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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.

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.

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.

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.