

# FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

Raja Azmi Raja Nazuddin Chief Financial Officer 21st February 2018



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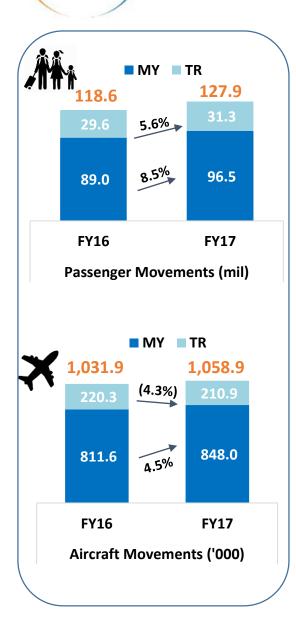
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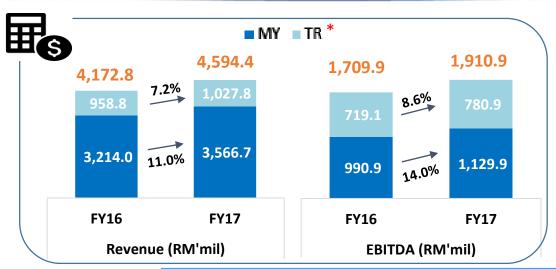
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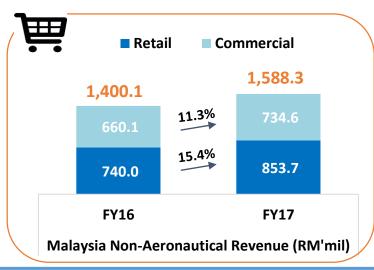




# **FY17** Key Highlights







### **Key Highlights**

### Group EBITDA up by RM201.0mil to RM1,910.9 million, 11.8% higher than the previous year

- Group's PBT (个82.4% to RM334.5 million) and PAT (个224.0% to RM237.1 million)
- Improved earnings in line with stronger growth in group revenue\* (个10.1% to RM4,594.4 million) and EBITDA (个11.8% to RM1,910.9 million) on the back of 7.8% passenger growth over FY16

### Group passenger growth and aircraft movement ↑7.8% and ↑2.6% respectively

- Traffic growth in Malaysia and Turkey 个8.5% and 个5.6% respectively
- International traffic growth in Malaysia ( $\uparrow$ 14.1%) and Turkey ( $\uparrow$ 8.5%) outpacing respective domestic growth
- International passengers in Malaysia now account for 51.2% of traffic (FY16: 48.7%) with non-ASEAN passengers accounting for more than half of total international passengers
- KUL passenger traffic 个11.2%, growing faster than BKK (个8.9%), SIN (个6.0%) and HKG (个3.3%)

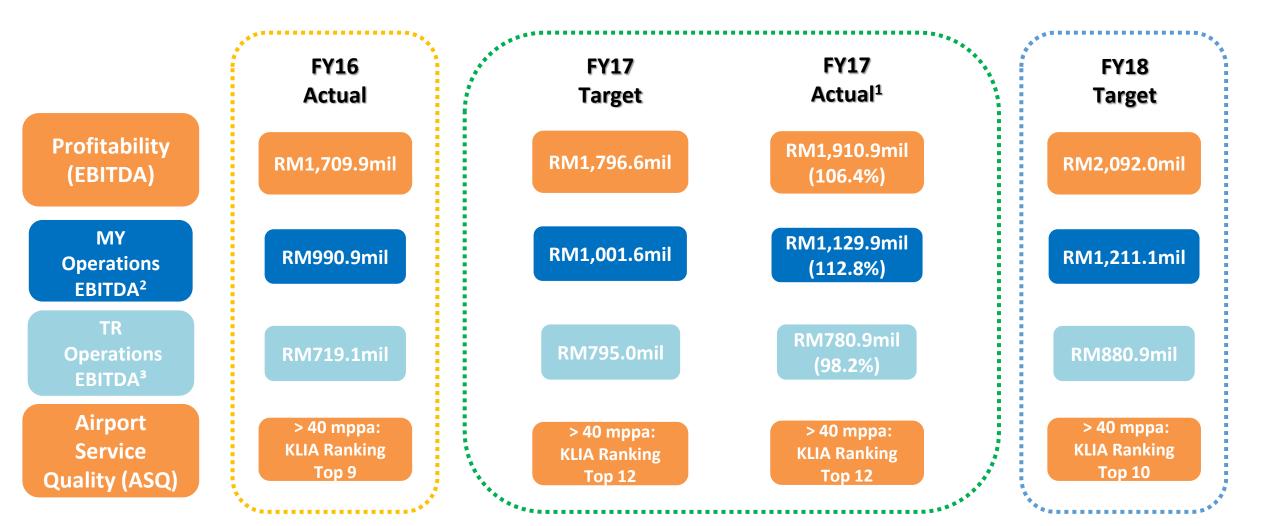
### Surge in group non-aeronautical revenue, ↑10.4% to RM2,043.2 million

Mainly driven by improved retail and F&B sales per pax ( $\uparrow$ 11.5%) and rental ( $\uparrow$ 23.2%) at KLIA

<sup>\*</sup>Excluding Construction Revenue and Construction Cost in relation to IC interpretation 12: Service Concession Arrangement (IC12)



# **Headline Key Performance Indicator (KPI)**



<sup>&</sup>lt;sup>1</sup>% represents percentage of KPI achieved for the financial year

<sup>&</sup>lt;sup>2</sup> MY includes overseas project and repair maintenance segment in Qatar

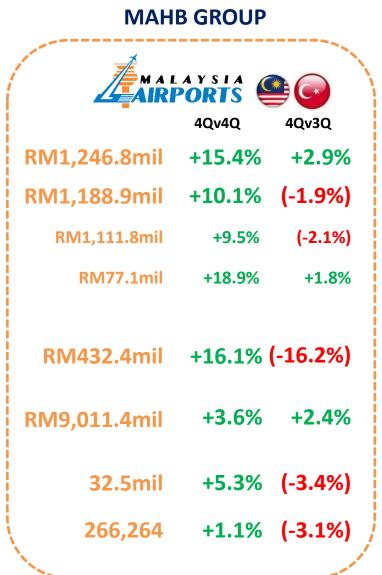
<sup>&</sup>lt;sup>3</sup> TR represents consolidated results from ISG & LGM in Turkey



# **Quarter-on-Quarter & Preceding Quarter Executive Summary**

**************************************	
MALAYSIA (S) AIRPORTS	
4Qv4Q 4	Qv3Q
Revenue incl. IC12 RM936.3mil +10.3% +	4.5%
Revenue excl. IC12 RM936.3mil +10.3% +	4.5%
Airport Operations RM861.8mil +9.6%	+4.7%
Non-Airport RM74.6mil +19.0%	-1.8 %
EBITDA RM242.5mil +21.0% (-8	3.5%)
Net Assets	
Passengers 24.6mil +3.7% +	0.1%
Aircrafts 214,481 +1.6% (-0	.6%)

	TR	
IS	<b>G</b> 4Qv4Q	4Qv3Q
RM310.5mil	+34.3%	(-1.6%)
RM252.6mil	+9.3%	(-20.0%)
RM250.0mil	+9.2%	(-20.2%)
RM2.5mil	+21.4%	+1.8%
RM190.0mil	+10.3%	<b>(-24.4</b> %)
<b>7.9mil</b>	+10.7%	(-12.8%)
51,783	(-0.9%)	(-12.1%)





# **Year-to-date Executive Summary**

Revenue incl. IC12
Revenue excl. IC12
Airport Operations
Non-Airport Operations
EBITDA
Net Assets
Passengers
Aircrafts



TI	R
ISG	FY17vFY16
RM1,085.7mil	+13.2%
RM1,027.8mil	+7.2%
RM1,019.1mil	+7.4%
RM8.7mil	(-12.7%)
RM780.9mil	+8.6%
<b>31.3mil</b>	+5.6%
210,924	(-4.3%)

# MAHB GROUP MALAYSIA FY17vFY16 RM4,652.3mil +11.5% RM4,594.4mil +10.1% RM4,296.8mil +9.8% **RM297.6mil** +14.4% RM1,910.9mil +11.8% +3.6% RM9,011.4mil **127.9mil** +7.8%

1,058,920

+2.6%

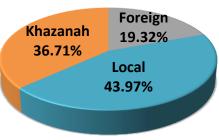


# **Equity Profile**

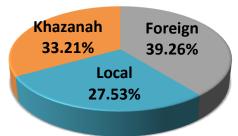
### **Shareholding Profile**

No. of paid-up share capital: 1,659,191,828

### As at 31/12/2016



### As at 31/12/2017

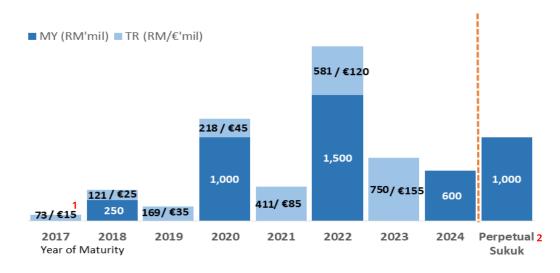


### **Dividend Profile**

Financial	Reinvestr	dend ment Plan tion Rate	Dividend	Payment F (sen)	Per Share	To	Dividend Payout Ratio*		
Year	Interim	Final	Interim	Final	Total	Interim	Final	Total	Total
2012	46.2%	85.0%	6.00	7.63	13.63	72.60	92.86	165.46	50.0%
2013	88.4%	87.6%	6.00	5.78	11.78	73.95	78.87	152.82	50.0%
2014	53.4%	74.1%	2.00	3.60	5.60	27.48	59.47	86.95	61.2%
2015	N/A	N/A	4.00	4.50	8.50	66.37	74.66	141.03	58.1%
2016	N/A	N/A	4.00	6.00	10.00	66.37		165.92	55.5%
2017	N/A	N/A	5.00	** 8.00	13.00	82.96	** 132.74	215.70	55.1%

<sup>\*</sup> The dividend payout ratio is based on adjusted net core profit of the Group

### **Borrowing Profile**



	31/12/2017	31/12/2016
Net debt (RM'mil)	2,977.8	3,816.8
Share of fixed-rate debt	100%³	100%³
Weighted average maturity (years)	5.28	5.61
Weighted average cost	4.02%	4.02%
Gross gearing ratio (times)	0.63x	0.64x

Credit Rating / Outlook	
RAM (Reaffirmed on 12/12/17)	AAA / Stable
Moody's (Reaffirmed on 15/01/17)	A3 / Stable

<sup>&</sup>lt;sup>1</sup> €5.0mil has since been paid in June 2017 and a further €10.0mil in December 2017

<sup>\*\*</sup> Subject to shareholder's approval

<sup>&</sup>lt;sup>2</sup> Non-call 10 year, fixed initial periodic distribution rate of 5.75% recognised in equity

<sup>&</sup>lt;sup>3</sup> After ISG's floating rate swap



# **Significant Events**

<b>–</b> l	alaysia Operations ————————————————————————————————————	
	14/02/17: Malaysia Airports kicked off its 25 <sup>th</sup> Anniversary celebration	
	07/03/17: Langkawi International Airport voted top 3 for 2016 ASQ awards – best airport by size (2-5 MPPA)	
	23/03/17: Malaysia Airports signs MoU with Cainiao Network to explore the development of a regional e-commerce and log	gistics huk
	06/06/17: Malaysia Airports bids farewell to Tan Sri Dato' Sri Dr Wan Abdul Aziz and welcomes its new chairman, Y.A.M. Tar	ո Sri Dato
	Seri Syed Anwar Jamalullail	
	24/08/17: World's first Proof of Concept for Hajj pilgrims pre-clearance was conducted at KLIA	
	26/09/17: klia2, the first airport in Southeast Asia to earn the prestigious Gold Leed Building Certification	
	16/10/17: Malaysia Airports Managing Director Datuk Badlisham Ghazali appointed as Director of ACI World Governing Boa	rd
	26/10/17: Malaysia Airports signs MOA with Malaysia Tourism Board and GMR Hyderabad Airport Limited to promote touri	sm
	03/11/17: Malaysia Airports and Cainiao Network (Alibaba's logistics arm) launched the Digital Free Trade Zone at KLIA Aero	polis
	08/11/17: Malaysia Airports and Tourism Malaysia sign MOU in World Travel Market to promote and develop tourism into N	Лalaysia
	02/02/18: Proposed disposal by Malaysia Airports of its entire 11% equity interest in GMR Hyderabad International Airport	Limited

- 01/03/17: Malaysia Airports announces future plans for ISG and changes in leadership
- 04/04/17: Commissioning of new rapid taxiways at ISG
- 05/06/17: Commencement of boarding hall extension works to add 8 million passenger capacity
  - 20/10/17: Extension of ISG Concession Agreement to an extra 2 years to a total of 22 years ending 27 August 2032

07/02/18: Malaysia Airports concludes two partnership agreements and two MOUs at the Singapore Airshow





# **Group 4Q17 Results (vs 4Q16)**

		4Q17		4Q16			MY		TR		MAHB Group	
(RM'mil)	MY	TR	MAHB Group	MY	TR	MAHB Group		Variance %		Variance %		Variance %
Revenue incl. IC12	936.3	310.5	1,246.8	848.9	231.1	1,080.0	▲	10.3	A	34.3		15.4
Revenue excl. IC12	936.3	252.6	1,188.9	848.9	231.1	1,080.0	<b>A</b>	10.3	_	9.3	_	10.1
EBITDA	242.5	190.0	432.4	200.3	172.3	372.6	<b>A</b>	21.0	_	10.3	_	16.1
Depreciation & Amortisation	(90.1)	(102.6)	(192.8)	50.4	(144.9)	(94.5)	abla	(278.9)	_	29.2	$\nabla$	(103.9)
Finance Costs	(44.4)	(149.0)	(193.4)	(61.0)	(134.3)	(195.4)	<b>A</b>	27.3	$\overline{\mathbf{v}}$	(10.9)	_	1.0
Share of Assoc. & JV Profit	5.2	-	5.2	2.0	-	2.0		168.1		-	<b>A</b>	168.1
PBT	113.2	(61.7)	51.5	191.6	(107.0)	84.6	abla	(40.9)	_	42.4	$\nabla$	(39.1)
Taxation & Zakat	(46.8)	23.2	(23.7)	(40.0)	(7.5)	(47.5)	abla	(17.0)	_	408.8	_	50.2
Net Earnings	66.4	(38.5)	27.9	151.6	(114.5)	37.1	abla	(56.2)	_	66.4	$\nabla$	(24.9)
EBITDA Margin (%) (excl. IC12)	25.9%	75.2%	36.4%	23.6%	74.5%	34.5%	<b>A</b>	2.3 ppt	_	0.7 ppt	_	1.9 ppt
PBT Margin (%) (excl. IC12)	12.1%	-24.4%	4.3%	22.6%	-46.3%	7.8%		(10.5) ppt	_	21.9 ppt	$\nabla$	(3.5) ppt

Exchange rate used in profit and loss for 4Q17: RM4.87/EUR Exchange rate used in profit and loss for 4Q16: RM4.69/EUR



# **Group 4Q17 Results (vs 4Q16)**

		4Q17			4Q16		MY	TR	MAHB Group	
(RM'mil)	MY	TR	MAHB Group	MY	TR	MAHB Group	Variance %	Variance %	Variance %	
Revenue incl. IC12	936.3	310.5	1,246.8	848.9	231.1	1,080.0	<b>10.3</b>	<u>△ 34.3</u>	<u> </u>	
Revenue excl. IC12	936.3	252.6	1,188.9	848.9	231.1	1,080.0	<b>10.3</b>	<b>9.3</b>	<b>10.1</b>	

### Revenue grew by 10.1%\*

- Airport operations: RM1,111.8mil (+9.5%)
  - Aeronautical: RM580.8mil (+8.7%) mainly due to better than expected international passenger growth in Malaysia by 12.3% as well as Turkey by 14.6% leading to higher PSC revenue
  - Non-Aeronautical: RM531.0mil (+10.4%) mainly due to higher retail and commercial revenue in Malaysia by 11.2% and 13.6% respectively. Rental revenue in Turkey also increased by 4.1%
- Non-airport operations: RM77.1mil (+18.9%)
  - Project and repair maintenance: RM39.7mil (+46.9%)
  - Hotel: RM27.2mil (+1.9%)
  - Agriculture & horticulture: RM10.2mil (-8.3%)



# **Group 4Q17 Results (vs 4Q16)**

		4Q17			4Q16		MY	TR	MAHB Group	
(RM'mil)	MY	TR	MAHB Group	MY	TR	MAHB Group	Variance %	Variance %	Variance %	
EBITDA	242.5	190.0	432.4	200.3	172.3	372.6	<b>21.0</b>	<b>10.3</b>	<b>16.1</b>	
PBT	113.2	(61.7)	51.5	191.6	(107.0)	84.6	<b>(40.9)</b>	42.3	<b>(39.3)</b>	

### **EBITDA** increased by 16.1%

- Malaysia operations: EBITDA grew by 21.0% due to higher aeronautical and non-aeronautical revenue
- Turkey operations: EBITDA up by 10.3% in line with higher international passenger growth for the quarter

### PBT decreased by 39.3%

- Malaysia operations: Lower PBT was mainly due to lower amortisation and depreciation charges by RM140.5mil (4Q17: RM90.1mil, 4Q16: -RM50.4) attributable to adjustment made in 2016 based on 35 years extension to the operating period
- Turkey operations: Recorded an improved LBT of RM39.1mil (4Q16: LBT of RM45.4mil) prior to taking into account a loss of RM22.5mil (4Q16: RM60.9mil) primarily owing to the amortization of fair value of the concession rights



# **Group 4Q17 Results (vs 3Q17)**

	4Q17				3Q17			MY		TR		MAHB Group	
(RM'mil)	MY	TR	MAHB Group	MY	TR	MAHB Group		Variance %		Variance %		Variance %	
Revenue incl. IC12	936.3	310.5	1,246.8	896.3	315.6	1,212.0		4.5	$\overline{\nabla}$	(1.6)	<u> </u>	2.9	
Revenue excl. IC12	936.3	252.6	1,188.9	896.3	315.6	1,212.0		4.5	$\overline{}$	(20.0)	$\overline{V}$	(1.9)	
EBITDA	242.5	190.0	432.4	264.9	251.2	516.1	$\nabla$	(8.5)	$\overline{\mathbf{v}}$	(24.4)	$\overline{\mathbf{v}}$	(16.2)	
Depreciation & Amortisation	(90.1)	(102.6)	(192.8)	(87.0)	(158.4)	(245.4)	$\overline{\mathbf{v}}$	(3.5)	_	35.2	_	21.5	
Finance Costs	(44.4)	(149.0)	(193.4)	(44.4)	(140.1)	(184.5)	$\nabla$	(0.1)	$\overline{\mathbf{v}}$	(6.4)	$\nabla$	(4.8)	
Share of Assoc. & JV Profit	5.2	-	5.2	4.5	-	4.5	_	16.2		-	_	16.2	
PBT	113.2	(61.7)	51.5	138.0	(47.3)	90.7	$\nabla$	(18.0)	$\overline{\mathbf{v}}$	(30.4)	$\nabla$	(43.2)	
Taxation & Zakat	(46.8)	23.2	(23.7)	(21.6)	10.6	(11.0)	$\nabla$	(116.3)	_	118.1	$\nabla$	(114.7)	
Net Earnings	66.4	(38.5)	27.9	116.4	(36.7)	79.7	$\nabla$	(43.0)	$\overline{\mathbf{v}}$	(5.0)	$\nabla$	(65.0)	
EBITDA Margin (%) (excl. IC12)	25.9%	75.2%	36.4%	29.6%	79.6%	42.6%	$\nabla$	(3.7) ppt	$\overline{}$	(4.4) ppt	$\overline{\mathbf{v}}$	(6.2) ppt	
PBT Margin (%) (excl. IC12)	12.1%	-24.4%	4.3%	15.4%	-15.0%	7.5%	$\nabla$	(3.3) ppt	$\overline{\mathbf{v}}$	(9.4) ppt	$\nabla$	(3.1) ppt	



# **Group 4Q17 Results (vs 3Q17)**

	4Q17		3Q17			MY			TR		MAHB Group		
(RM'mil)	MY	TR	MAHB Group	MY	TR	MAHB Group	Variance %			Variance %		Variance %	
Revenue incl. IC12	936.3	310.5	1,246.8	896.3	315.6	1,212.0	<u> </u>	4.5	$\overline{\mathbf{v}}$	(1.6)		2.9	
Revenue excl. IC12	936.3	252.6	1,188.9	896.3	315.6	1,212.0		4.5	~	(20.0)		(1.9)	

### Revenue decreased by 1.9%\*

- Airport operations: RM1,111.8mil (-2.1%)
  - Aeronautical: RM580.8mil (-4.0%) as a result of seasonally lower international passenger growth in Turkey by 18.8% leading to lower PSC revenue as compared to 3Q17
  - Non-Aeronautical: RM531.0mil (+0.0%) remained flat as compared to the previous quarter due to lower international passenger across Malaysia and Turkey
- Non-airport operations: RM77.1mil (+1.8%)
  - Project and repair maintenance: RM39.7mil (+4.4%)
  - Hotel: RM27.2mil (-0.7%)
  - Agriculture & horticulture: RM10.2mil (-1.0%)



# **Group 4Q17 Results (vs 3Q17)**

	4Q17		3Q17			MY	TR	MAHB Group		
(RM'mil)	MY	TR	MAHB Group	MY	TR	MAHB Group	Variance %	Variance %	Variance %	
EBITDA	242.5	190.0	432.4	264.9	251.2	516.1	<b>▽</b> (8.5)	<b>(24.4)</b>	▼ (16.2)	
PBT	113.2	(61.7)	51.5	138.0	(47.3)	90.7	<b>(18.0)</b>	<b>(30.4)</b>	<b>▽</b> (43.2)	

### **EBITDA** decreased by 16.2%

- Malaysia operations: Lower EBITDA by 8.5% mainly due to higher operating expenditure
- Turkey operations: Lower EBITDA contributions by 24.4% due to seasonally lower international traffic in 4Q17, contributing lower PSCs and commercial revenue by 22.3% and 19.8% respectively

### PBT decreased by 43.2%

- Malaysia operations: Lower PBT by 18.0% was largely attributed to lower EBITDA
- Turkey operations: Recorded a LBT of RM39.1mil (3Q17: PBT of RM21.7mil), prior to taking into account a loss of RM22.5mil (3Q17: RM69.1mil) primarily owing to the amortization of fair value of the concession rights



# **Group FY17 Results (vs FY16)**

		FY17			FY16			MY		TR		MAHB Group	
(RM'mil)	MY	TR	MAHB Group	MY	TR	MAHB Group		Variance %		Variance %		Variance %	
<b>Revenue</b> incl. IC12	3,566.7	1,085.7	4,652.3	3,214.0	958.8	4,172.8		11.0		13.2		11.5	
Revenue excl. IC12	3,566.7	1,027.8	4,594.4	3,214.0	958.8	4,172.8	_	11.0	_	7.2	4	10.1	
EBITDA	1,129.9	780.9	1,910.9	990.9	719.1	1,709.9	_	14.0	_	8.6	_	11.8	
Depreciation & Amortisation	(352.0)	(528.8)	(880.8)	(340.2)	(512.4)	(852.5)	$\nabla$	(3.5)	$\nabla$	(3.2)	$\overline{}$	(3.3)	
Finance Costs	(176.5)	(539.7)	(716.2)	(199.9)	(489.9)	(689.8)	_	11.7	$\nabla$	(10.2)	$\overline{}$	(3.8)	
Share of Assoc. & JV Profit	20.6	-	20.6	15.7	-	15.7	_	31.1	_	-	_	31.1	
PBT	622.0	(287.5)	334.5	466.5	(283.2)	183.3	_	33.3	$\nabla$	(1.5)	_	82.4	
Taxation	(164.5)	67.1	(97.4)	(87.4)	(22.7)	(110.2)	$\nabla$	(88.2)	_	395.5	_	11.6	
Net Earnings	457.5	(220.4)	237.1	379.1	(305.9)	73.2	_	20.7	_	28.0		224.0	
EBITDA Margin (%) (excl. IC12)	31.7%	76.0%	41.6%	30.8%	75.0%	41.0%	_	<b>0.9</b> ppt	_	<b>1.0</b> ppt	_	<b>0.6</b> ppt	
PBT Margin (%) (excl. IC12)	17.4%	-28.0%	7.3%	14.5%	-29.5%	4.4%	_	<b>2.9</b> ppt	_	<b>1.6</b> ppt	_	<b>2.9</b> ppt	
Net Asset per Share			5.43			5.24					_	3.6	



# **Group FY17 Results (vs FY16)**

	FY17			FY16			MY	TR	MAHB Group	
(RM'mil)	MY	TR	MAHB Group	MY	TR	MAHB Group	Variance %	Variance %	Variance %	
Revenue incl. IC12	3,566.7	1,085.7	4,652.3	3,214.0	958.8	4,172.8	<b>11.0</b>	<u> </u>	<u>▲</u> 11.5	
Revenue excl. IC12	3,566.7	1,027.8	4,594.4	3,214.0	958.8	4,172.8	<b>11.0</b>	<b>▲</b> 7.2	<b>10.1</b>	

### Revenue increased by 10.1%\*

- Airport operations: RM4,296.8mil (+9.8%)
  - Aeronautical: RM2,253.6mil (+9.3%) largely due to better than expected international passenger growth in Malaysia leading to higher PSC revenue
  - Non-Aeronautical: RM2,043.2mil (+10.4%) due to higher retail and commercial revenue in Malaysia by 15.4% and 11.3% respectively
- Non-airport operations: RM297.6mil (+14.4%)
  - Project and repair maintenance: RM155.2mil (+16.9%)
  - Hotel: RM103.2mil (+11.0%)
  - Agriculture & horticulture: RM39.2mil (+14.2%)



# **Group FY17 Results (vs FY16)**

	FY17			FY16			MY	TR	MAHB Group	
(RM'mil)	MY	TR	MAHB Group	MY	TR	MAHB Group	Variance %	Variance %	Variance %	
EBITDA	1,129.9	780.9	1,910.9	990.9	719.1	1,709.9	<b>14.0</b>	<b>8.6</b>	<u> </u>	
PBT	622.0	(287.5)	334.5	466.5	(283.2)	183.3	<b>33.3</b>	<b>(1.5)</b>	<b>82.4</b>	

### **EBITDA increased by 11.8%**

- Malaysia operations: Higher EBITDA by 14.0% mainly due to stronger international passenger growth compared to FY16 by 14.1%, contributing to overall improvement in revenue
- Turkey operations: Recorded an increase in EBITDA by 8.6% in line with 8.5% growth in international passengers

### PBT increased by 82.4%

- Malaysia operations: Higher PBT by 33.3% mainly due to improved EBITDA and lower interest costs
- Turkey operations: Recorded a LBT of RM75.2mil (FY16: LBT of RM56.7mil), prior to taking into account a loss of RM212.2mil (FY16: LBT of RM225.8mil) primarily owing to the amortization of fair value of the concession rights



# **FY17 EBITDA and PBT Reconciliation**

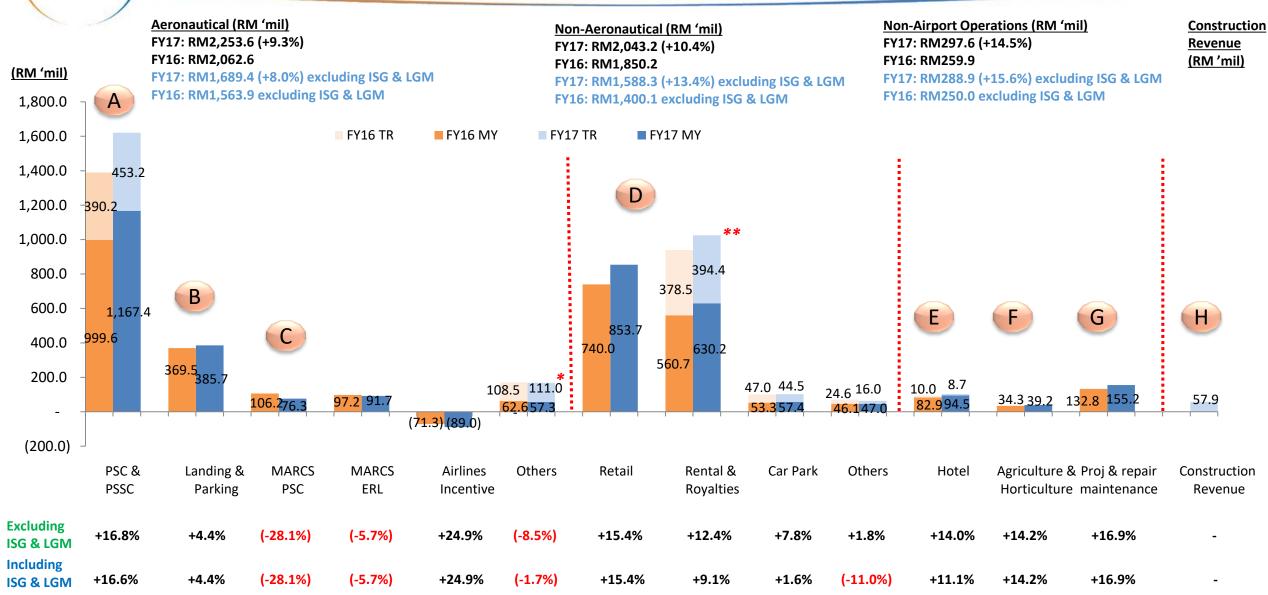
			FY17			FY16			Variance	
(RI	Λ'mil)	MY	TR	MAHB Group	MY	TR	MAHB Group	MY %	TR %	MAHB Group %
	EBITDA excluding adjustments	1,129.9	770.7	1,900.7	990.9	710.3	1,701.1	14.0%	8.5%	11.7%
*Ad	+ Other Income - ISG PPA interest income	-	10.2	10.2	-	8.8	8.8			
	EBITDA including adjustments	1,129.9	780.9	1,910.9	990.9	719.1	1,709.9	14.0%	8.6%	11.8%
	- Depreciation and Amortisation	(352.0)	(337.6)	(689.6)	(340.2)	(308.6)	(648.8)			
*Ad	- Amortisation - ISG&LGM PPA concession rights fair value	-	(191.2)	(191.2)	-	(203.8)	(203.8)			
	- Finance Costs - interest on borrowing and misc.	(176.5)	(111.8)	(288.3)	(199.9)	(86.3)	(286.2)			
	- Finance Costs - ISG utilization fee expense	-	(396.7)	(396.7)	-	(372.8)	(372.8)			
*Ad	- Finance Costs - ISG&LGM PPA interest expense	-	(31.2)	(31.2)	-	(30.8)	(30.8)			
	+ Share of Assoc. & JV Profit	20.6	-	20.6	15.7	-	15.7			
	PBT including adjustments	622.0	(287.5)	334.5	466.5	(283.2)	183.3	33.3%	-1.5%	82.4%
	- Taxation and zakat	(164.5)	67.1	(97.4)	(87.4)	(22.7)	(110.2)			
	PAT including adjustments	457.5	(220.4)	237.1	379.1	(305.9)	73.2	20.7%	28.0%	224.0%

Note: Included within current year retained earnings is a distribution to the perpetual sukuk holders amounting to RM57.5million (FY16: RM57.5million)

<sup>\*</sup>PPA (Purchase Price Allocation): Non-cash adjustments in respect of the fair valuation exercise on the Turkish operations under FRS3: Business Combination (FY17: RM212.1mil; FY16: RM225.8mil)



# **Group Segmental Revenue**



<sup>\*</sup>Included in Turkish operations' aeronautical revenue is ISG's jet fuel farm rental income of EUR7.9mil / RM38.5mil (FY16: EUR8.6mil / RM39.3mil)

<sup>\*\*</sup>Included in Turkish operations' rental and royalties is revenue generated from ISG's duty free business with Setur of EUR48.0mil / RM222.0mil (FY16: EUR51.4mil/ RM232.7mil)



# **Group Explanatory Notes**

A PSC and PSSC

The increase in PSC and PSSC is in line with the higher international passenger movements in Malaysia and Turkey by 14.1% and 8.5% respectively. Malaysian passenger traffic was mainly driven by visa relaxation measures for Chinese and Indian tourists, Umrah traffic, currency advantage and increased tourism promotion. The Turkish operations meanwhile showed continued recovery in passenger movements

B Landing & Parking

Landing & parking revenue in Malaysia increased due to higher international aircraft movements by 11.0%. Landing & parking revenue at ISG is collected by the Government of Turkey

MARCS PSC

MARCS PSC was accrued based on the net impact of the revised PSC against the benchmark PSC. MARCS PSC is lower for the period as several PSC rate categories were revised upwards against the benchmark PSC

D Retail, Rental & Royalties

The increase was aided by improved contributions from higher retail, rental and royalty revenue attributed to:

- stronger spending per passenger in KLIA and klia2;
- escalation of rental rates; and
- MYR currency advantage



# **Group Explanatory Notes**

E

### Hotel

The increase in room revenue at Sama-Sama Hotel was contributed by: Higher average room rate (FY17: RM413; FY16: RM405) and higher occupancy rate (FY17: 81%; FY16: 72%)

**Agriculture & Horticulture** 

The increase was due to higher average price attained per Fresh Fruit Bunches (FFB) by 3.9% (FY17: RM611/MT; FY16: RM588/MT) coupled with the increase in FFB production by 10.4% (FY17: 63,629 MT; FY16: 57,629 MT)

**Project and Repair Maintenance** 

Increase in revenue from the segment mainly comes from the higher contract value at MACS Middle East LLC which provides facilities maintenance services at Hamad International Airport

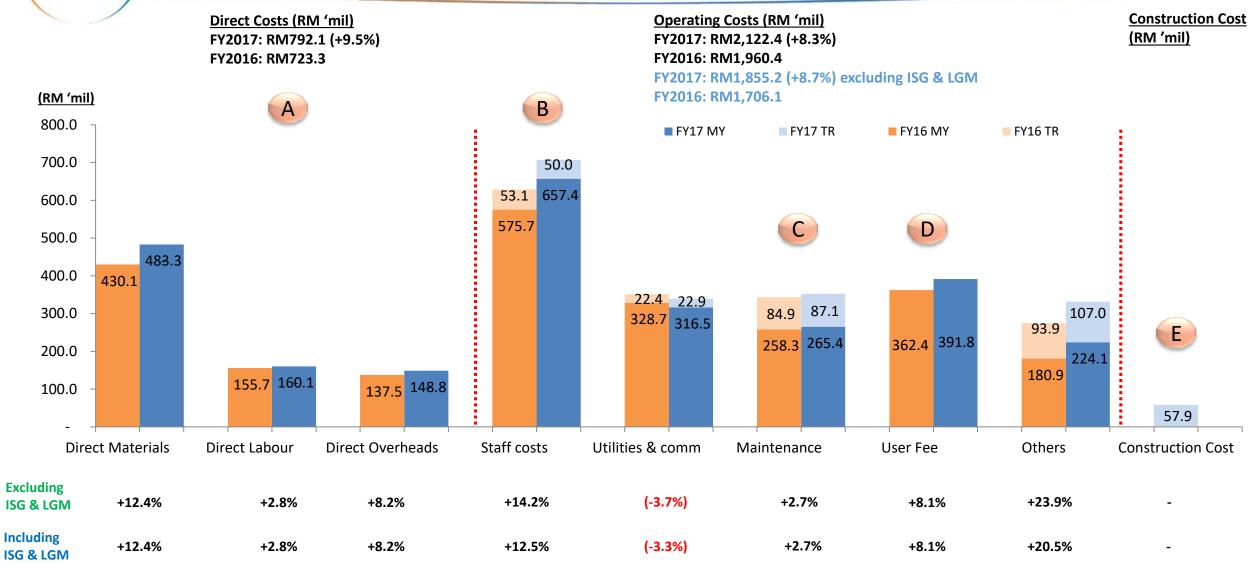
**Construction Revenue (IC12: Service Concession Agreement)** 

IC12 addresses the accounting for 'public-private' arrangements whereby a private sector operator is involved in the construction/upgrading of infrastructure assets to be used in providing public service. Under IC12, the operator may provide construction services to the grantor in exchange for an intangible asset (ie. a right to collect revenue in accordance with the concession agreement)

Construction revenue is in respect of the ISG boarding hall expansion, due for completion by 2H18



# **Group Operating Cost Analysis**





# **Group Explanatory Notes**

**Direct Costs** 

Direct costs rose by 9.5% mainly due to higher sales generated from retail and non-airport operations thereby leading to higher direct material cost

B Staff Costs
Increase in staff costs in Malaysia is mainly due to annual salary increment of 3%-6% and higher bonus provisions

Maintenance
The increase in maintenance expenditure is largely attributed to KLIA and klia2 related costs such as maintenance for cargo screening system, taxiway and apron resurfacing and new contract for airside bussing services and shuttle. Other factors

contributing to the increase in maintenance costs includes the expiry of the defect liability period of klia2 in FY17

**User Fee** 

The increase is mainly due to improvement in airport operations revenue and higher user fee rate (4Q17: 11.55%; 4Q16: 11.18%) as stipulated in the Malaysian Operating Agreements for Malaysia Airports (Sepang) Sdn Bhd and Malaysia Airports Sdn Bhd

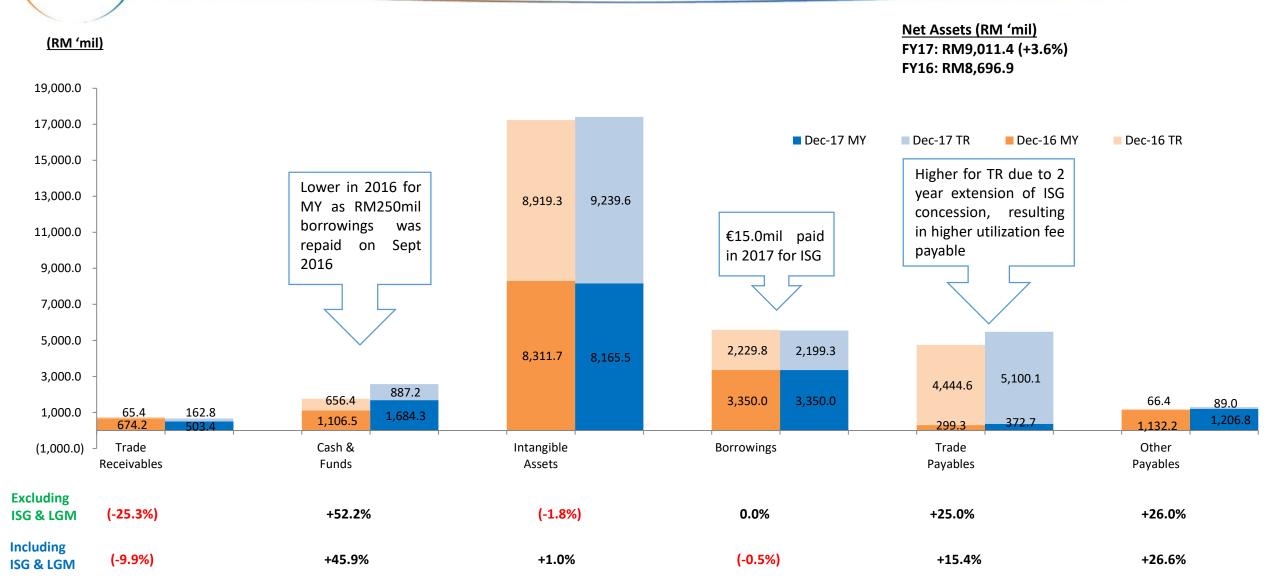
**Construction Cost (IC12: Service Concession Agreement)** 

IC12 addresses the accounting for 'public-private' arrangements whereby a private sector operator is involved in the construction/upgrading of infrastructure assets to be used in providing public service. Under IC12, the operator may provide construction services to the grantor in exchange for an intangible asset (ie. a right to collect revenue in accordance with the concession agreement).

Construction cost is in respect of the ISG boarding hall expansion, due for completion by 2H18



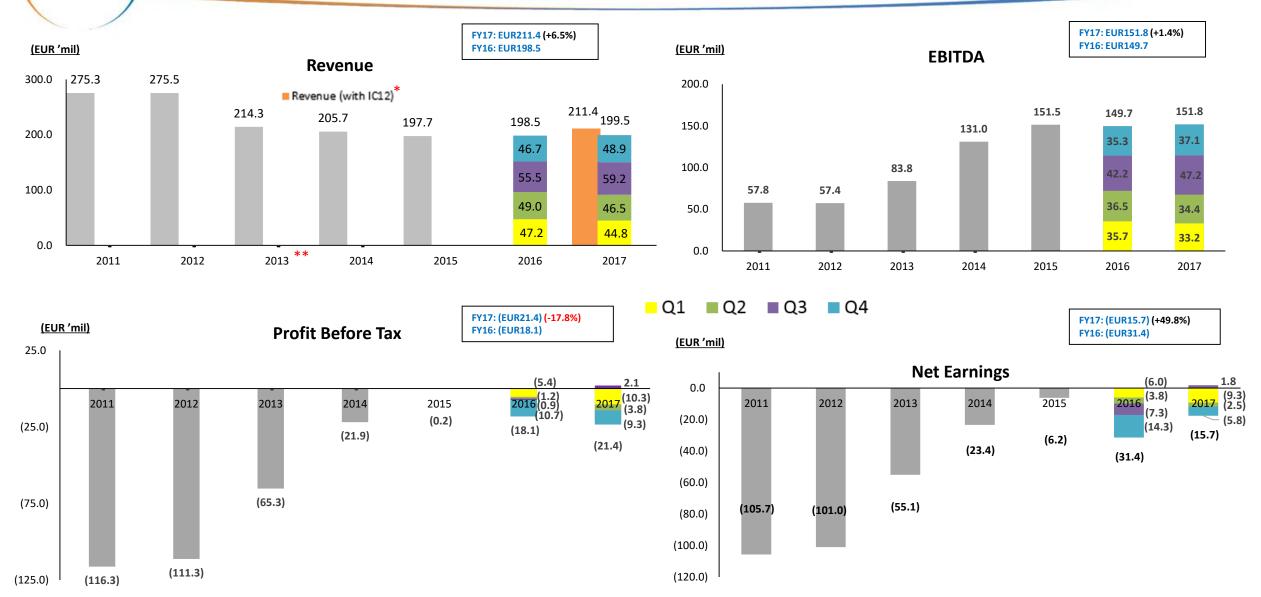
# **Group Balance Sheet Analysis**



Turkish Operations (ISG & LGM) Financial Performance



# **ISG Income Statement Summary**

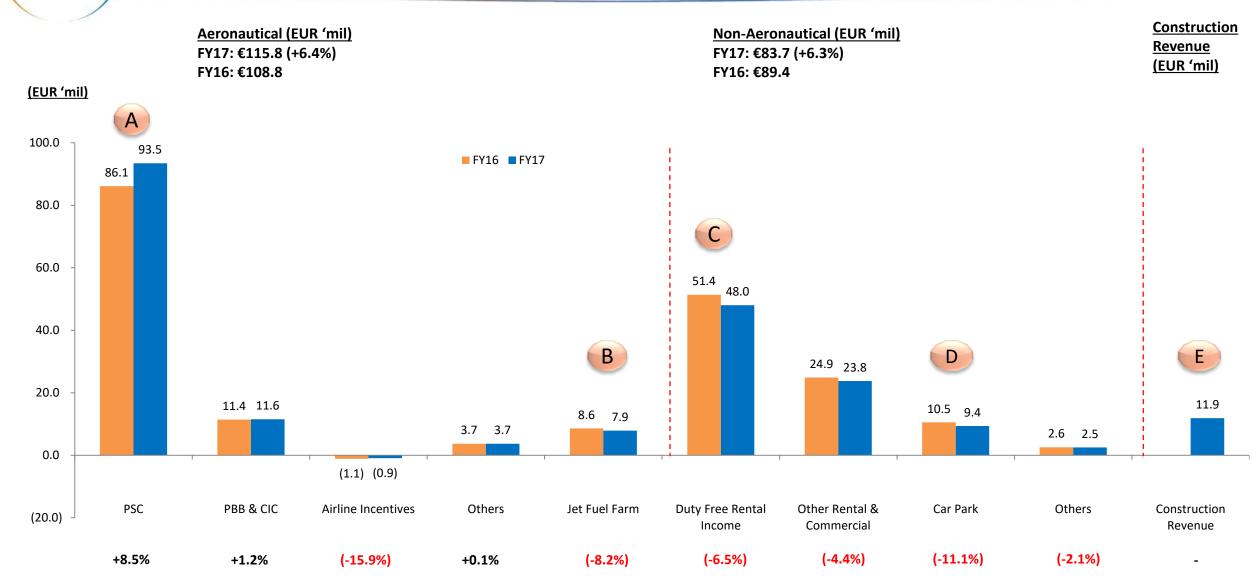


<sup>\*</sup>In relation to IC interpretation 12: Service Concession Arrangement whereby ISG recognised the construction revenues and costs by reference to the stage of completion of Istanbul Sabiha Gokcen International Airport expansion works

<sup>\*\*</sup>Change of business in 2013 from supply of fuel to airlines to provision of fuel farm services to the fuel supplier. With effect from Sept 2014, ISG further changed its fuel farm business to outright rental of the farm in the form of variable rent (tariff) per ton of fuel supplied to airlines



# **ISG Revenue Analysis**





### **ISG Explanatory Notes**

A

#### **PSC**

The increase of 8.5% in PSC revenue is due to the 5.6% rise in passenger traffic, with international passenger movements increasing by 8.5%

- International PSC: EUR15; Domestic PSC: EUR3; International Transfer PSC: EUR5; Domestic Transfer (from 1 March 2016) PSC: EUR1
- B Jet Fuel Farm Rental

The lower jet fuel revenue is in respect of the revision of tariff by the airport authority, leading to lower revenue (FY17:EUR15.38 ton; FY16:EUR21.50 ton) and lower hydrant volume (FY17: 493Kton; FY16: 547Kton)

**Duty Free Rental Income** 

The decrease in duty free rental income was mainly due to a decrease in guaranteed spending per pax from Setur despite the rise in international passenger traffic. ISG will receive revenue amounting to the higher of 46.0% (9M16: 41.5%) between: 1) guaranteed spending per pax which is the contractual income guaranteed by Setur; or (2) actual duty free spending per pax

- Average Spending per pax (FY17: EUR8.87; FY16: EUR9.53)
- Guaranteed spending per pax (FY17: EUR9.50; FY16: EUR13.15)
- Car Park

Car park revenue decreased by 11.1% due to the higher average exchange rate compared to FY16 (FY17: TL 4.11/EUR; FY16: TL 3.34/EUR) despite a 9% increase in car park tariff during the year

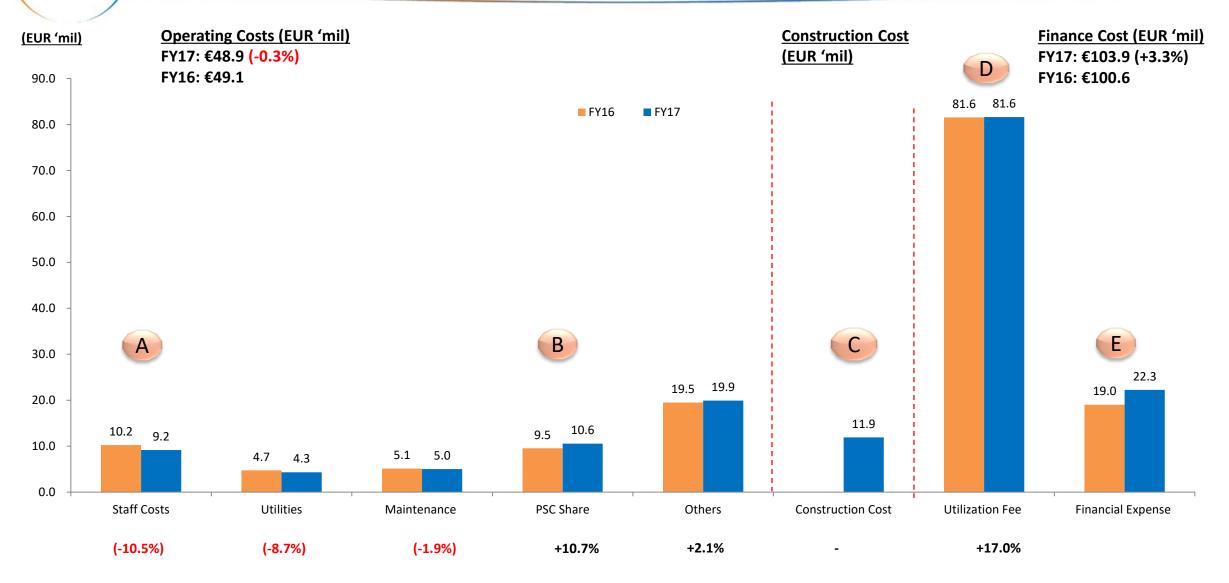
**E** Construction Revenue (IC12: Service Concession Agreement)

IC12 addresses the accounting for 'public-private' arrangements whereby a private sector operator is involved in the construction/upgrading of infrastructure assets to be used in providing public service. Under IC12, the operator may provide construction services to the grantor in exchange for an intangible asset (ie. a right to collect revenue in accordance with the concession agreement)

Construction revenue is in respect of the ISG boarding hall expansion, due for completion by 2H18



# **ISG Cost Analysis**





# **ISG Explanatory Notes**

A Staff Costs

The decrease in staff cost is largely attributable to the higher average exchange rate from Turkey Lira to EUR

**PSC Share** 

This relates to the PSC share to the Government for the increase in PSC tariff

- International PSC share: EUR1.50; International Transfer PSC share: EUR2.50; Domestic Transfer PSC share: EUR0.50
- Construction Cost (IC12: Service Concession Agreement)

IC12 addresses the accounting for 'public-private' arrangements whereby a private sector operator is involved in the construction/upgrading of infrastructure assets to be used in providing public service. Under IC12, the operator may provide construction services to the grantor in exchange for an intangible asset (ie. a right to collect revenue in accordance with the concession agreement)

Construction revenue is in respect of the ISG boarding hall expansion, due for completion by 2H18

**Utilization Fee Finance Cost** 

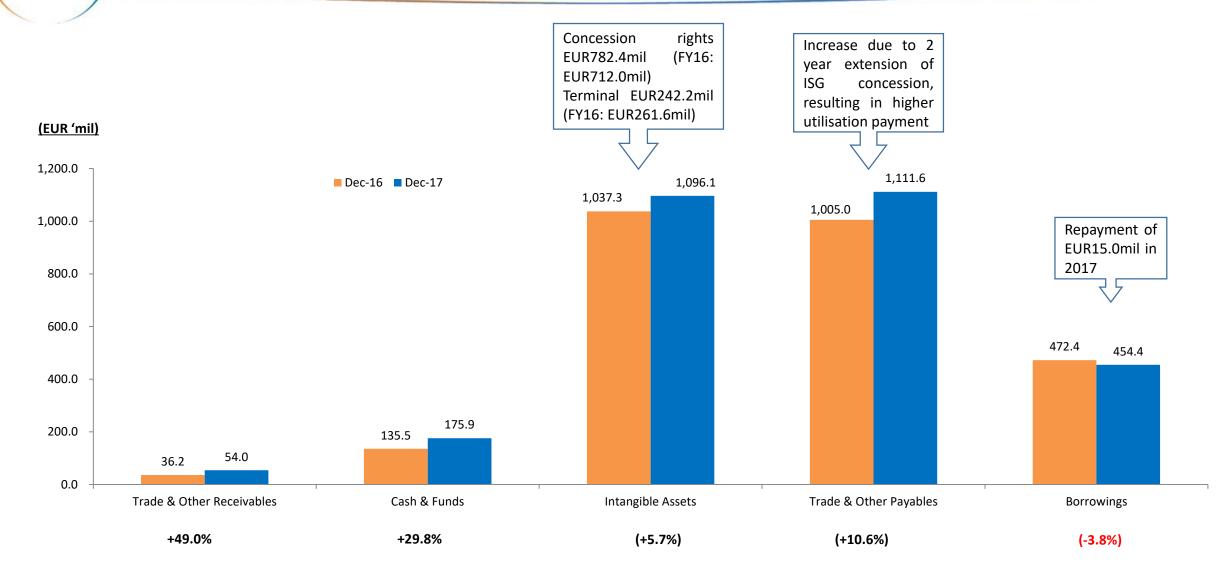
The utilization fee liability represents the present value of amounts payable to the Administration in accordance with the Implementation Agreement for the operation of ISG for 24 years. The actual utilization fee payment is based on a step up basis of which the first cycle is EUR76.5 million, followed by an increase of EUR19.1 million for each step up. The first step up to EUR95.6 million happened in 2015 with the next step up occurring in 2019. The utilization fee finance cost of EUR81.6mil relates to interest expense on utilization fee liability for the period

Financial Expenses, net

The increase is contributed by fair value change for the hedge on ISG's loan and foreign currency loss in FY17

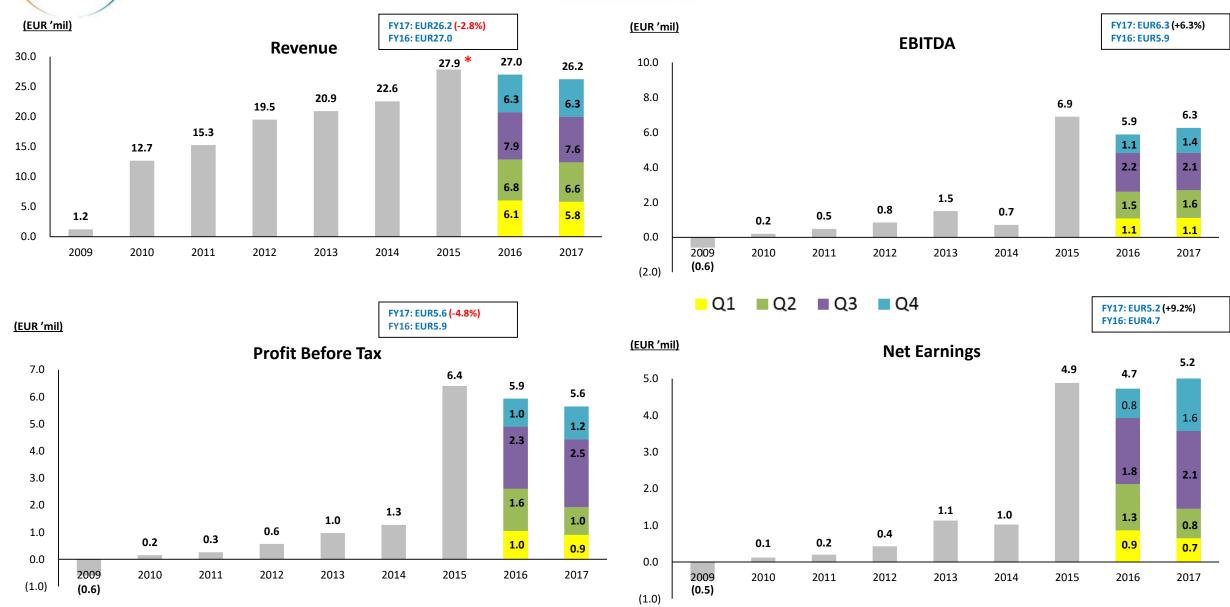


# **ISG Balance Sheet Analysis**





### **LGM Income Statement**



<sup>\*</sup>Decrease in revenue for LGM is mainly due to lower CIP rental revenue due to Akbank Lounge which was closed with effect from August 2015

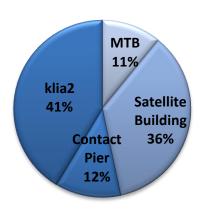




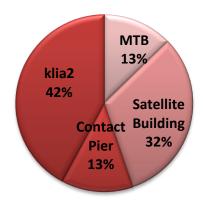
### **KUL - Total Retail and F&B Sales**

		FY17			Sales Per		
Description	Sales * (RM'mil)	No. of Pax ('mil)	Sales per Pax (RM)	Sales (RM'mil)	No. of Pax ('mil)	Sales per Pax (RM)	Pax Variance (%)
Main Terminal Building	228.5			215.6			
Satellite Building	751.7			542.9			
Contact Pier	252.2			223.1			
Total KLIA Main	1,232.3	28.2	43.63	981.7	25.5	38.46	<b>13.4</b>
Total klia2	868.7	30.3	28.70	714.2	27.1	26.33	<b>9.0</b>
Total KUL (KLIA Main + klia2)	<u>2</u> ,1 <u>01.</u> 0	<u> 58</u> .5	35.91	1,695.8	52.6	32.21	<b>11.5</b>

#### Sales at KUL FY17



#### Sales at KUL FY16



- KLIA sales exceeded RM 1.0billion mark in October 2017
- Higher sales at KLIA and klia2 is due to increase in sector movements from China (个29.0%) contributed by additional new routes as well as increase in pax from ASEAN (个15.4%), India (个14.2%) and Australia (个8.2%) for YTD 2017

Note: Data includes permanent retail and F&B while services & promotion is excluded.

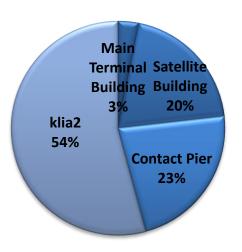
<sup>\*</sup>Preliminary data



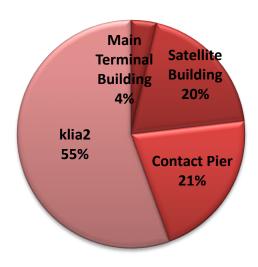
## **KUL - ERAMAN Retail Revenue**

		FY17			FY16		Revenue Per	
Description	Revenue	No. of Pax	Per Pax Revenue	Revenue	Revenue No. of Pax Per P		Variance	Pax Variance
	(RM'mil)	('mil)	(RM)	(RM'mil)	('mil)	Revenue (RM)	(%)	(%)
Main Terminal Building	23.1			23.5				
Satellite Building	147.6			126.5				
Contact Pier	166.0			138.6				
Total KLIA Main	336.7	28.2	11.92	288.6	25.5	11.31	<u> </u>	<b>△</b> 5.4
Total klia2	398.6	30.3	13.17	359.4	27.1	13.25	<b>10.9</b>	<b>(0.7)</b>
Total KUL (KLIA Main + klia2)	735.3	58.5	12.57	648.1	52.6	12.31	<b>13.5</b>	<b>2.1</b>

Retail Revenue at KUL FY17



Retail Revenue at KUL FY16



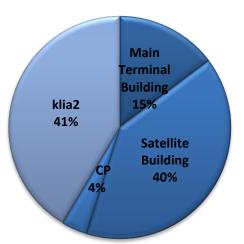
- Top selling duty free products are perfume & cosmetics, followed by tobacco & cigarettes with Chinese citizens being the top spenders per ticket
- Eraman commands about 45.9% of total sales per pax at klia2



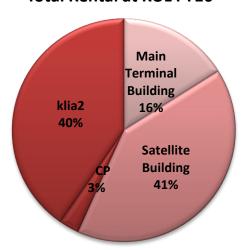
## **KUL - Retail & F&B Rental**

				FY17			FY16						
	ı		Renta	l Revenue	(RM'mil)	Rental			Rental	Revenue	(RM'mil)	Rental	Revenue
Location	No. of Lease out	Space (Sqm)	MGP	Royalty	Total Rental	Revenue (RM'000) per Sqm	No. of Lease out	Space (Sqm)	MGP	Royalty	Total Rental	Revenue (RM'000) per Sqm	Variance (%)
Main Terminal Building	44	5,044	40.2	11.7	51.9	10.3	43	5,014	38.5	7.4	45.9	9.2	
Satellite Building	68	7,662	104.3	36.5	140.8	18.4	65	7,358	99.8	16.2	116.1	15.8	
Contact Pier	13	3,499	4.5	8.7	13.2	3.8	11	3,438	4.3	4.0	8.2	2.4	
Total KLIA Main	125	16,205	149.0	56.9	205.9	12.7	119	15,810	142.6	27.6	170.2	10.8	<b>21.0</b>
Total klia2	82	13,641	98.5	47.2	145.7	10.7	88	13,920	95.6	19.5	115.2	8.3	<b>26.5</b>
Total KUL (KLIA Main + klia2)	207	29,846	247.5	104.1	351.6	11.8	207	29,730	238.3	47.1	285.4	9.6	<b>23.2</b>

#### **Total Rental at KUL FY17**



#### Total Rental at KUL FY16



- KLIA rental revenue per sqm increased due to annual increase in MGP rates at 5%
- Increase in royalty was contributed by positive sales growth mainly from top tenants



## **ISG - Duty Free & Rental Analysis**

## ISG's Duty Free Analysis\*

	Unit	FY17	FY16
Total Duty Free spending per pax	EUR/Pax	8.87	9.53
Guaranteed spending per pax	EUR/Pax	9.50	13.15

		FY17			FY16		Rental	Rental/Sqm
Description	Space (Sqm)	Rental (EUR'mil)	Rental/Sqm (EUR'000)	Space (Sqm)	Rental (EUR'mil)	Rental/Sqm (EUR'000)		Variance (%)
Setur Duty Free	5,050.0	48.0	9.5	5,050.0	51.4	10.2	<b>(6.5)</b>	<b>(6.5)</b>

## **ISG's Retail & F&B Rental Analysis**

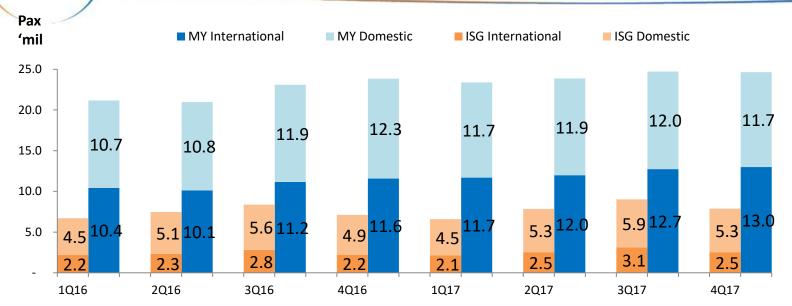
		FY17			FY16	Rental	Rental/Sqm	
Description	Space (Sqm)	Total Rental (EUR'mil)	I Rental Rental/Sqm S JR'mil) (EUR'000) (S		Total Rental (EUR'mil)	Rental/Sqm (EUR'000)		Variance (%)
Food & Beverage	9,107.0	9.9	1.1	9,107.0	10.2	1.1	<b>(2.5)</b>	▽ (2.5)
Retail	1,697.5	1.2	0.7	1,648.9	1.1	0.7	<b>4.0</b>	<b>1.0</b>
Total ISG	10,804.5	11.1	1.0	10,755.9	11.3	1.1	<b>▽</b> (1.9)	<b>(2.3)</b>

<sup>\*</sup> ISG will receive rental revenue amounting to the higher of 46.0% (FY16: 41.5%) between: (1) guaranteed spending per pax which is the contractual income guaranteed by Setur; or (2) duty free spending per pax.





## Passenger movements (Pax)



- Total MAHB network of airports registered 7.8% growth
- International growth at Malaysia airports
   ↑14.1%, led by KLIA ↑14.1%. KLIA sector
   movements to China and India supported
   by visa relaxation measures, with ASEAN
   movements also ↑15.1%
- Positive development in Turkey continued with 8.5% increase in international passenger traffic

	KLIA Main			klia2	KLIA (KUL)		MAS	B Airports *	MY Airports		ISG (SAW)		MAHB Group		
	FY17	FY16	Var %	FY17	FY16 Var %	FY17	FY16 Var %	FY17	FY16 Var %	FY17	FY16 Var %	FY17	FY16 Var %	FY17	FY16 Var %
International	22.1	19.0 📤	16.6	20.3	18.2 🔺 11.4	42.4	37.2 🔺 14.1	7.0	6.1 📤 14.4	49.5	43.3 🔺 14.1	10.3	9.5 🔺 8.5	59.7	52.8 🔺 13.1
Domestic	6.2	6.6 ▼	(6.3)	10.0	8.9 🔺 12.0	16.1	15.5 🔺 4.2	31.1	30.2 📤 2.7	47.2	45.7 📤 3.2	21.0	20.1 📤 4.3	68.1	65.8 📤 3.5
Total	28.3	25.5 📤	10.7	30.3	27.1 🔺 11.6	58.5	52.6 🔺 11.2	38.1	36.3 🔺 4.6	96.4	89.0 📤 8.5	31.3	29.6 📤 5.6	127.9	118.6 📤 7.8

#### **New destinations for home-based carriers in FY17**

Malaysia Airlines
KUL-Nanjing
KUL-Wuhan
KUL-Fuzhou
KUL-Surabaya
KUL-Chongqing

AirAsia/AirAsiaX KUL-Bhubaneswar KUL-Osaka-Hawaii KUL-Sihanoukville KUL-Nha Trang KUL-Davao KUL-Hua Hin

KCH-Pontianak BTU-Singapore LGK-Shenzhen KCH-Shenzhen KCH-Pontianak Malindo Air
SZB-Hat Yai
KUL-Dhaka
KUL-Ahmedabad-Jeddah
KUL-Guangzhou
KUL-PEN-Haikou
KUL-Yangon
KUL-Phnom Penh

KUL-Chittagong
KUL-Denpasar-Brisbane
KUL-Chennai
KUL-Bangalore
PEN-Singapore
PEN-Phnom Penh
PEN-Hatyai
BKI-Taipei

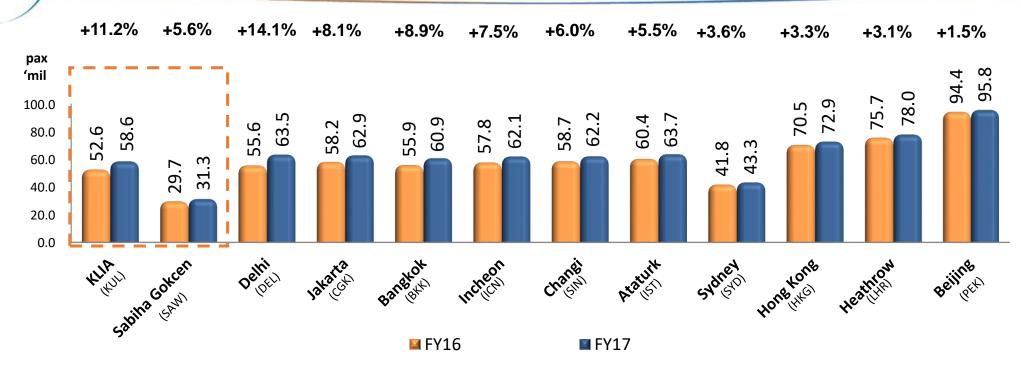
Pegasus Airlines
SAW-Volvograd
SAW-Grozny
SAW-Samara
SAW-Nizhny Novgorod
SAW-Abu Dhabi
SAW-Abu Dhabi
SAW-Kastamonu
SAW-Sinop

Anadolu Jet SAW-Dalaman SAW-Merzifon SAW-Erzincan SAW-Igdir

<sup>\*</sup>MASB Airports refers to the 38 Malaysian airports other than KLIA/KUL operated by Malaysia Airports Sdn Bhd.



## **Airport Peers Passenger Movements**



Global Drivers

- Global revenue passenger kilometres (RPKs) increased by 7.6% compared to a year ago suggesting another year of above trend growth, well ahead of the ten-year average pace (5.5%).
- Passenger growth in 2017 was supported by a broad based pick-up in global economic conditions as well as stimulus from lower airfares.
- RPKs are carrying solid momentum into 2018, alongside buoyant global economic conditions. Nevertheless, a moderate slowdown in 2018 growth is expected, as the stimulus to demand from lower airfares fades.
- Airlines based in Asia Pacific posted fastest full year international RPK growth rate for the first time since 1994, 9.4% up from 8.8% in 2016.

Source: IATA: 2017: above-trend air passenger growth and a record load fact (1st February 2018)

Source: Various airport websites, IATA



50.0

0.0

32.1 73.3

1Q16

# **Aircraft Movements (ATM)**

#### ATM '000 ■ MY International ■ ISG International ISG Domestic MY Domestic 200.0 129.6 127.4 150.0 136.4 130.5 128.3 126.3 122.7 129.5 100.0

38.4 74.

3Q16

38.6

2Q16

## **Snapshot of new services from foreign based carriers in FY17**

	Airline	Routing	Frequency	Effective
	Himalaya Airlines	Kathmandu-KUL	5x weekly	10/2
	US-Bangla Airlines	Dhaka-KUL	5x weekly	1/3
10	Philippine Airlines	Manila - KUL	Daily	8/6
ne	Batik Air	Jakarta – KUL	Daily	10/6
iri	JC Cambodia	Phnom Penh – KUL	2x weekly	13/6
A A	Air Manas	Bishkek-SAW	5x weekly	16/6
New Airlines	Eurowings	Cologne-SAW	4x weekly	16/6
	China Southern Airlines	Guangzhou – LGK	3x weekly	11/7
	Eurowings	Stuttgart-SAW	4x weekly	15/7
	Fly Baghdad	Baghdad-SAW	3x weekly	28/10
	Lucky Air	Kunming-KUL	4x weekly	16/1
	Thai Smile	mile Bangkok-BKI Daily		26/3
S	Xiamen Airlines	lines Fuzhou-BKI		9/1
ice	Lion Air	Medan – KUL	Daily	24/5
erv	Thai Smile	Bangkok - KUL	Daily	25/5
V S	Batik Air	Medan-KUL-Chennai	Daily	23/7
New Services	Batik Air	Denpasar-KUL-Chennai	Daily	26/8
	Lucky Air	Lijiang-MYY	3x weekly	12/12
	Xpress Air	Pontianak-MYY	2x weekly	12/12
	Batik Air	Jakarta-BKI	2x weekly	20/12
pa	China Airlines	Taipei – PEN	From 7x to 10x weekly	14/5
Upgraded Services	Oman Air	Muscat - KUL	From 7x to 14x weekly	26/6
ogr	Shanghai	Shanghai - KUL	From 7x to 14x weekly	30/6
77	US-Bangla Airlines	Dhaka-KUL	From 6x to 10x	1/11

	KLIA Main		KLIA Main klia2 KLIA (KUL)		M	ASB Airports*	ı	//Y Airports	ı	SG (SAW)	M	AHB Group		
	FY17	FY16 Var %	FY17	FY16 Var %	FY17	FY16 Var %	FY17	FY16 Var %	FY17	FY16 Var %	FY17	FY16 Var %	FY17	FY16 Var %
International	147.2	129.3 🔺 13.8	119.6	109.9 🔺 8.8	266.8	239.2 📤 11.5	64.1	58.9 🔺 8.9	330.9	298.1 📤 11.0	76.4	80.0 🔻 (4.5)	407.3	378.1 📤 7.7
Domestic	55.1	57.3 🔻 (3.8)	64.1	59.0 📤 8.6	119.2	116.3 🔺 2.5	397.8	397.2 🛆 0.2	517.0	513.5 🛆 0.7	134.6	140.3 🔻 (4.1)	651.6	653.8 🔻 (0.3)
Total	202.3	186.6 🔺 8.4	183.7	168.9 📤 8.8	386.0	355.5 📤 8.6	462.0	456.1 🔺 1.3	848.0	811.6 📤 4.5	210.9	220.3 🔻 (4.3)	1,058.9	1,031.9 📤 2.6

36.8 <mark>86.</mark>

22.1

3Q17

33.4

4Q17

30.3<mark>67.6</mark>

1Q17

4Q16

2Q17

<sup>\*</sup>MASB Airports refers to the 38 Malaysian airports other than KLIA/KUL operated by Malaysia Airports Sdn Bhd.



## **FY18 Headline KPI and Outlook**

#### **FY2017 Headline KPI**

# **Key Performance Indicators (KPIs)**

Target 2018

Profitability (EBITDA)

## RM2,092.0mil

RM1,189.3mil – MAHB MY RM880.9mil/EUR179.4mil - ISG & LGM IRM21.8mil/QAR19.8mil – MACS ME (Qatar)

Airport Service Quality

40 mppa: KLIA Ranking Top 10

#### **FY2018 Outlook**

### 2018 Passenger growth:

• MAHB MY: 6.3% (Int'l: 8.3%, Dom: 4.2%)

• **ISG: 7.4%** (Int'l: 11.8%, Dom: 5.2%)

#### Optimistic trends:

- GDP growth for Malaysia is estimated to be between 5.0% and 5.55% for 2018
- IATA meanwhile has forecasted global and Asia Pacific scheduled passenger traffic growth for 2018 to be in the range of 6.0%
- Moderate traffic growth in Turkey for the near term

## > Tourism support from Government:

- Impending elections combined with increase in per capita income
- Relaxation of Umrah visa initiatives and Malaysia Airlines Umrah Charter operations

\* Exchange Rate: EUR/MYR: 4.91; QAR/MYR: 1.10



# **Notes**



# **Notes**



#### MALAYSIA AIRPORTS HOLDINGS BERHAD

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