthening International Business
- Penang International Airport (PEN) Terminal Expansion Project

LINK TO UN SDGS

8 DECENT WORK AND ECONOMIC GROWTH   9 INDUSTRY, INNOVATION AND INFRASTRUCTURE   11 SUSTAINABLE CITIES AND COMMUNITIES

HIGHLIGHTS

Economic value generated

For the financial year ending 31 December 2023 (FY2023), economic value generated by Malaysia Airports Holdings Berhad increased to RM5.4 billion compared to RM3.4 billion in the previous year. Most of the economic value generated were redistributed to our employees, capital providers and the Government. Malaysia Airports Holdings Berhad retained an economic value of RM1.7 billion as a result of the distribution above, which had also increased by 65.1% from FY2022.

KEY PERFORMANCE INDICATORS AND TARGETS

Economic Performance

	2023	2022	2021	Change 2023 vs 2022
	RM' million			%
Economic Value Generated				
Revenue*	**5,443.1**	3,415.6	*1,883.1	59.4%
Economic Value Distributed				
Operating costs	**(1,774.2)**	(1,231.8)	(915.8)	44.0%
Employee wages and benefits	**(953.5)**	(751.4)	(675.7)	26.9%
Payments to providers of capital	**(666.3)**	(193.6)	(634.1)	>100%
Payments to Government	**(357.8)**	(214.4)	**190.8	66.9%
Economic Value Retained	**1,691.4**	1,024.4	(151.8)	65.1%
**Community Investments	**29.1**	1.1		>100%

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

** Total community investments refer to actual expenditures in the reporting period, not commitments. This includes voluntary donations plus investment of funds in the broader community where the target beneficiaries are external to the organisation.

MATERIAL MATTERS

M4 CYBERSECURITY AND DATA PROTECTION

Cybersecurity and data protection are a key consideration which refers to Malaysia Airports' capabilities in protecting the security and privacy of stakeholders' business information and systems. Airport operations are a national security matter and as processes and transactions are increasingly digitalised and data is shared among airport stakeholders for efficiency and effectiveness of our airports, there are increased risks relating to cyber-related security threats and exposure of data to third parties. As such, cybersecurity is crucial to ensure the data of stakeholders and the Group's own data and digitalised processes are always protected.

STAKEHOLDERS INVOLVED
S1 S3 S9

CAPITALS AFFECTED AND TRADE-OFFS:
M I F
⊕ ⊕ ⊖

LINK TO STRATEGY AND KEY ENABLERS
- Reimagining Passenger Experience

LINK TO UN SDGS
8 DECENT WORK AND ECONOMIC GROWTH   9 INDUSTRY, INNOVATION AND INFRASTRUCTURE   11 SUSTAINABLE CITIES AND COMMUNITIES   16 PEACE, JUSTICE AND STRONG INSTITUTIONS

HIGHLIGHTS

Malaysia Airports has in place a Cybersecurity Acceleration Programme to safeguard the Group from threats. Following a comprehensive review of the programme, the Group launched the Cybersecurity Acceleration Programme 2.0 to strengthen the organisation against ever-evolving cyber threats and attacks. For our operations in Türkiye, in 2023, we made technology investments to improve and enhance our cybersecurity capabilities.

Enterprise risk assessments
Risk assessments are regularly conducted by all divisions and subsidiaries. The cybersecurity-related risk has been assessed at the corporate level for all systems managed by the Group's IT Division and identified risks will be rectified in ongoing mitigation projects.

Employee Training
As our employees can be a strong line of defence against cybersecurity threats, an online learning programme is conducted quarterly, and all employees must pass the exam quiz to gauge their understanding of all topics they have learned. Cybersecurity posters are also produced quarterly to enhance employees' knowledge on protecting data confidentiality, preserving data integrity and promoting data availability for authorised users.

Operating procedures updates
Malaysia Airports regularly updates applicable Standard Operating Procedures and General Procedures to include cybersecurity security elements for the development and testing team and other related parties. There are also knowledge sharing sessions with all relevant stakeholders on cybersecurity and IT governance.

SAW investments in cybersecurity
Investments in upgrading the airport's cybersecurity capabilities have resulted in better visibility and awareness of cyber threats. In addition, data relating to the attacks is gathered and analysed to enhance protection and to assess and detect future threats. Training for employees is also conducted to increase their awareness on cyber threats. The airport also conducts internal audits, and ensures that corrective and preventive actions are taken to minimise the risk of cybersecurity breaches.

MATERIAL MATTERS

M5 **REGULATORY COMPLIANCE**

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

S2 S6 S9

CAPITALS AFFECTED AND TRADE-OFFS:

M I F
⊕ ⊕ ⊖

LINK TO STRATEGY AND KEY ENABLERS
- Enhancing Airline and Hub Connectivity
- Rejuvenating Commercial and Retail
- Strengthening International Business
- Accelerating Off-Terminal Opportunities
- Commitment to ESG

LINK TO UN SDGS

8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

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 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

	2023	2022	2021
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

MATERIAL MATTERS

M6 | CLIMATE CHANGE

We address climate change by managing the impact of our business from the use of energy and the emissions associated with the business.

- Energy refers to the consumption and efficient use of electricity and energy generated from renewable and non-renewable sources.
- Emissions refer to the discharge of environmentally hazardous substances and greenhouse gas into the atmosphere such as dust, dark smoke, emissions with metallic compounds, carbon dioxide, methane, nitrous oxide.

STAKEHOLDERS INVOLVED

S1 S2 S9

CAPITALS AFFECTED AND TRADE-OFFS:

F M F N
⊕ ⊕ ⊖

LINK TO STRATEGY AND KEY ENABLERS

- Commitment to ESG

LINK TO UN SDGS

6 CLEAN WATER AND SANITATION | 7 AFFORDABLE AND CLEAN ENERGY | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 11 SUSTAINABLE CITIES AND COMMUNITIES | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION | 17 PARTNERSHIPS FOR THE GOALS

HIGHLIGHTS

Increased Renewable Energy Capacity
In 2023, Malaysia Airports further expanded its solar power programme to achieve a total solar power capacity of 22.5 MWp. This has the potential to reduce Scope 2 carbon emissions by up to 15%.

Malaysia Airports Net Zero 2050 Pathway
The roadmap is a long-term pathway that spans the period of 2023-2050 to reduce the Group's Scope 1, Scope 2 and Scope 3 carbon emissions in a phased and systematic manner. The roadmap includes targets and milestones for each phase which cumulates in net zero Scope 1 and Scope 2 emissions by 2040 and net zero Scope 3 emissions by 2050.

Level 3 ACA accreditation for KUL
KUL's certification at Level 3 'Optimisation' of Airports Council International (ACI)'s Airport Cabon Accreditation (ACA) programme was renewed in 2022/2023 by ACI. The airport has maintained its Level 3 certification since 2018. In this programme, ACI utilises internationally recognised methodologies to independently assess and recognise the efforts of airports to manage and reduce their carbon emissions through seven levels of certification.

M7 INTEGRITY AND ANTI-CORRUPTION

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

S5 S6

CAPITALS AFFECTED AND TRADE-OFFS:

I H F

⊕ ⊕ ⊖

LINK TO STRATEGY AND KEY ENABLERS
- Commitment to ESG

LINK TO UN SDGS

5 GENDER EQUALITY 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 16 PEACE, JUSTICE AND STRONG INSTITUTIONS 17 PARTNERSHIPS FOR THE GOALS

HIGHLIGHTS

Anti-Bribery Management System
The implementation of the ISO 37001: 2016 Anti-Bribery Management Systems (ABMS) is rolled out in stages to cover the Group. Two of the Group's subsidiaries in Cluster 2, namely Malaysia Airports (Niaga) Sdn Bhd and Urusan Teknologi Wawasan Sdn Bhd, successfully received full certification with zero non-conformance recorded.

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

Corruption Risk Assessment
A total of 101 corruption risk scorecards for the Group's operations are registered in Malaysia Airports risk scorecard system of which 100% successfully underwent assessments in 2023 for corruption risks and reviews of their internal controls. This excludes the Group's foreign operations in Türkiye and MACS ME.

Lower corruption risk
The Group also successfully conducted a Corruption Risk Assessment Workshop to review the corruption risks as

recommended by the Guidelines on Adequate Procedures pursuant (5) of Section 17A(5) of the Malaysian Anti-Corruption Commission (MACC) Act 2009 which recommends that a comprehensive risk assessment is done every three years, with intermittent assessment conducted when necessary. Guided by the zero-tolerance approach by the Board of Director coupled with Management commitment and various key initiatives implemented in fighting corruption, Malaysia Airports has successfully mitigated its overall corruption risk category from high to medium based on the MACC Risk Assessment in 2023.

Corruption-Free Pledge
The Group's Board of Directors and Management reaffirmed their commitment to maintain a corruption-free workplace, witnessed by the senior members of the MACC. The Corruption-Free Pledge is also circulated digitally across the Group and digitally signed by the employees in the Group to hold each of them accountable and responsible for maintaining a corruption-free workplace within the Group. The Group also provides briefings online and in person on anti-bribery and corruption matters. In 2023, 99.65% of the employees in the Group completed these briefings.

KEY PERFORMANCE INDICATORS AND TARGETS

	2023	2022	2021
Employees briefed on anti-corruption policies*	8,350	8,454	8,943
Number of confirmed incidents of corruption	0	0	0
Number of concerns raised through Whistleblowing Programme	32	6	1

*   Management, Executives and Non-Executives

MATERIAL MATTERS

M8	TALENT ATTRACTION & DEVELOPMENT

This refers to our human resource policies and management with reference to three major areas.
- Employment refers to the fair treatment of employees with regard to terms and conditions of employment.
- Training and Education refers to the Group's approach to training and upgrading employee skills, and performance and career development reviews and the management of career endings due to retirement or termination.
- Labour Management Relations refers to our consultative practices with employees and their representatives, including the approach to communicating significant operational changes.

STAKEHOLDERS INVOLVED

S5   S11

CAPITALS AFFECTED AND TRADE-OFFS:

I   F   H   S
⊕ ⊕ ⊖

LINK TO STRATEGY AND KEY ENABLERS
- Commitment to ESG

LINK TO UN SDGS

3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
10 REDUCED INEQUALITIES
11 SUSTAINABLE CITIES AND COMMUNITIES
16 PEACE, JUSTICE AND STRONG INSTITUTIONS

HIGHLIGHTS

Fair treatment for employees
Malaysia Airports provides fair treatment to all employees as per terms and conditions of employment. It also complies with the Employment Act 1955 and the Industrial Relations Act 1967. These two laws provide stipulations regarding employment terms and conditions, rights of employees and maintainomg industrial harmony between employers and employees, and where applicable, trade unions.

Sponsorship for degree programme
Collaboration with UiTM to develop employees by providing them with the opportunity to pursue a part time degree in Accounting. It is a five-year course starting in 2021 and to complete by 2025.

ISG-Malaysia Airports Cross Fertilisation Programme
Short term and long term talent exchange programme between employees in Malaysia and Türkiye to enhance their leadership and functional skills.

Pre-retirement planning
Malaysia Airports has implemented a pre-retirement programme to assist employees in preparing for their retirement phase. The programme is designed to provide employees with the necessary support and resources to plan for a smooth transition into retirement. It aims to empower employees to make informed decisions regarding their financial security, health, and overall well being during their retirement years.

MATERIAL MATTERS

M9   SUPPLY CHAIN MANAGEMENT

This refers to procurement practices as well as ensuring that suppliers act in accordance with the Group's policies and procedures, while adhering to good sustainability practices.

- Procurement practices refers to supporting local suppliers at significant locations of operations.
- Supplier environmental assessment refers to the negative environmental impacts either through its own activities or as a result of its business relationships with other parties.
- Supplier social assessment refers to the negative social impacts either through its own activities or as a result of its business relationships with other parties.

STAKEHOLDERS INVOLVED	CAPITALS AFFECTED AND TRADE-OFFS:
S8	F M F N I ⊕ ⊕ ⊖
LINK TO STRATEGY AND KEY ENABLERS • Commitment to ESG	**LINK TO UN SDGS** 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES 16 PEACE, JUSTICE AND STRONG INSTITUTIONS 17 PARTNERSHIPS FOR THE GOALS

HIGHLIGHTS

Incorporation of a Sustainability Questionnaire in tender documents as part of the evaluation process to gauge a potential vendor's level of sustainability awareness and the creation of sustainability conscious/friendly database as reference for future vendor selection.

Vendor assessment
Integration of a weighted scoring system into the tender evaluation process.

Immerse yourself in the mesmerising blend of Malaysia's vibrant tapestry right here at our airports, where dining and shopping experiences can be an exquisite adventure through the best Malaysia has to offer

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.

Key Stakeholders

In 2023, as part of the initiatives relating to the review of the Group's Sustainability Framework, we re-categorised our key stakeholders. With this, the Group will streamline engagement with stakeholders and better identify and address their concerns.

As a result, there are 11 categories of key stakeholders of the Group in the airport ecosystem that are both key to the business and are most impacted by our business operations:

Key Stakeholders	Description
S1 Airlines	The various companies and entities operating within the aviation industry, including commercial airlines, cargo carriers and related service providers.
S2 Regulatory Authorities	Government bodies or agencies responsible for overseeing and enforcing regulations, standards and policies relating to aviation and airport operations including policy makers and technical regulators.
S3 Passengers	Individuals who travel through airports either as departing, arriving or transferring passengers.
S4 Business Partners	Entities with which the airport collaborates in various capacities to support its operations, services and commercial activities. Business partners play a crucial role in enhancing the overall airport experience for passengers and visitors while also contributing to the airport's revenue generation.
S5 Employees	Individuals employed within the organisation, spanning from entry-level employees to executives, whose interests and welfare are crucial considerations in organisational planning and decision-making.
S6 Capital Providers	Entities or individuals who supply financial resources to businesses or projects in exchange for a return on investment.
S7 Tenants	Businesses, organisations and service providers that operate within airport premises under lease agreements or concession agreements.
S8 Vendors and Service Providers	Businesses, organisations and service providers that provide essential services and products that keep Malaysia Airports' operations running smoothly as well as the satisfaction of passengers.

STAKEHOLDER ENGAGEMENT

Key Stakeholders	Description
S9 — **Associations and Professional Bodies**	Organisations representing specific industries, professions or interests relating to aviation, travel and airport operations. These organisations play a crucial role in the aviation ecosystem by advocating for the interests of their members, promoting industry standards and best practices, and facilitating collaboration and networking within the sector.
S10 — **Media**	Various communications channels and entities that play a significant role in shaping public perception. Media stakeholders encompass a range of platforms such as newspapers, television networks, radio stations, online new outlets, social media platforms and travel-related publications.
S11 — **Local Community**	Residents, businesses and organisations located in the vicinity of the airport or those directly impacted by its operations.

Key Stakeholder Engagement

Several factors make key stakeholder engagement an integral part of our business and embedded in the way we operate. First, the aviation industry is highly regulated on both domestic and international fronts.

Secondly, we are listed on Bursa Malaysia and our shareholders cover a wide range of institutional investors such as Government-Linked investment companies, investment funds, pension funds as well as retail investors, both domestic and overseas, and the Group is covered by a wide range of investment analysts. The Group also maintains close contact with its bond holders and bankers.

Thirdly, our business requires discussion, coordination and collaboration with many parties within the airport ecosystem to ensure that complex processes are executed successfully, and with little margin for error.

Also, as a large employer of choice, we constantly engage our employees to understand their concerns. We also engage with the community around our airports to understand the impact of our business on them and to assist those in need.

Therefore, through regular and close engagement with our key stakeholders, we are able to understand their concerns and work closely with them for our business to succeed for the long term and for us to deliver long term value to stakeholders.

As key stakeholder engagement this year is centred around the Group's transition from recovery to growth, and our renewed focus on passenger experience, the table below focuses mainly on those concerns.

STAKEHOLDER ENGAGEMENT

Material Matters

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

Frequency of Engagement   ■ Regular   ■ Daily   ■ Annual   ■ Ad-hoc

AIRLINES

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

Areas of Interest	Our Response	Links to:
Innovation and technology advancement	• Establish partnerships and joint collaboration with strategic airlines to accelerate their operational plans. • Introduce Airline X-celeration Programme, a new incentive programme for airline partners (including new, resumption and expansion) to speed up their growth and expansion in Malaysia. • Collaborated on implementation of Airport Collaborative Decision Making (A-CDM) at KUL for improved efficiency, safety and quicker turnaround times. • Promote Self-Service Check-In and Self-Service Bag Drop for passengers to enjoy a seamless and quicker journey through the airport.	**Strategic Pillars** Pillar 1: Maintain Airport Safety, Security and Deliver Exceptional Airport Environment Pillar 2: Sustainable Business Growth Pillar 3: Digitilisation and Innovation Pillar 4: Net Zero Airport Operations
Airport safety	• Continued to engage airlines and airport community via airside committees. • Carry out frequent Runway Safety inspections and Runway Safety Team meetings. • Put in place the Safety Management System and obtained Aerodrome certification. • Carry out regular safety and emergency simulation exercises by Airport Fire and Rescue Service. • Conduct Foreign Object Debris walkabouts.	**Material Matters** **M1** **M2** **M3** **M4** **M6**
Terminal and building infrastructure	• Continued critical upgrading works such as the replacement of the track transit system and baggage handling system, while providing interim solutions for passenger convenience and comfort. • Expansion of selected airport terminals to expand capacity and facilities.	
Sustainability	• Collaborated with Malaysia Aviation Group to launch Malaysia's first Electric Ground Power Unit (e-GPU) that runs on electricity instead of diesel as a more sustainable alternative.	

STAKEHOLDER ENGAGEMENT

REGULATORY AUTHORITIES

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

Areas of Interest	Our Response	Links to:
Regulatory compliance	• Conducted regular audits, inspections and consultations on the Quality of Service framework. • Carried out engagements and discussions with regulators on the finalisation and direction of the Operating Agreements, KLIA Development Agreement and Land Lease Agreement. • Adhered to industry standards and obtained certifications. • Adhered to international and national laws, regulations, and best practices. • Worked closely with CAAM on the implementation of the A-CDM at KUL. • Worked closely with the National Disaster Management Agency and other agencies in implementing Aerodrome Emergency Exercises.	**Strategic Pillars** Pillar 2: Sustainable Business Growth Pillar 3: Digitalisation and Innovation Pillar 4: Responsible Governance and Regulatory Compliance Pillar 5: Net Zero Airport Operations Pillar 6: Environmental Management Pillar 8: People Empowerment and Talent Acquisition
Airport competitiveness	• Collaborated with the Ministry of Transport to establish the National Air Connectivity Development Committee which comprises various stakeholders which have direct impact on the travel and tourism industry. • Assessed opportunities and potential for collaboration with key stakeholders to improve connectivity into Malaysia besides making Malaysia a chosen tourism destination. • Leveraged on government training programmes for staff learning and development.	
Infrastructure development	• Maximised land bank through KLIA Aeropolis and Subang Airport Regeneration initiatives. • Leveraged technology for airport operations.	**Material Matters** M1 M3 M5 M6 M8 M11 M12 M13 M15
Environmental and Climate Change	• Engaged in environmental monitoring. • Adhered to local and national environmental regulations on energy, noise, water and effluent, air quality and waste management. • Conducted noise contour and impact surveys. • Obtained the renewal of KUL's Level 3 Airport Carbon Accreditation. • Continued to support Malaysia's renewable energy agenda through the production of solar power at KUL. • Encouraged guests and the airport community to Recycle, Reduce and Reuse waste.	
Licensing	• Obtained Aerodrome Operator Licenses from the Malaysian Aviation Commission (MAVCOM) and Aerodrome Certification from the Civil Aviation Authority of Malaysia (CAAM).	

STAKEHOLDER ENGAGEMENT

PASSENGERS

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

Areas of Interest	Our Response	Links to:
Airport service quality and experience	• Enrolled KUL in Airports Council International's Airport Customer Experience Accreditation programme to improve our capabilities in line with international standards and industry best practice. • Expanded Wi-Fi capabilities at airports for passenger convenience. • Enhanced shopping, dining and hospitality options at airports for passengers' convenience and comfort. • 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. • Enhanced airside Shuttle Bus Service for better efficiency and convenience at KUL, introduced Fast Track and Premium services. • Introduced new passenger lounges and airside hotel for passenger comfort and convenience. • Comply with the MAVCOM's Quality of Service framework. • Improved digital processes which include the Self-Service Check-In and Self-Service Bag Drop for improved efficiency and passenger experience.	**Strategic Pillars** Pillar 1: Maintain Airport Safety, Security and Deliver Exceptional Airport Environment Pillar 3: Digitalisation and Innovation **Material Matters** M1 M2 M4
Customer service	• Implemented STARdesk an online feedback platform that passengers to provide feedback using the MYAirports all for faster and better management and resolution, as well as the capability to spot trends and take proactive action. • Provide the public with updates via traditional media, social media and the MYairports app. • Engagement with passengers by Airport CARE Ambassadors.	
Cleanliness	• Maintain washroom cleanliness and facilities as they are key to positive passenger experience. • Continue to maintain 'Adopt A Washroom' programme in which Management-level employees volunteer to oversee certain washrooms to ensure their cleanliness.	
Communication and announcements	• Provide the public with updates via social media. • Provide guests with help and guidance via the Airport CARE InfoCentre at KUL. • Produce inflight 'Convergence' magazine. • Improved wayfinding signages.	
Airport security and safety	• Continue to enhance Self-Service Check-In which is driven by facial recognition and other technology to improve passenger experience.	

STAKEHOLDER ENGAGEMENT

BUSINESS PARTNERS

■ Engagement sessions, face-to-face and meetings, and dialogue session

Areas of Interest	Our Response	Links to:
Airport Operations	• To promote operational efficiency, the Airport Collaborative Decision Making (A-CDM) serves as a bridging process to connect airport stakeholders on a single platform for increased efficiency.	**Strategic Pillars** Pillar 1: Maintain Airport Safety, Security and Deliver Exceptional Airport Environment Pillar 2: Sustainable Business Growth **Material Matters** M1 M3

EMPLOYEES

■ Town halls, engagement sessions   ■ Employee performance review

■ Focused group discussions on targeted issues

Areas of Interest	Our Response	Links to:
Employee health and safety and wellbeing	• OSH training and briefings for all employees to promote a safe and healthy workplace. • Continue to provide awareness and updates on COVID-19 to employees. • Provided fitness and childcare facilities at HQ.	**Strategic Pillars** Pillar 1: Maintain Airport Safety, Security and Deliver Exceptional Airport Environment Pillar 4: Responsible Governance and Regulatory Compliance Pillar 8: People Empowerment and Talent Acquisition **Material Matters** M1 M7 M8 M14
Employment terms and benefits	• Complete three collective agreements with employees unions - KESMA, KEPEMAB and KEPMAS.	
Corporate integrity	• Committed to the Malaysian Government initiated Integrity Pact. • Have in place a Code of Ethics and Conduct, a Whistleblowing Policy, the Malaysia Airports Integrity Plan and our Corruption Risk Management System and Policies. • Conducted a Corporate Integrity System Assessment. • Conducted Integrity Perception Surveys.	
Employee engagement	• Conducted townhalls, walkabouts, 'Let's Connect Session' engagements, internal communications and union engagements.	
Training and career development	• Accelerated Learning and Development via online learning programmes. • Average training hours for employees in Malaysia rose by 45.7% YoY to 51 hours per employee, compared to 35 hours per employee in 2022.	

STAKEHOLDER ENGAGEMENT

CAPITAL PROVIDERS

■ Analyst briefing sessions   ■ One-on-one engagements

Areas of Interest	Our Response	Links to:
Financial returns Communication of strategic plan	• Regular review of business and investment plans to match the current and predicted social-eco climate. • Formulated a 3-year strategic plan to pursue growth. • Put in place measures to improve cost structure and reduce operating cost.	**Strategic Pillars** Pillar 2: Sustainable Business Growth Pillar 4: Responsible Governance and Regulatory Compliance
Governance and transparency	• Adhere to the Malaysian Code on Corporate Governance.	
Company reputation	• Regularly publish literature and press releases that highlight our activities, awards, and accolades.	**Material Matters** M3 M5 M7
Regulatory compliance	• Adhere to Bursa Malaysia's listing requirements. • Became a constituent of the FTSE4 Good Bursa Malaysia Index. • Incorporated Sustainability Reporting into our annual disclosures.	
Financial results	• Announce financial results every quarter.	

TENANTS

■ Standard contracting procedure   ■ Communication plans and projections

■ Engagements, briefings, one-one communication

Areas of Interest	Our Response	Links to:
Commercial terms	• Practice standard contracting procedure. • Introduced a new rental model for retail tenants as part of an ongoing effort to retain and attract business partners.	**Strategic Pillars** Pillar 1: Maintain Airport Safety, Security and Deliver Exceptional Airport Environment
Customer satisfaction	• Enhanced the Commercial Reset strategy. • Workflow improvements to reduce lead time for tender process via automated tender process e-Procure and establish 'Fit in-Fit Out' team for speedy outlet renovations. • Implemented a cashless payment ecosystem for increased customer convenience. • 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.	Pillar 2: Sustainable Business Growth Pillar 3: Digitalisation and Innovation **Material Matters** M1 M3

STAKEHOLDER ENGAGEMENT

VENDORS AND SERVICE PROVIDERS

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

Areas of Interest	Our Response	Links to:
Procurement process	• Regular review and adhered to procurement policies, procedures, and guidelines. • Implemented e-Procure and automated procurement process to improve efficiency and digitalisation. • Briefed vendors on procurement anti-bribery and anti-corruption measures as part of Vendor Integrity programme.	**Strategic Pillars** Pillar 2: Sustainable Business Growth Pillar 4: Responsible Governance and Regulatory Compliance
Prompt payments	• Implemented the Vendor Management System to keep track of procurement and payments.	**Material Matters** M9

ASSOCIATIONS AND PROFESSIONAL BODIES

■ Engagement sessions, face-to-face and meetings, and dialogue sessions

Areas of Interest	Our Response	Links to:
Regulatory Requirements, Airport Guidelines	• To benchmark against other airports on the best practices for operations, security, economic and environmental affairs.	**Strategic Pillars** Pillar 1: Maintain Airport Safety, Security and Deliver Exceptional Airport Environment Pillar 2: Sustainable Business Growth Pillar 4: Responsible Governance and Regulatory Compliance Pillar 5: Net Zero Airport Operations Pillar 6: Environmental Management Pillar 7: Biodiversity Conservation and Preservation **Material Matters** M1 M2 M3 M4 M6 M10 M11 M13 M14 M15

STAKEHOLDER ENGAGEMENT

MEDIA

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

Areas of Interest	Our Response	Links to:
Environmental, social and governance issues	• Issued press releases and conducted press briefings regularly. • Practised sound and transparent decision making.	**Strategic Pillars** Pillar 2: Sustainable Business Growth
Media relations	• Granted media interviews when appropriate and visit media occasionally.	**Material Matters** M3

LOCAL COMMUNITY

- Community engagement
- Strategic partnerships
- News media
- Social media
- Website

Areas of Interest	Our Response	Links to:
Corporate citizenship	• Continue to give back to the local communities through our #MyAirportCARES programme. • Provided education aid to 600 B40 students. • Provided over 1,800 students from 40 primary and secondary schools guided airport tours through the #MYAirportCARES School Airport Tour programme.	**Strategic Pillars** Pillar 9: Community Nurturing **Material Matters** M16

FINANCIAL REVIEW

Breakthrough results for FY2023

Malaysia Airports recorded one of its highest ever net profit in history of RM543.2 million, surpassing FY2019's net profits. Our operations in Türkiye continued to be profitable, recording its second year of profits. The Group also declared a single-tier final dividend of 10.80 sen per ordinary share.

REVENUES

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). This was due to a 42.4% YoY increase in passenger movements to 119.5 million passengers as airline services and connectivity to our airports continued to increase, as well as higher commercial and retail contribution.

On a segmental basis, revenue from airport operations increased significantly by 60.6% YoY to RM4,598.9 million. Aeronautical segment revenue increased by 63.2% YoY to RM2,704.0 million, buoyed by the increase in passenger movements which was driven by the reopening of China's borders in early 2023, the increase in airline seat capacity as the airlines continued to reactive their aircraft as well as new airline operations into our airports.

Non-aeronautical segment revenue also increased significantly by 57.1% YoY to RM1,894.9 million. This growth can be attributed to Malaysia Airports' Commercial Reset initiative, which revitalised our commercial and retail spaces, enhancing the overall passenger experience across our airports. Additionally, the resurgence in air traffic and heightened demand from international travellers, particularly the return of Chinese tourists, further fueled this growth.

Revenue from non-airport operations rose YoY by 19.8% to RM315.3 million due to higher revenue from the hotel and project and repair maintenance businesses. The revenues from the hotel business had increased 45.9% YoY to RM128.9 million while the project and repair maintenance business contributed RM154.6 million in revenue, an increase of 20.0% YoY. Revenue from our agriculture and horticulture business declined by 31.2% YoY to RM31.6 million due to lower commodity prices and a labour shortage which impacted production.

On a geographical basis, Malaysia operations continued to demonstrate robust growth in revenue of 79.3% YoY to RM3,052.9 million, while revenue from operations in Türkiye grew 32.9% YoY to RM1,761.2 million. Operations in Qatar recorded a 1.8% YoY increase in revenue to RM100.1 million.

EBITDA

Malaysia Airports reported Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) of RM2,285.5 million in FY2023, a significant improvement of 92.7% YoY compared to FY2022.

EBITDA for operations in Malaysia of RM1,002.1 million in FY2023, more than a three-fold increase over FY2022, driven by revenue growth. Türkiye operations reported a YoY increase of 35.5% in EBITDA to RM1,274.9 million in line with higher international passenger growth. However, Qatar operations recorded a slight decrease in EBITDA to RM8.5 million, down by RM3.0 million compared to FY2022.

PBT AND PAT

The Group recorded a Profit Before Tax and Zakat (PBT) of RM506.1 million, a significant improvement from the PBT of RM184.6 million in FY2022. This improvement was attributed to an increase in revenue, other income and share of profit from associates and joint ventures, coupled with higher gain on fair value of the investment in GMR Hyderabad International Airport Limited recorded in FY2023.

Malaysia operations recorded a PBT of RM384.6 million, a significant turnaround compared to LBT of RM263.2 million in FY2022. Our operations in Türkiye recorded its second year of profits with PBT of RM113.1 million, compared to PBT of RM436.8 million in FY2022. In FY2022, owing to a Force Majeure relief granted to SAW, our operations in Türkiye had made a one-off gain of RM535.9 million which cushioned the

FINANCIAL REVIEW

finance cost in the financial year. Qatar operations recorded a PBT of RM10.3 million which was marginally lower than the RM12.3 million in the previous year.

The Group's Profit After Tax and Zakat (PAT) for FY2023 amounted to RM543.2 million, marking a substantial increase compared to the FY2022 PAT of RM187.2 million. Notably, this figure even surpassed the FY2019 PAT of RM537.0 million, despite FY2019 being a record-breaking year for passenger movements. Our operations in Malaysia recorded PAT of RM346.9 million, which was an improvement by RM534.4 million, in line with the higher EBITDA in FY2023.

For operations in Türkiye, PAT in FY2023 was RM192.5 million which was lower by RM172.1 million primarily due to higher finance costs as mentioned above. Operations in Qatar recorded a PAT of RM5.0 million in FY2023, which was lower by RM6.3 million from FY2022.

SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

The share of results from associates recorded a profit of RM29.4 million, an improvement of RM12.6 million compared to profit of RM16.8 million recorded in FY2022. This includes share of profits from MFMA Sdn Bhd, Kuala Lumpur Aviation Fuelling System Sdn Bhd and Alibaba KLIA Aeropolis Sdn Bhd of RM15.8 million, RM13.5 million and RM1.6 million respectively. However, this was offset by the share of losses from Cooling Energy Supply Sdn Bhd of RM1.5 million.

Our share of joint venture profits was RM5.7 million in FY2023, compared to RM12.2 million in FY2022. This was largely due to lower share of profits from Segi Astana Sdn Bhd which decreased to RM0.4 million compared to RM4.1 million the previous year as well as from Airport Cooling Energy Supply Sdn Bhd which returned a lower share of profit of RM5.3 million as compared to RM8.1 million in FY2022.

STRONG FINANCIAL POSITION

Cash Position

The Group's operating cash flow amounted to RM1,679.3 million, a 61.5% increase compared to FY2022. At the end of 2023, Malaysia Airports' cash balances and money market investments stood at RM2,350.1 million, 21.2% higher than RM1,939.8 million at the end of 2022. Cash balances remained strong from improvement in net cash from operating activities. Cash on hand for Malaysia operations stood at RM858.5 million while for operations in Türkiye, cash on hand amounted to RM1,491.6 million which were 20.3% and 21.6% higher than FY2022 respectively.

Funding

For FY2023, Malaysia Airports' credit ratings were reaffirmed at AAA by RAM Holdings Berhad (RAM) and A3 with a stable outlook by Moody's.

At the end of FY2023, borrowings for the Group stood at RM4,587.1 million, which was 5.3% lower than the previous year. Borrowings for operations in Malaysia stood at RM3,181.8 million while for operations in Türkiye, borrowings stood at RM1,405.3 million which were 4.5% and 7.0% lower respectively than the year before.

With regards to contingency credit lines as at the end of 2023, undrawn credit lines amounted to RM7,740.0 million. This comprises RM6,700.0 million in untapped Sukuk programmes and RM1,040.0 million in undrawn revolving credit facilities.

Capital Strength

As a result of prudent financial management and proactive measures, Malaysia Airports closed FY2023 with a strong balance sheet and a lower gearing ratio of 0.28 times, compared to 0.39 times in FY2022. This 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 the end of 2023 standing at RM7,740.0 million.

Dividend

In February 2024, the Group declared 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 as of 31 December 2023. 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.

FINANCIAL REVIEW

FIVE-YEAR FINANCIAL SUMMARY

REVENUE

In RM Million

2023	2022	2021	2020	2019
4,914.2	3,127.0	1,673.0	1,866.3	5,213.1

PROFIT/(LOSS) BEFORE TAXATION

In RM Million

2023	2022	2021	2020	2019
506.1	184.6	(1,040.9)	(1,763.9)	659.2

PROFIT/(LOSS) FOR THE YEAR

In RM Million

2023	2022	2021	2020	2019
543.2	187.2	(766.4)	(1,116.2)	537.0

TOTAL EQUITY

In RM Million

2023	2022	2021	2020	2019
8,000.2	7,426.3	7,252.5	8,099.3	9,325.4
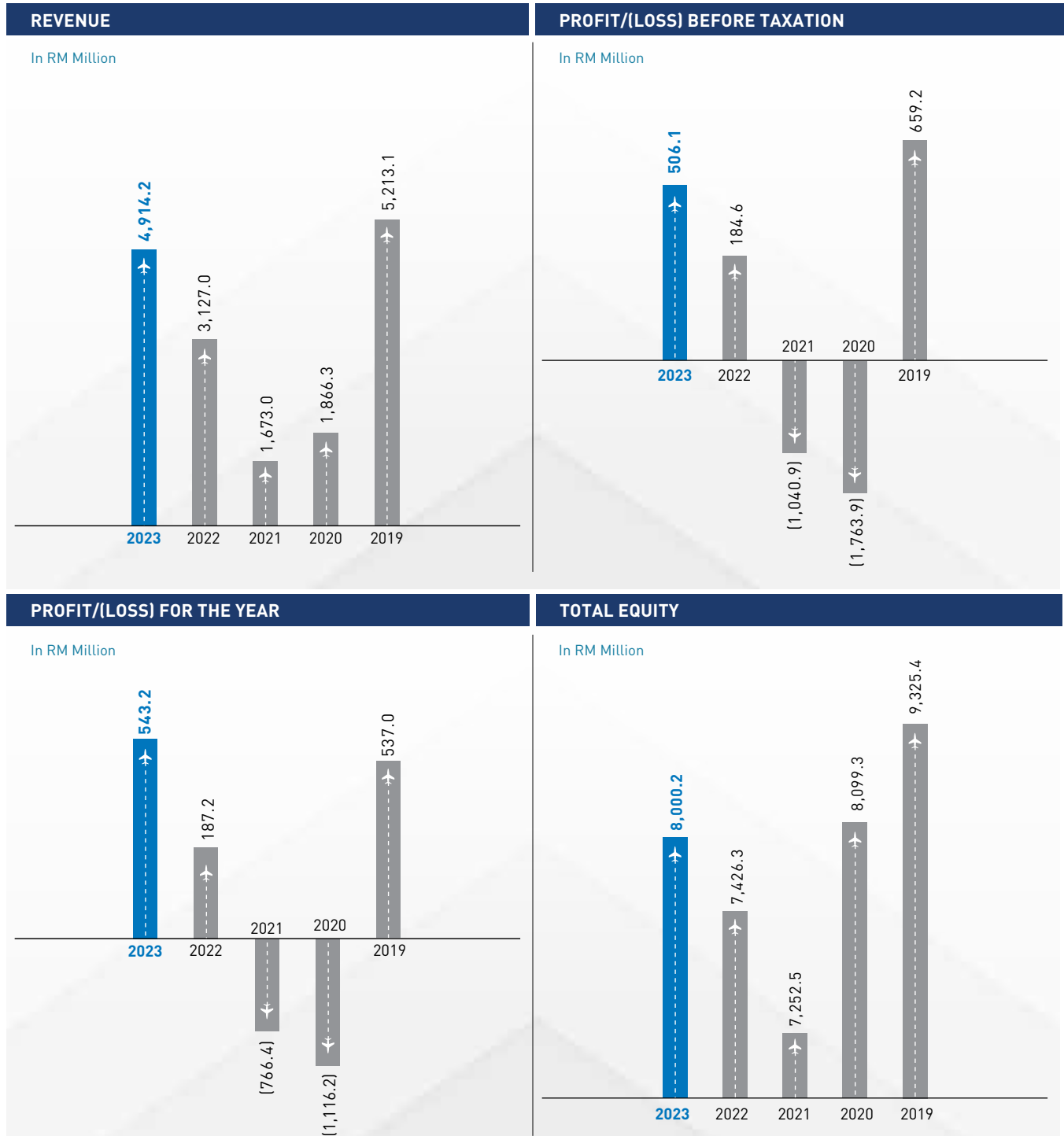
FINANCIAL REVIEW

GROUP FIVE-YEAR SUMMARY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the financial years ended 31 December

In RM Million	2023	2022	2021	2020	2019
Revenue	4,914.2	3,127.0	1,673.0	1,866.3	5,213.1
Profit/(Loss) before tax and zakat	506.1	184.6	(1,040.9)	(1,763.9)	659.2
Taxation and zakat	37.1	2.6	274.5	647.7	(122.1)
Profit/(Loss) for the year	**543.2**	**187.2**	**(766.4)**	**(1,116.2)**	**537.0**
Profit/(Loss) attributable to:					
Owners of the Company	543.2	187.2	(766.4)	(1,116.2)	537.0
Profit/(Loss) for the year	**543.2**	**187.2**	**(766.4)**	**(1,116.2)**	**537.0**
Earnings per share attributable to equity holders of the Company (sen)					
Basic, for profit/(loss) for the year	29.17	7.82	(49.66)	(70.75)	28.90

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the financial years ended 31 December

In RM Million	2023	2022	2021	2020	2019
ASSETS					
Non-current assets	17,145.4	16,865.0	17,348.0	17,856.5	17,781.7
Current assets	3,309.6	2,585.0	2,814.6	2,422.4	4,401.0
Total assets	**20,455.0**	**19,450.0**	**20,162.6**	**20,278.9**	**22,182.7**
EQUITY					
Share capital	5,170.7	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	1,671.4	1,250.7	1,121.0	1,944.9	3,284.7
Hedging reserve	16.9	32.6	(19.7)	(36.2)	(18.0)
Foreign exchange reserve	139.7	24.7	30.9	74.4	(54.2)
Other reserves	3.6	6.2	8.2	4.1	0.8
Total equity	**8,000.2**	**7,426.3**	**7,252.5**	**8,099.3**	**9,325.4**
Non-current liabilities	8,542.4	9,166.3	9,770.8	10,701.8	9,568.2
Current liabilities	3,912.4	2,857.4	3,139.2	1,477.7	3,289.1
Total liabilities	**12,454.8**	**12,023.7**	**12,910.0**	**12,179.6**	**12,857.3**
Total equity and liabilities	**20,455.0**	**19,450.0**	**20,162.6**	**20,278.9**	**22,182.7**
Net asset per share (RM)	**4.81**	**4.48**	**4.37**	**4.88**	**5.62**

FINANCIAL REVIEW

GROUP QUARTERLY PERFORMANCE

Year 2023 In RM Million	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2023
Financial Performance					
Revenue	1,034.4	1,232.0	1,276.3	1,371.5	4,914.2
Profit before tax and zakat	63.3	133.9	87.1	221.8	506.1
Profit net of tax	58.2	102.5	94.8	287.7	543.2
Earnings per share (sen)	2.65	5.31	4.82	16.41	29.17

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

FINANCIAL REVIEW

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

In RM Million	2023	2022
Revenue	**4,914.2**	3,127.0
Cost of inventories sold	**(283.4)**	(128.1)
Other income	**493.9**	259.6
Operating expenditure	**(2,839.2)**	(2,072.1)
Depreciation and amortisation	**(1,148.2)**	(837.2)
Operating profit	**1,137.3**	349.2
Finance costs	**(666.3)**	(193.6)
Share of results of associates	**29.4**	16.8
Share of results of joint ventures	**5.7**	12.2
Profit before tax and zakat	**506.1**	184.6
Taxation and zakat	**37.1**	2.6
Profit net of tax	**543.2**	187.2
Profit attributable to:		
Owners of the Company	**543.2**	187.2
Earnings per share attributable to equity holders of the Company (sen)		
- Basic, for Profit for the year	**29.17**	7.82

FINANCIAL REVIEW

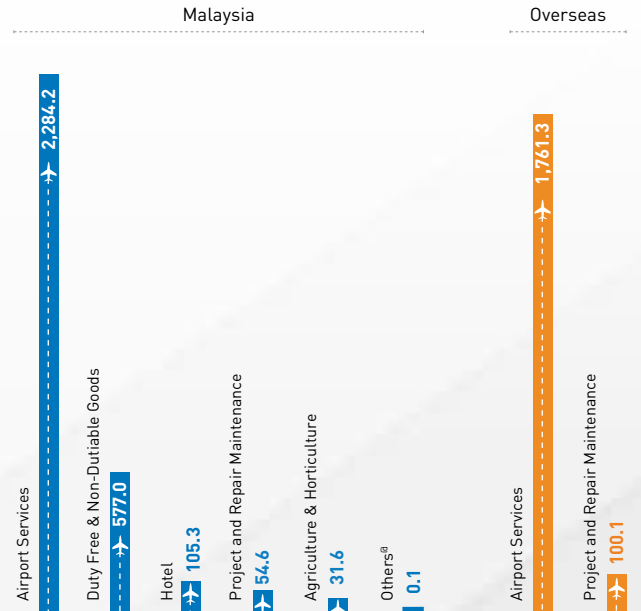**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
AS AT 31 DECEMBER

In RM Million	2023	2022
Assets		
Property, plant and equipment	462.0	418.3
Right-of-use assets	141.3	132.1
Intangible assets	14,662.7	14,579.7
Investments and financial assets	730.8	602.5
Other non-current assets	1,148.6	1,132.4
Current assets	3,309.6	2,585.0
Total assets	**20,455.0**	19,450.0
Equity and liabilities		
Share capital	5,170.7	5,114.3
Perpetual sukuk	997.8	997.8
Retained earnings	1,671.4	1,250.7
Hedging reserve	16.9	32.6
Foreign exchange reserve	139.7	24.7
Other reserves	3.6	6.2
Total equity	**8,000.2**	7,426.3
Non-current liabilities	8,542.4	9,166.3
Current liabilities	3,912.4	2,857.4
Total liabilities	**12,454.8**	12,023.7
Total equity and liabilities	**20,455.0**	19,450.0
Net asset per share (RM)	**4.81**	4.48
Return on assets	**2.7%**	1.0%

FINANCIAL REVIEW

GROUP SEGMENTAL ANALYSIS

REVENUE

2023: RM4,914.2 Million

Malaysia

- Airport Services ✈ 2,284.2
- Duty Free & Non-Dutiable Goods ✈ 577.0
- Hotel ✈ 105.3
- Project and Repair Maintenance ✈ 54.6
- Agriculture & Horticulture ✈ 31.6
- Others[a] 0.1

Overseas

- Airport Services ✈ 1,761.3
- Project and Repair Maintenance ✈ 100.1

2022: RM3,127.0 Million

Malaysia

- Airport Services ✈ 1,288.1
- Duty Free & Non-Dutiable Goods ✈ 266.1
- Hotel ✈ 72.3
- Agriculture & Horticulture ✈ 45.9
- Project and Repair Maintenance ✈ 30.4
- Others[a] 0.1

Overseas

- Airport Services ✈ 1,325.7
- Project and Repair Maintenance ✈ 98.4

PROFIT/(LOSS) BEFORE TAX AND ZAKAT

2023: RM506.1 Million

Malaysia

- Airport Services ✈ 136.0
- Project and Repair Maintenance ✈ 61.6
- Duty Free & Non-Dutiable Goods ✈ 21.1
- Hotel ✈ 17.0
- Agriculture & Horticulture ✈ 2.1
- Others[a] ✈ (116.8)

Overseas

- Airport Services ✈ 374.8
- Project and Repair Maintenance ✈ 10.3

2022: RM184.6 Million

Malaysia

- Project and Repair Maintenance ✈ 57.9
- Agriculture & Horticulture ✈ 15.4
- Duty Free & Non-Dutiable Goods ✈ 15.1
- Hotel ✈ 6.5
- Others[a] ✈ (223.8)
- Airport Services ✈ (342.3)

Overseas

- Airport Services ✈ 643.4
- Project and Repair Maintenance ✈ 12.4

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
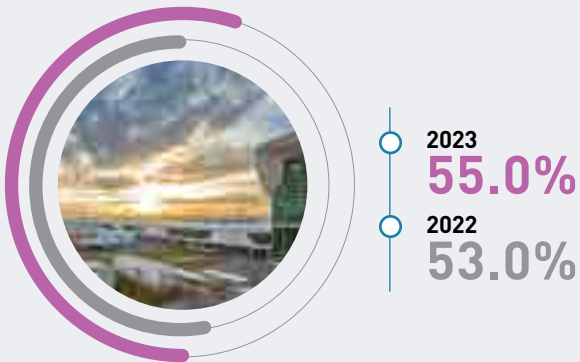
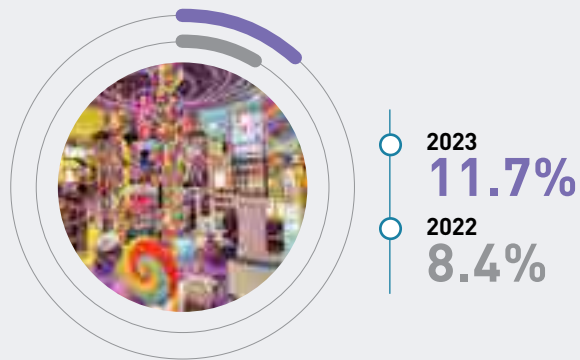# FINANCIAL REVIEW

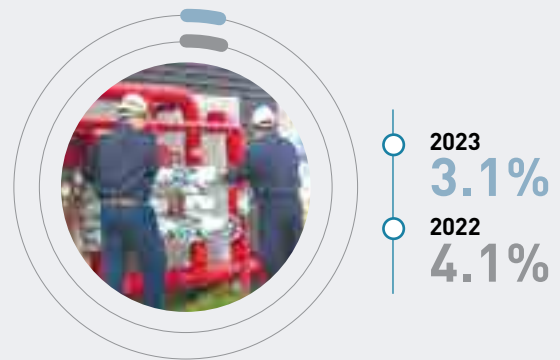**GROUP SEGMENTAL ANALYSIS**

REVENUE

AERONAUTICAL

2023 **55.0%**
2022 **53.0%**

NON-AERONAUTICAL (RENTAL & OTHERS)

2023 **27.0%**
2022 **30.2%**

DUTY FREE & NON-DUTIABLE GOODS

2023 **11.7%**
2022 **8.4%**

PROJECT AND REPAIR MAINTENANCE

2023 **3.1%**
2022 **4.1%**

HOTEL

2023 **2.6%**
2022 **2.8%**

AGRICULTURE & HORTICULTURE

2023 **0.6%**
2022 **1.5%**
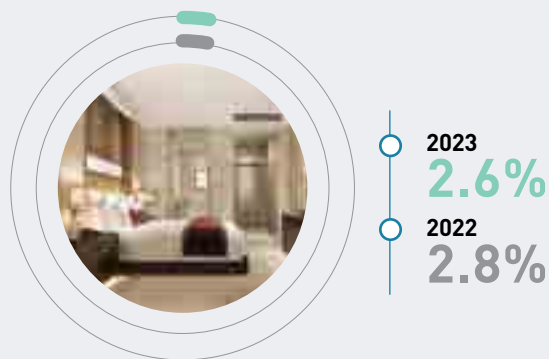
FINANCIAL REVIEW

STATEMENT OF INCOME DISTRIBUTION
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER

In RM Million	2023	2022
Current income available for distribution[1]	**5,443.2[1]**	3,415.6[1]
To supplier		
Purchase of goods and services	**1,774.2**	1,231.8
To employees		
Employment costs	**953.5**	751.4
To financier		
Finance costs	**666.3**	193.6
To government		
User fee and taxation	**357.8**	214.4
Utilisation of assets		
Depreciation and amortisation	**1,148.2**	837.2
Retained for re-investment, future growth and dividend payment		
Net increase in retained profits	**543.2**	187.2
	5,443.2	3,415.6

[1]   *Current income available for distribution includes revenue, other income and share of results of associates & joint ventures*
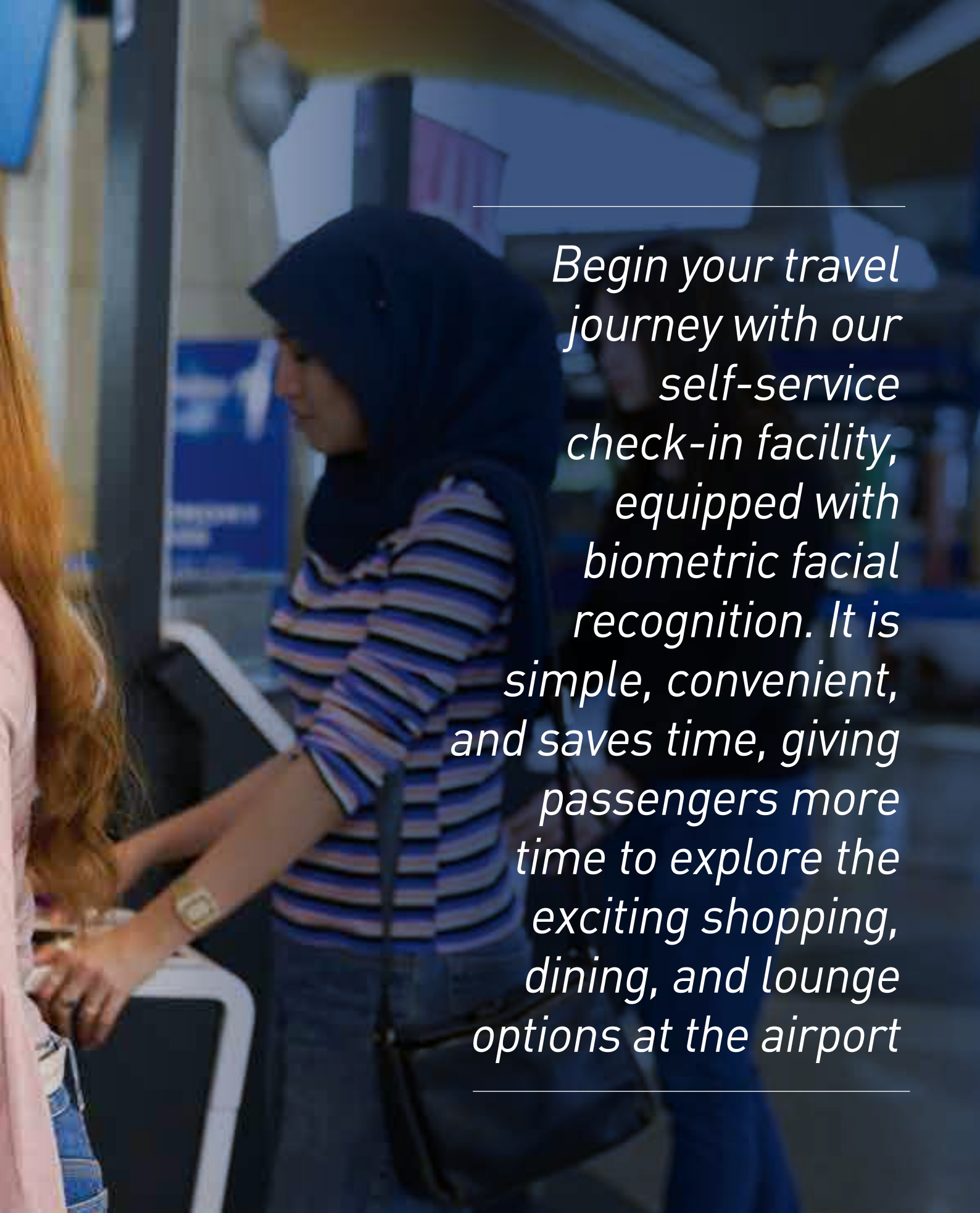
FINANCIAL REVIEW

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER
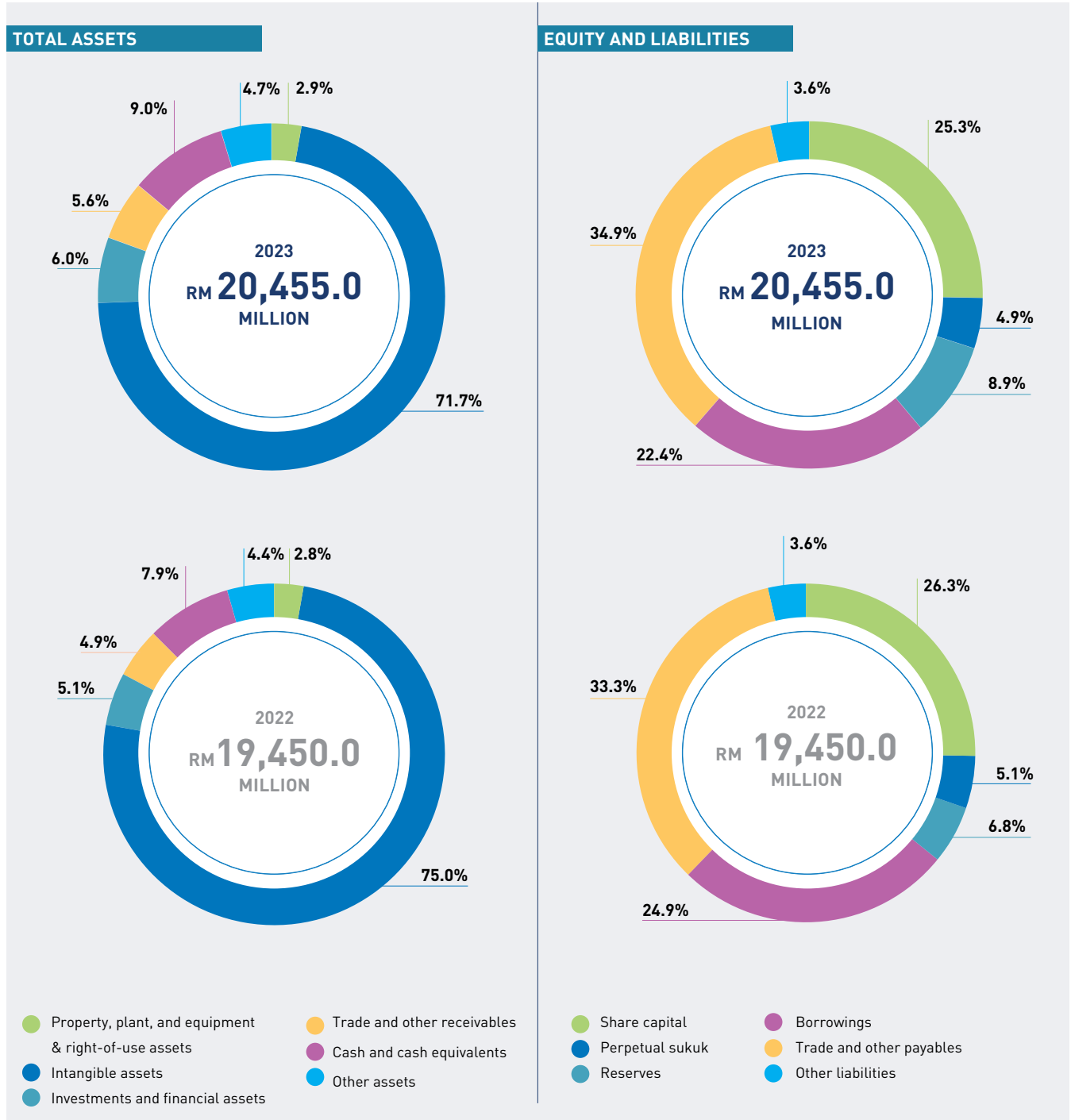
TOTAL ASSETS

2023
RM 20,455.0 MILLION

- 2.9%
- 4.7%
- 9.0%
- 5.6%
- 6.0%
- 71.7%

2022
RM 19,450.0 MILLION

- 2.8%
- 4.4%
- 7.9%
- 4.9%
- 5.1%
- 75.0%

Legend:
- 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

2023
RM 20,455.0 MILLION

- 25.3%
- 4.9%
- 8.9%
- 22.4%
- 34.9%
- 3.6%

2022
RM 19,450.0 MILLION

- 26.3%
- 5.1%
- 6.8%
- 24.9%
- 33.3%
- 3.6%

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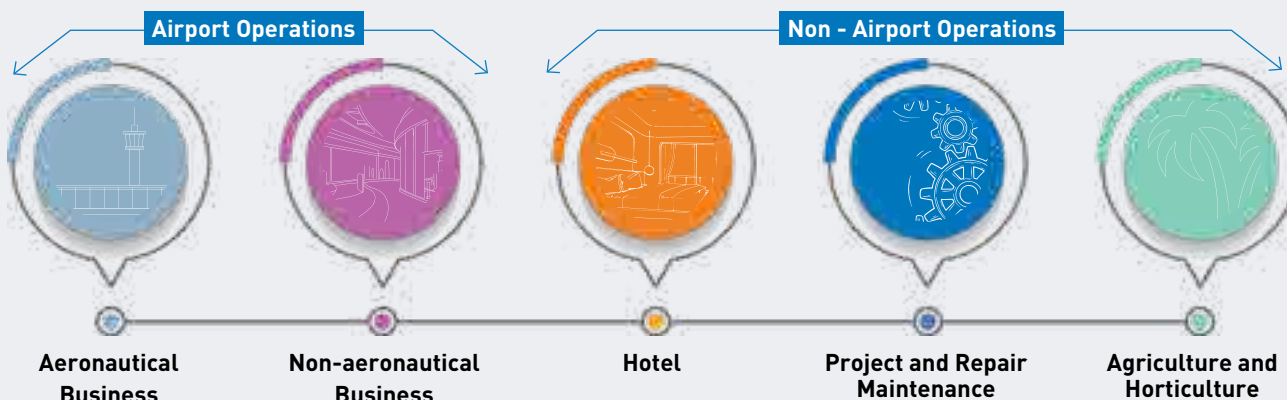- Trade and other payables
- Other liabilities

Begin your travel journey with our self-service check-in facility, equipped with biometric facial recognition. It is simple, convenient, and saves time, giving passengers more time to explore the exciting shopping, dining, and lounge options at the airport

OPERATIONAL REVIEW

OVERVIEW

Malaysia Airports' business operations comprises five key business activities:

Airport Operations

Non - Airport Operations

| Aeronautical Business | Non-aeronautical Business | Hotel | Project and Repair Maintenance | Agriculture and Horticulture |

Aeronautical business and non-aeronautical business which are the Group's airport operations form the bulk of the Group's revenues. Three other business activities namely Hotel, Project and Repair Maintenance and Agriculture and Horticulture form the Group's non-airport operations. Beyond that, there are landside development activities relating to the use of Malaysia Airports' landbank around KUL and SZB airports.

KEY AIRPORT STATISTICS

Group	MY	SAW
Passenger Movements (million)		
119.5	81.9	37.6
42.4%	55.4%	20.5%
Commercial Aircraft Movements		
908,298	686,048	222,250
21.9	24.9	13.7%
Cargo Movements (metric tonnes)		
995,329	940,397	54,932
-12.1%	-13.2%	10.2%

*Year-on-year change compared to 2022

Group-wide

Malaysia Airports' network including Istanbul Sabiha Gökçen International Airport (IATA Code: SAW) in Türkiye recorded 119.5 million passengers in 2023, representing a growth of 42.4% year-on-year (YoY). This was a notable achievement as it was the first time the Group's passenger movements surpassed the 100 million mark since 2020. Compared to pre-pandemic volumes, this represented 84.6% of 2019 levels. International passenger movements totalled 58.2 million while domestic passenger movements totalled 61.3 million, reaching 86.2% and 83.2% of 2019 levels respectively.

The surge in passenger movements was driven largely by the improving travellers' confidence and demand for air travel, approval of more slots at other international airports, increased reactivation of aircraft by airlines, new aircraft delivery and China's highly anticipated reopening of its international borders in January 2023.

There were 72 airlines (excluding full freighters) operating to all airports managed by the Group in 2023 linking 147 destinations (113 international and 34 domestic), compared to 66 airlines operating to 121 destinations (86 international and 35 domestic) in 2022.

Commercial aircraft movements increased by 21.9% YoY. International aircraft movements Group-wide had increased by 60.2% YoY while domestic aircraft movements grew 3.2% YoY. The overall average load factor was 77.2% in 2023, 5.9 percentage points higher than 2022, and for the month of December 2023 the average load factor was the highest for the year at 80.0%.

Cargo movements amounted to 995,329 metric tonnes, representing a decline of 12.1% YoY.

OPERATIONAL REVIEW

Airports in Malaysia

The passenger movements for airports in Malaysia registered a sizable 55.5% YoY growth with 81.9 million passengers in 2023. Compared to 2022, international passenger movements demonstrated a significant rebound of 133.7% to reach 38.6 million while domestic passenger movements grew 19.7% to 43.3 million. In December 2023, the total international passenger movement for airports in Malaysia exceeded 4.0 million for the first time since the pre-pandemic period in February 2020.

Overall aircraft movements increased by 24.9% YoY. In terms of airlines, six new airlines began services to Malaysia while seven airlines resumed services to Malaysia which together served 20 city pairs across seven countries with the highest traffic to Indonesia, China, South Korea and the Middle East. In terms of new services, there were eight new international services from four of our international airports in Malaysia. The average load factor was 77.2% in 2023, 5.9 percentage points higher than 2022. Cargo movements decreased by 13.2% YoY to 940,397 metric tonnes.

The considerable growth for our operations in Malaysia was notable because of the challenges faced by the aviation industry in the course of 2023 for example, rising air fares, the long lead time required to reactivate aircraft from pandemic storage, delays in new aircraft deliveries, inflation and severe weather patterns. Nevertheless, air traffic continued to be driven by post-pandemic 'revenge travel' particularly with the reopening of China's international borders, and the increase in airlines seat capacity with the reactivation of aircraft coupled with new aircraft deliveries.

KUL

KUL registered a substantial 86.0% YoY growth with 47.2 million passenger movements. There was a notable growth in international passenger movements which saw a 128.1% YoY increase while domestic passenger movements recorded a 31.8% growth YoY. International passenger movements accounted for over 50% of the total in Q4 2023. This potentially indicates that the airport is returning to its pre-pandemic position in which international passenger movements typically exceeded domestic movements.

Passenger movements at KUL Terminal 1 grew 77.5% with 23.7 million passengers while KUL Terminal 2 grew a remarkable 95.3% YoY with a total of 23.6 million. Commercial aircraft movements at KUL increased by 60.9% YoY.

Airports in Malaysia excluding KUL

These airports accounted for 34.7 million passenger movements, a 27.0% increase YoY. They comprised 6.1 million international passenger movements, a major increase of 168.3%YoY and 28.6 million domestic passenger movements, an 14.3% YoY increase. Penang International Airport (IATA Code: PEN), Sultan Azlan Shah Airport, Ipoh (IATA Code: IPH), Sultan Ahmad Shah Airport, Kuantan (IATA Code: KUA) registered over 50% growth in passenger movements. Commercial aircraft movements for airports in Malaysia excluding KUL increased by 4.3% YoY.

SAW

SAW passenger traffic reached new milestones, growing 20.5% YoY to register 37.6 million movements. This achievement is significant for two major reasons – first, it was 4.5% higher than pre-pandemic 2019 levels and secondly, it was also SAW's highest passenger traffic in the airport's history. International passenger movements increased by 24.6% YoY to 19.6 million, surpassing 2019 levels by 37.5%. Domestic passengers grew by 16.3% YoY to 18.0 million movements which was 82.8% of 2019's levels. This was also the first year that international passenger movements represented more than half of the total passenger movements. The growth was driven by rapid expansion of airlines and new services particularly in the international sector by Pegasus, Ajet, British Airways and Flynas.

Total commercial aircraft movements increased 13.9% YoY, with international aircraft movements recording an increase of 17.3% and domestic aircraft movements increasing by 10.0%. The average load factor was 82% in 2023, 1 percentage points higher than 2022.

OPERATIONAL REVIEW

AERONAUTICAL BUSINESS

The airport services 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 number of airlines flying to our airports, passenger movements (in particular, a higher proportion of international passengers) and the volume of cargo handled using our facilities.

KEY PRIORITIES

- Improve service quality
- Leverage on technology
- Boost network connectivity
- Expand and optimise airport capacity
- Enhance safety and security

Enhancing Passenger Experience
Our efforts to grow air traffic resulted in the Group's passenger movements surpassing the 100 million mark for the first time since 2020. With the robust air traffic recovery across the network, we turned our focus towards creating a great experience for passengers and enhancing safety and security as they journey through the airports.

In 2023, aeronautical revenues grew a robust 63.2% YoY to RM2,704.0 million. Operations in Malaysia contributed RM1,647.2 million which was 89.8% higher than the previous year while operations in Türkiye contributed RM1,056.8 million, an increase of 33.9% YoY. The revenue growth was achieved on the back of a 42.4% YoY growth in passenger movements, totalling 119.5 million for the year.

OPERATIONAL REVIEW

Improve service quality

Malaysia Airports recognises the importance of enhancing our service quality and offerings to passengers in order to elevate passenger experience at the airports. The focus on passenger experience intensified in 2023 when our network of airports witnessed robust growth in passenger volume, and at KUL, our main hub, projects to replace critical assets, the Aerotrain and the Baggage Handling System, progressed to the execution stage.

International accreditation for KUL in customer experience
With the increase in passenger movements, it is crucial that passenger experience at our main hub at KUL continues to adhere with international best practice and standards. Hence, in early 2023, Malaysia Airports

embarked on the Airport Customer Experience Accreditation (ACEA) programme, an initiative of Airports Council International (ACI) 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 KUL's success in orchestrating a seamless passenger-centric journey to enhance customer satisfaction.

Ranked among global leaders in service quality
KUL scored 4.99 out of 5.00 in the annual Airport Service Quality (ASQ) survey by ACI, while LGK returned a perfect score of 5.00. This ranked KUL at #9 among airports with above 40 million passengers per annum (mppa) while LGK ranked #1 in the 2-5 mppa category.

Taken together with the airports' ASQ scores in 2021 and 2022, it is clear that there has been sustained consistency of high service quality across all 31 of the ASQ indicators despite annual passenger traffic expanding sharply at KUL and LGK post-pandemic. This is amplified by the data-driven approach taken by the Group to analyse passenger feedback data, share insights with the wider airport community and collaborate with stakeholders to identify and implement measures to enhance service quality.

Compliance with Quality of Service framework
In addition, the Quality of Service (QoS) framework was introduced by MAVCOM to enhance service standards at airports in Malaysia. The framework which was rolled out at KUL Terminals 1 and 2 in 2018, was extended to LGK and BKI in 2023. Under the QoS framework, Malaysia Airports must meet pre-defined targets in particular service elements, and non-compliance may incur penalties linked to the Group's aeronautical revenues. LGK now operates with 11 QoS elements, while Kota Kinabalu International Airport (IATA Code: BKI) has implemented 19 elements since July 2023. Learning from KUL's experience, both LGK and BKI have successfully complied with all elements. MAVCOM is currently in the developmental phase for QoS at

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Kuching and Miri airports, scheduled for implementation in Q3 2024. The Group also leveraged on its prior experience managing the QoS framework at KUL to ensure a successful roll out at LGK and BKI with both airports ensuring their compliance with the framework's applicable criteria.

A vibrant ambiance
While all efforts are being made to improve the quality of our services, we have also taken steps to create a vibrant ambiance at our airports. Festive celebrations, a dedicated Kids Zone at the Satellite Terminal and art and cultural exhibitions, together with visually appealing heritage murals and 'Instagrammable' installations are now regular features at our airports. Additionally, live cultural performances offer guests an immersive experience of our nation's rich heritage, enriching the overall ambiance of our airports.

Passenger comfort, convenience and care prioritise
The replacement of the Aerotrain at KUL Terminal 1 is progressing on schedule and is expected to complete in Q1 2025.

While a Shuttle Bus Service is the primary mode of transportation pending the new Aerotrain, Malaysia Airports has taken multiple steps to enhance the interim solution to ensure that passengers continue to enjoy comfort, convenience and care in their journey through our main hub. First, to ferry passengers to and from the Satellite Terminal, we boosted the shuttle bus fleet with low deck buses with larger capacity in order to maintain the availability of buses standing by for passengers, even at peak periods. Our customer experience team is stationed at the boarding points to assist passengers and ensure 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 seamless, smooth and swift journey through KUL. Guests who purchase the Aero FastTrack package are assisted by FastTrack ambassadors upon arriving at the airport kerbside through expedited check-in, immigration clearance and customs screening. 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 introduced 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.

Improvements in baggage handling
The replacement of the Baggage Handling System (BHS) at KUL is currently in progress as it is at the end of its life cycle. The replacement of the BHS will result in greater efficiency and speed in baggage handling at the airport as well as reduce energy usage and carbon emissions.

In the meantime, we launched the Self-Service Bag Drop at KUL in May 2023, a self-service bag drop system which enables passengers to self-check their baggage in a speedy and efficient manner, taking only 45 seconds to check-in each bag. This reduces queuing time at the airport for passengers. In tandem, the Group also upgraded the Self-Service Check-In, which offers biometric facial recognition for passengers at KUL checkpoints, and integrated it with the Self-Service Bag Drop system, to offer passengers the convenience of a quick and seamless experience at check-in.

In early 2024, to enhance the seamless transition through the airport, the Group introduced the KLIA Trolley Crew who assist passengers by getting them a trolley and lifting their luggage onto it. The complimentary service is available at the kerbside at the departure level and at the baggage claim area in the arrival hall.

At SAW, the IT and control systems in the BHS was upgraded to meet the ECAC3 requirement and to improve operational efficiency. The project is currently at more than 50% completion and target to be completed before Summer 2024.

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Leverage on technology

The Group continued to leverage on technology and digitalisation to streamline operations and improve coordination within the airport ecosystem. The improved efficiencies from the use of technology will enhance the delivery of services, resulting in greater convenience and a better experience for passengers.

Airport Collaborative Decision Making at KUL

The Airport Collaborative Decision Making (A-CDM) initiative which kicked off at KUL in early 2022 aims to enable aviation players at the airport to access and share real time data, collaborate to improve planning and operational efficiency as well as optimise resources and capacity. As such, the system promotes predictability and facilitates better resource allocation leading to reduced runway wait times for airlines and improved punctuality for passengers.

In 2023, the Group worked with airport stakeholders to implement the integrated system namely, the Ministry of Transport, the CAAM, Malaysia Airlines, AirAsia, Batik Air, Aerodarat, Pos Aviation and Ground Team Red which encompassing air traffic control, airline operations and ground handling at KUL. The Operational Readiness and Airport Transfer (ORAT) for the A-CDM commenced in November 2023, and the system was launched in March 2024.

STARdesk electronic feedback management platform

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 provide feedback via the MYAirports app. 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.

Internet of Things (IoT) Platform to manage airside bus fleet

The project was implemented in 2023 to monitor the status and location of all the buses at near real-time accuracy by using Internet of Things (IoT) technology. It provides our Management and operations teams an informative dashboard and for passengers on buses and other key matters at the terminals as the platform is integrated with the MYairports app and digital displays at strategic locations in KUL Terminal 1. The project started in May 2023 and completed in Dec 2023 while the digital display integration is expected to go live in mid-2024.

Technology refresh for KUL and SAW

The Wi-Fi technology at KUL was upgraded to the latest Wi-Fi 6 standard. This improves the passenger experience and ensures faster, seamless connectivity. The availability of fast and reliable Wi-Fi also encourages the use of our mobile app, MYairports, which was also enhanced during the year. At SAW, we began providing free Wi-Fi throughout the airport to enhance the overall passenger experience, increase satisfaction and build loyalty. The airport's mobile app was also upgraded to enable passengers find their luggage, check their car park status, make e-payments for car parking.

Implemented E-Translator at SAW

As international passenger movements continue to grow at SAW, it was important for us to enhance our ability to communicate effectively with passengers and other members of the airport community. As a result, we launched E-Translator a communication tool that provides real-time language translation. This streamlines the communication process, reduces time and resources for translation and also minimises the margin for errors and miscommunications.

Boost network connectivity

As the network connectivity of our airports has a strong impact on passengers' ease and cost of travel and routing choices, it was imperative that we restore the airlines and routes which had been disrupted by the pandemic. Therefore throughout 2023, we collaborated closely with airlines to reinstate their pre-pandemic routes, enhance flight frequencies and offer new destination options. We also successfully attracted new airline partners to initiate operations at our facilities.

Among the initiatives to catalyse traffic recovery and enhance network connectivity was the introduction of the Airline X-celeration Programme in January 2023, a new incentive programme for airline partners to accelerate traffic recovery by encouraging airlines to introduce new routes and expansions into Malaysia. In the meantime, the Group continued to implement the Special Incentive Programme which began in July 2022 to accelerate the operational plans of airlines to improve connectivity through joint collaborations with local and foreign airlines to increase hubbing capabilities at KUL, BKI and PEN.

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In addition, we worked closely with travel industry stakeholders including Tourism Malaysia, state tourism offices and travel agencies in their efforts to promote air travel to Malaysia. The Group also collaborated with the Ministry of Transport to establish the National Air Connectivity Development Committee comprising key industry stakeholders of the travel and tourism industry to strengthen Malaysia's position as a leading aviation hub and to promote the nation as a tourism destination of choice.

As a result of our efforts to catalyse traffic recovery and enhance network connectivity, ten new international services commenced operating into KUL (Shenzhen Airlines, Super Air Jet, Transnusa, SalamAir, Sichuan Airlines, Xiamen Air and Air China), BKI (T'way Air), KCH (Indonesia AirAsia) as well as PEN (Xiamen Air). Qatar Airways resumed its pre-pandemic service to PEN with daily flights. Several Chinese carriers also resumed their pre-pandemic services into Malaysia with Air China resuming its flights to KUL and China Southern Airlines returning to BKI and PEN. We also welcomed new operations into KUL by Xiamen Airlines from Chongqing and Air China from Chengdu.

At SAW, the airport saw the addition of 12 new international destinations, primarily European and Middle Eastern cities, namely Alexandria, Al-Qassim, Amman, Birmingham, Dortmund, Kastamonu, Kazan, Kutaisi, London-Heathrow, Plovdiv, Podgorica, and Rhodes. The airport also saw introduction of two new airlines, British Airways and Royal Air Maroc in 2023.

In 2024, we were pleased to see the first direct service linking KUL and SAW operated by Batik Air. The service which began operating in February 2024 will see four weekly flights between the airports.

Expand and optimise airport capacity

Airport capacity is an important factor in ensuring service standards, passenger comfort and experience as well as operational safety and efficiency. It is also a key consideration for airlines to decide on route development, and as such, airport capacity constraints may potentially impact Malaysia Airports' earnings and growth.

On-going expansion projects progressing well

In 2023, for operations in Malaysia there were four on-going expansion projects to increase the capacity of the airports namely:

KBR
Increase capacity from 1.5 mppa to 4 mppa. The expansion works is progressing and is scheduled to complete in early 2025.

PEN
Increase capacity from 6.5 mppa to 12 mppa. Cabinet and other approvals have been obtained, and the planning and design development was completed in 2023. In March 2024, Malaysia Airports announced a pre-qualification exercise to appoint contractors for the project and physical construction works are expected to commence in Q4 2024.

SZB
Increase capacity from 1.5 mppa to 3.0 mppa. The Subang Airport Regeneration Plan was approved by the Government in 2023, and renovation works are in progress to enable jet operations to commence at the airport in mid-2024.

TWU
Increase capacity from 1.5 mppa to 3.0 mppa. The allocation for the upgrading of the airport was approved by Government of Malaysia in 2023. The design development and procurement for the project will be led by the Ministry of Transport and is expected to commence in 2024.

In addition, terminal optimisation projects are on-going at BKI, IPH and Tioman STOLport (IATA Code: TOD) to optimise the capacity of the existing facilities.

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Completion of second runway at SAW

At SAW, the airport's second runway was completed in December 2023. This is a significant expansion for several reasons. First, the new runway doubles the airside capacity, namely by 80 landings and take-offs per hour. Secondly, the length and width of the second runway allows the airport to accommodate the widest-bodied aircraft. Thirdly, the runway's parallel configuration ensures that the necessary separation between the airport's two runways so that they can be operated independently, which results in more efficient and effective air traffic movement.

In tandem with the anticipated growth in passenger volumes, the airport has also undertaken several initiatives to expand and optimise the terminal premises. This includes expansion of immigration areas, security checkpoints, queuing areas at terminal entry points, the introduction of additional x-ray and scanning devices and the completion of the multi-storey car park.

With its expanded capacity, SAW is poised to maintain its position as the second largest airport in Istanbul and Türkiye.

Enhance safety and security

Airport safety and security refers to the anticipation, recognition, evaluation and control of hazards or threats arising in or from the airport which may compromise the safety and security of passengers, staff, aircraft and infrastructure within the airport premises. It encompasses a range of measures, procedures and technologies designed to mitigate risks and respond effectively to various threats and emergencies to ensure the timely and safe passage of our passengers, the well-being of the airport community and the protection of national security interests. In addition, as the digitalisation of information, procedures and processes accelerates across the airport ecosystem, it is crucial that we protect our digital assets, data and workflow from online and cybersecurity threats and attacks.

100% of planned Aerodrome Emergency Exercises implemented

Malaysia Airports completed 100% of its 74 scheduled Aerodrome Emergency Exercises. This includes 12 full scale exercises, 11 partial exercises, 24 tabletop exercises and 24 building fire drills. All relevant external stakeholders were included in the exercises, enhancing the knowledge and readiness towards emergency preparedness. One of the full scale exercises was conducted with the National Disaster Management Agency as part of the National Disaster Preparedness Month 2023 at TGG.

Replacement of Airport Fire and Rescue Service (AFRS) vehicles completed

In 2021, the Group initiated a three-year programme in 2021 to replace aging AFRS fire vehicles which were reaching their maximum lifespan. In 2023, the final batch of 17 fire vehicles were replaced at the following airports – AOR (2), BTU (2), IPH (2), KBR (2), LDU, LMN, MKZ, MYY, MZV, SBW, SDK, TGG and TWU.

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Enhancing AFRS capabilities and knowledge base

With the rise in air traffic in 2023, Malaysia Airports recruited 55 new AFRS personnel to maintain the requisite levels of AFRS manpower and Rescue and Fire Fighting capabilities. The Group also provided training for eight employees to be certified as AFRS Subject Matter Experts by international bodies to enhance our internal expertise and knowledge base.

Development of STOLport security documentation

Documentation for STOLport Security Programmes for five STOLports and STOLport Contingency Plans for seven STOLports were prepare and submitted to CAAM for endorsement in line with applicable regulations.

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. In 2023, among the focus areas was the inspection of security equipment, security restricted areas and controlled areas within the airports.

Airport Integrated Safety and Security System

Malaysia Airports continued to enhance its efforts to future-proof safety and security at the airports by modernising the security systems and infrastructure using Artificial Intelligence (AI) technologies while complying with the latest local and international standards and policies. The project began in 2022 is targeted for completion in the second half of 2024.

On-going cybersecurity training for employees

As our employees can be a strong line of defence against cybersecurity threats, an online learning programme is conducted quarterly, and all employees must pass the exam quiz to gauge their understanding of all topics they have learned. Cybersecurity posters are also produced quarterly to enhance employees' knowledge on protecting data confidentiality, preserving data integrity and promoting data availability for authorised users.

SAW investments in cybersecurity

In 2023, we also made technology investments to improve and enhance our cybersecurity capabilities for our operations in Türkiye. In addition to gaining better visibility and awareness of cyber threats, data relating to the attacks is gathered and analysed to enhance protection and to assess and detect future threats. Training for employees is also conducted to increase their awareness on cyber threats. The airport also conducts internal audits, and ensures that corrective and preventive actions are taken to minimise the risk of cybersecurity breaches.

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NON-AERONAUTICAL BUSINESS

The two main components of the Group's non-aeronautical business are first, rental and royalties derived from leasing out airport space for commercial use, and secondly, retail sales of duty free and non-dutiable goods by our subsidiary, Malaysia Airports (Niaga) Sdn Bhd which is better known by its brand name, Eraman. The Group's strategy in this business segment has been centred on the revitalisation of first, commercial offerings and spaces at airports under the on-going Commercial Reset, and secondly, the Eraman brand and outlets.

KEY PRIORITIES

Rental and royalties

- Boost operational occupancy of commercial spaces
- Revitalise essential commercial offerings
- Leverage on strong partnerships

Retail sales of duty free and non-dutiable goods

- Eraman brand and outlet revitalisation
- Brand experience and partnerships
- Digitalisation

Revitalisation Efforts Yield Results Aided By Strong Recovery In Air Traffic

In 2023, Group-wide non-aeronautical revenues grew 57.1% YoY to RM1,894.9 million. Revenues from rental and royalties stood at RM1,143.5 million, a YoY increase of 41.7%. Notably, retail sales of duty free and non-dutiable goods by Eraman contributed revenues of RM571.1 million, 117.6% higher than the previous year.

This is underpinned by the acceleration of operational occupancy of the commercial spaces at the airports which

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RENTAL AND ROYALTIES

Boost operational occupancy of commercial spaces

During the year, Group worked alongside tenants to complete the necessary preparatory work to enable them to begin operating at the premises in the shortest possible timeframe. This included workflow improvements to reduce the lead time for the tender process by using an online tender process, 'E-Procure'. A 'Fit In-Fit Out' team was also formed to assist tenants with the renovation of the premises and to enable the various stages of the fit out works to progress smoothly.

In addition, the opening of the outlets was also timed to match the pace of recovery in air traffic at the respective airports to balance between the potential sales volume for tenants and the availability of commercial offerings such as retail, food and beverage and other services to passengers. We were pleased that tenants were prepared to begin operations prior to passenger volumes reaching the threshold of 50% of the pre-pandemic passenger volume in 2019. For example. the success of the beachheads initiated by Costa Coffee and The Refinery at KUL Terminal 2 had motivated other tenants to follow suit.

By the end of 2023, 88% of the lettable commercial space at the airports had been leased out. The Group achieved an operational occupancy rate 81%, surpassing the pre-pandemic level of 79% in 2019.

Revitalise essential commercial offerings

Malaysia Airports also revitalised its essential commercial offerings, namely retail and food and beverage (F&B).

In terms of retail offerings, the Group has recruited new retail brands to heighten the airport shopping experience. Retail brands that opened new stores KUL Terminal 1 include fresh new concepts from Polo Ralph Lauren, Michael Kors, Bulgari, Tory

stood at 81% by the end of 2023 compared to 55% in Q1 2023, and higher turnover aided by the strong recovery in passenger movements, in particular international passengers in 2023. The return of tourists from Mainland China was also a driver for revenues in this segment.

Rental and royalties at SAW grew 29.3% YoY with a total revenue contribution of RM622.5 million. This includes revenue generated from SAW's duty free business of RM371.3 million which is 27.2% 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.

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Burch, TUMI, Sunglass Hut, Kashkha and Gold City featuring enhanced store facades for improved shopping experience and ambience. At other airports in Malaysia, we witnessed the opening of Lego, Royal Selangor, Bath & Body Works and Victoria's Secret at PEN and Habib Jewels at LGK.

'Sense of Malaysia' concept stores also expanded across five international airports in Malaysia including KUL Terminal 2, BKI, KCH, LGK and PEN to showcase the richness of Malaysian culture and heritage through gifts, souvenirs, handicraft and local delicacies.

F&B also took centre stage at the airports with international and local operators opening new outlets. KUL Terminal 1 welcomed exciting new tenants which included international brands Jamie Oliver's Pizzeria, Taco Bell, Illy Café, Hard Rock Café, and local champions such as Jibby Chow, Serai, Flight Club Signature and Kitchen by OpenHouse. Existing tenants such as Burger King, Noodles Signature, Starbucks and O'Briens also presented refreshed new looks at the terminal.

KUL Terminal 2 was also a hive of activity with the launch of new outlets, namely Din by Din Tai Fung, The Refinery, KREATE, Ahh-Yumm, Taste of India, Jollibee, Subway, The Coffee Bean & Tea Leaf and Starbucks. At other airports in Malaysia, BKI's new outlets were McDonald's, Starbucks and Dunkin' Donuts, while Subway and Nooodles opened at TWU.

All in all, passengers will find at our airports a host of options for 'retail therapy' and a delicious spread of local and international food and drinks that will delight their tastebuds.

Leverage on strong partnerships

To deliver best in class services to passengers, Malaysia Airports has also cemented partnerships with world-class operators in the airport space. For example partnerships with globally renowned travel dining operators such as SSP and HMSHost have enabled the F&B offerings at the airports to be refreshed.

In addition, to respond to the growing demand for rest and recharge services, Malaysia Airports is future-proofing its lounge strategy. In this regard, the Group focuses on host airline lounges while securing renowned lounge operators such as SSP and Plaza Premium Group to operate lounges for other airlines, alliances and passengers. Leveraging on

their vast experience in managing over 270 airport lounges globally, these operators provide an elevated customer experience for travellers at our airports in Malaysia. For example, at KUL Terminal 1 there are currently six lounge options which include the inaugural Plaza Premium First and TFS Travel Club Lounge & Bar lounges in Malaysia.

We were also pleased to welcome the Kepler Transit Hotel to KUL Terminal 1 in 2023, Kepler's first sleeping pod facility outside of its home country, Türkiye. Currently, Kepler also operates a transit hotel at the international transit area at SAW.

At SAW, the Group is building on the success of its existing F&B and travel retail partnerships. A key milestone was the extension by HMSHost of its 22 F&B outlets at SAW from 2026 until 2032 ensuring the passengers continue to enjoy the holistic dining options together with technological solutions such as pre-ordering, order kiosks and other innovations. Alongside the extension of HMSHost's presence at SAW, the global travel specialists will also introduce four additional stores, which blend global and local flavours and designs to create a sense of place to enhance the passenger experience at the airport.

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RETAIL SALES OF DUTY FREE AND NON-DUTIABLE GOODS

Eraman brand and outlet revitalisation

Under the on-going Eraman reset plan, the brand and its outlets have undergone a revitalisation programme. In 2023, the revitalisation effort saw the opening of new Duty Free emporiums at KUL Terminal 1's Satellite Building featuring a totally revamped concept design, and a wide range of products from local and international brands both new and familiar. The outlet contributed revenue of RM118.0 million in 2023.

To further raise the retail profile of the airports, Eraman is set to undergo a new retail transformation of its flagship emporium at the Contact Pier of KUL Terminal 1 that is expected to be completed by Q3 2024. It aims to elevate the travel retail experience and enhance customers' satisfaction with a refreshed walk-through concept design and will boast new product offerings and renowned brand choices.

Eraman's brand and outlet revitalisation was also responsible for generating higher revenues at other airports in Malaysia. For example the new chocolate store which opened at the International Departure area of PEN was well patronised by passengers making their final purchases before their flights, generating additional revenue of over RM4.0 million for Eraman in 2023.

Eraman's F&B segment was also expanded with new Burger King outlets opening at both KUL Terminal 1 and Terminal 2. We also introduced our new in-house brand, Singgah, a local kopitiam (coffee shop) concept café at the Contact Pier Domestic, KUL Terminal 1, which resonates with local and international travellers alike.

Brand experience and partnerships

To maximise Eraman's reach and engagement, the Group implemented focused and thematic promotions aligned with key objectives to drive sales, build brand loyalty and strengthen customer engagement and connectivity.

Specific targeted promotions to drive sales, capitalise on market opportunities were initiated in 2023, building on the foundational building blocks that had previously put in place such as the Eraman Privilege Card.

In addition, Eraman also put in place key strategic initiatives in 2023 to drive sales through impactful collaborations with leading local and international financial institutions such as UOB, Maybank and Mastercard. Leveraging on these partnerships, Eraman successfully tapped into their premium card regional databases, offering preferential incentives to their customers to boost sales revenue and foster brand loyalty. Thematic campaigns for festive seasons and special events such as Christmas, National Day, and birthday promotions further augmented Eraman's prominent brand presence in the travel retail industry.

The Group also expanded its partnership with Plaza Premium Group by leveraging on Plaza Premium's loyalty programme 'Smart Traveller' to make available selected Eraman duty free and duty paid products for points redemption by Smart Traveller members.

These strategic partnerships have been pivotal in boosting sales for Eraman in 2023.

Digitalisation

Improvements to the back office processes from digitalisation initiatives had also led to efficiencies in operations and the reduction of errors. In particular, the activation of an electronic system to manage end-to-end sourcing and purchasing shortened the time required for the issuance of purchase orders resulting in better management of our stock of goods. Coupled with the online daily sales reporting dashboard for the Management, the digitalisation efforts also improved our ability to scale up our operations to match the recovery in passenger traffic.

The use of digital solutions also extended to the outlets. For example at Eraman's main outlets, self-service checkout, self ordering kiosks and cashless payments are solutions which leverage on the use of technology. In addition, the expansion of Eraman's products for sale on the Group's shopMYairports digital application enables passengers to buy online and pick up their purchases at the airport under the app's Click & Collect option.

These digitalisation initiatives improved both the customer experience and back office management which contributed to Eraman's revenues growing more than double that of 2022, namely by 117.6% YoY.

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HOTEL

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 landside at SAW.

KL Airport Hotel Sdn Bhd also operates the Aero FastTrack service at KUL Terminal 1, a premium kerbside-to-gate service, alongside the Sky Suite Airport Lounges at KUL Terminal 1 and Terminal 2. In 2023, in addition to opening the Sky Suite Airport Lounge, KL Airport Hotel Sdn Bhd began managing Lanai Kijang, the hotel facility at Bank Negara Malaysia's learning and development centre, and the Asian School of Business Residence.

KEY PRIORITIES

- Drive hotel occupancy

- Increase average daily rate

- Boost Aero FastTrack and Sky Suite Airport Lounges

Increasing Demand For Services

The performance of the hotel business 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.

In 2023, revenues for the Group's hotel business continued to show strong growth of 45.8% YoY with a total of RM128.9 million. Revenues for operations in Malaysia grew by 45.6% YoY to RM105.3 million, while hotel revenues from operations in Türkiye grew 46.6% YoY to RM23.6 million.

For hotel operations in Malaysia, the average daily rate increased by 16.0% over 2022 while for hotel operations in Türkiye, the average daily rate increased by 35% YoY. Malaysia hotel operations have

OPERATIONAL REVIEW

Drive hotel occupancy

The Group intensified its sales effort in the hotel segment to capture opportunities from the recovery of air traffic. Sales for 2023 were channelled primarily through direct bookings, online travel agents, wholesale and corporate sales.

In this regard, the hotel segment has seen its revenues from key customer segments growing up to 18% beyond 2019 pre-pandemic levels, in particular, the corporate, wholesale, government, and group business. However, the airline crew customer segment is still lagging 2019 levels due to the increase in turnaround flights by airlines and the revised staffing policies in reducing crew sets for certain airlines customers. Nevertheless, the Group has intensified its marketing efforts in other customer segments which more than make up for this shortfall.

In 2023, the Group managed 1,012 rooms, a substantial increase from 592 rooms in 2022. This was due its venture into the hotel property management business in early 2023 to manage the Lanai Kijang, the Malaysian Central Bank's hotel at its learning and development centre, and Asian Business School Residence in Kuala Lumpur. Through the management of Lanai Kijang, the Group increased its hotel revenues by RM2.6 million.

Increase average daily rate

The average daily rate increased by 16.0% YoY for 2023 to RM433.90. This was despite the increased competition from new hotels in the vicinity of KUL which placed pressure on the average daily rate. Guest satisfaction remained high at over 90% due to the improvement of the room ambience, upgrading of security features such as the hotel key card system and enhancement of F&B offerings which enabled Sama-Sama Hotels to continue to deliver a superior and refined product to guests.

geared up since the completion of the renovation and refurbishment works at Sama-Sama Hotel KLIA. Growing passenger numbers and the rising demand in the MICE (Meetings, Incentives, Conventions and Events) segment provided a boost for the hotel business in Malaysia in 2023.

In addition, the push to diversify the revenue streams for this segment through the Aero FastTrack and airport lounge services is gaining traction. With the opening of the Sky Suite Airport Lounge at KUL Terminal 2, revenues from the landside lounges have increased by 48.0% YoY to RM2.7 million, while lounge usage at the Sky Suite Airport Lounge at KUL Terminal 1 has increased by 26.0% YoY.

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