

Traffic snapshot

- Total MAHB System (including Istanbul SGIA) registered 8.6% growth for 2016 with 10.2mil passenger movements for September 2016 over the same month last year.
- September registered the first double-digit growth (12.3%) for Malaysia Airports passenger movements in 2016.
- Almost all MAHB airports recorded positive with ten airports registering a double-digit growth between 11% to 26%.
- KLIA Main Terminal continues to record double digit growth (35.3%) in passengers over September 2015.
- Kota Kinabalu International Airport registered the highest growth for international passenger traffic at 46% over September 2015.
- Fourth quarter airlines' seat capacity for Malaysia Airports is in the positive territory and is expected to provide buoyant growth.
- Istanbul SGIA's passenger traffic is showing signs of improvement.

Passenger Traffic Snapshot ('000), September 2016

Total	2016 September	2015 September	% YOY	2016 Year- to-date	2015 Year- to-date	%YOY	2016 'LTM	2015 'LTM	%YOY
KLIA	4,429	3,852	15.0%	38,435	36,301	5.9%	51,072	49,130	4.0%
MASB Airports	3,048	2,803	8.7%	26,706	26,072	2.4%	35,525	35,369	0.4%
Total	7,477	6,656	12.3%	65,141	62,373	4.4%	86,598	84,499	2.5%
Istanbul SGIA ²	2,730	2,741	-0.4%	22,541	21,291	5.9%	29,535	27,115	8.9%
Total MAHB System	10,207	9,397	8.6%	87,682	83,664	4.8%	116,133	111,614	4.0%
International	2016 September	2015 September	% YOY	2016 Year- to-date	2015 Year- to-date	%YOY	2016 LTM	2015 LTM	%YOY
KLIA	3,070	2,684	14.4%	27,179	25,814	5.3%	36,124	34,924	3.4%
MASB Airports	502	415	21.0%	4,539	3,912	16.0%	5,912	5,279	12.0%
Total	3,572	3,098	15.3%	31,718	29,726	6.7%	42,037	40,203	4.6%
Istanbul SGIA	926	957	-3.3%	7,316	7,359	-0.6%	9,660	9,451	2.2%
Total MAHB System	4,498	4,056	10.9%	39,034	37,085	5.3%	51,697	49,654	4.1%
Domestic	2016 September	2015 September	% YOY	2016 Year- to-date	2015 Year- to-date	%YOY	2016 LTM	2015 LTM	%YOY
KLIA	1,359	1,169	16.2%	11,256	10,487	7.3%	14,948	14,206	5.2%
MASB Airports	2,546	2,389	6.6%	22,167	22,160	0.03%	29,613	30,089	-1.6%
Total	3,905	3,557	9.8%	33,423	32,647	2.4%	44,561	44,296	0.6%
Istanbul SGIA	1,804	1,784	1.1%	15,225	13,933	9.3%	19,874	17,664	12.5%
Total MAHB System	5,709	5,341	6.9%	48,648	46,579	4.4%	64,435	61,960	4.0%

*September is preliminary, where main variations if any lie largely from the non-scheduled or charter flights at domestic airports

¹LTM refers to the last twelve months, up to and including the month in question

²Istanbul SGIA is Istanbul Sabiha Gokcen International Airport with the SAW three-letter International Air Transport Association (IATA) code

KLIA Main & klia2 Passenger Traffic Snapshot, September 2016

Airport	2016 September	2015 September	% YOY	2016 Year- to-date	2015 Year- to-date	%YOY	2016 LTM	2015 LTM	%YOY
KLIA Main Total	2,283	1,687	35.3%	18,339	17,217	6.5%	23,741	23,540	0.9%
International	1,663	1,307	27.3%	13,687	13,471	1.6%	17,797	18,255	-2.5%
Domestic	619	381	62.7%	4,652	3,746	24.2%	5,945	5,285	12.5%
klia2 Total	2,146	2,165	-0.9%	20,096	19,084	5.3%	27,331	25,590	6.8%
International	1,407	1,377	2.2%	13,492	12,343	9.3%	18,328	16,669	10.0%
Domestic	739	788	-6.2%	6,603	6,741	-2.0%	9,003	8,921	0.9%

Aircraft Traffic Snapshot, September 2016

Total	2016 September	2015 September	% YOY	2016 Year- to-date	2015 Year- to-date	%YOY	2016 LTM	2015 LTM	%YOY
KLIA	29,900	28,890	3.5%	262,241	264,682	-0.9%	350,829	354,120	-0.9%
MASB Airports	36,309	37,158	-2.3%	335,655	348,825	-3.8%	448,900	471,274	-4.7%
Total	66,209	66,048	0.2%	597,896	613,507	-2.5%	799,729	825,394	-3.1%
Istanbul SGIA	19,752	19,893	-0.7%	168,059	153,842	9.2%	220,397	197,812	11.4%
Total MAHB System	85,961	85,941	0.02%	765,955	767,349	-0.2%	1,020,126	1,023,206	-0.3%
International	2016 September	2015 September	% YOY	2016 Year- to-date	2015 Year- to-date	%YOY	2016 LTM	2015 LTM	%YOY
KLIA	19,869	18,999	4.6%	177,014	178,949	-1.1%	236,409	238,790	-1.0%
MASB Airports	4,831	4,385	10.2%	43,794	43,431	0.8%	57,504	58,582	-1.8%
Total	24,700	23,384	5.6%	220,808	222,380	-0.7%	293,913	297,372	-1.2%
Istanbul SGIA	7,243	7,362	-1.6%	61,597	57,049	8.0%	81,096	73,779	9.9%
Total MAHB System	31,943	30,746	3.9%	282,405	279,429	1.1%	375,009	371,151	1.0%
Domestic	2016 September	2015 September	% YOY	2016 Year- to-date	2015 Year- to-date	%YOY	2016 LTM	2015 LTM	%YOY
KLIA	10,031	9,891	1.4%	85,227	85,733	-0.6%	114,420	115,330	-0.8%
MASB Airports	31,478	32,773	-4.0%	291,861	305,394	-4.4%	391,396	412,692	-5.2%
Total	41,509	42,664	-2.7%	377,088	391,127	-3.6%	505,816	528,022	-4.2%
Istanbul SGIA	12,509	12,531	-0.2%	106,462	96,793	10.0%	139,301	124,033	12.3%
Total MAHB System	54,018	55,195	-2.1%	483,550	487,920	-0.9%	645,117	652,055	-1.1%

MAHB system's airport traffic performance

MAHB system of airports (including Istanbul SGIA) recorded 10.2million passengers in September 2016, an 8.6% growth over September 2015. Domestic traffic recorded 5.7million passengers with 6.9% growth while the international traffic recorded 4.5million passengers with a y-o-y increase of 10.9% compared to the same period a year ago. On year-to-date basis, the total MAHB system (with Istanbul SGIA) registered 4.8% growth with 87.7million passengers. Overall aircraft movements increased by 0.02% with international and domestic movements registering a growth of 3.9% and decline of 2.1% respectively over September 2015.

On the domestic front, Malaysia airports registered 7.5million passengers in September 2016, a 12.3% year-on-year growth over September 2015. International sector recorded 3.6million passengers, a growth of 15.3% while domestic sector recorded 3.9million passengers with a 9.8% increase. Overall aircraft movements increased by 0.2% for the same period. There was an increase of 5.6% and a decrease of 2.7% respectively for international and domestic aircraft movements in Malaysia over September 2015. Overall average load factors improved to 74.7% in September 2016, an increase by 5.9 percentage points compared to the same month last year.

KLIA passenger movements recorded a 15% increase in September 2016 registering 4.4million passenger movements. KLIA Main Terminal traffic grew by 35.3% while klia2 declined by 0.9%. The record double-digit growth of KLIA Main Terminal was partly attributable to improvement in Malaysia Airlines domestic traffic, other new airlines international traffic contribution and Malindo Air's movements after the transfer to KLIA Main Terminal since 15 March 2016. The year-to-date passenger traffic for KLIA Main terminal recorded 18.3million passengers, an increase of 6.5% over the same corresponding period last year, while klia2 recorded 20.1million, an increase of 5.3% over the same period last year. Overall aircraft movements at KLIA increased by 3.5% over September 2015. International aircraft movements at KLIA registered an increase of 4.6% while domestic aircraft movements registered a growth of 1.4%.

Istanbul SGIA passengers declined by a marginal 0.4% in September 2016 over the same period last year. The international sector declined by 3.3% while the domestic sector increased by 1.1%.

Overview of traffic

The overall passenger traffic growth of 8.6% for the MAHB system of airports in September was mainly driven by MAHB's airports in Malaysia. Malaysia's MAHB airports' 12.3% growth in traffic for September is the first double-digit growth for 2016. Almost all MAHB's airports recorded positive growth with ten airports registering double-digit growth in the range of 11% to 25%. All

the five international airports registered high growth rates ranging from 10% to 46%. Kota Kinabalu International Airport registered the highest growth for international traffic over September 2015 at 46%. In addition, Kota Kinabalu International Airport grew by 11% for the domestic traffic.

For September 2016, 21 carriers recorded double-digit growth for the international traffic over September 2015. These airlines experienced passenger traffic increases in the range of 12% to 90% over September 2015. The traffic was further supported by new foreign airlines that were not operating in 2015. All the local airlines experienced double-digit growth. Malindo Air grew by 50%, while AirAsia and Malaysia Airlines Berhad registered a 10% growth respectively. This is the first positive growth for Malaysia Airlines Berhad for 2016. All Regions other than Europe recorded good growth from 9% to 29%.

Third quarter traffic

Total MAHB system handled 31.4million passengers in the third quarter of 2016 registering a 5.8% growth over the same corresponding period last year. Domestic movements increased by 5.0% while international movements increased by 6.7%. Third quarter passenger movements was 10.4% and 12.6% higher than the second and first quarters of 2016 respectively. Malaysia's traffic for the third quarter registered 23million passenger movements, 9.4% increase over 2015. With respect to growth, this was the highest among all quarters in 2016, as compared to 3.7% in first quarter and 0.1% in the second quarter. Istanbul SGIA performance was affected by the bombing incidents and political uncertainties in Turkey especially in the third quarter. Though the third quarter traffic was higher than previous two quarters, year-on-year, the third quarter registered a 3.1% decline in traffic over third quarter 2015.

Year to date traffic

MAHB's total system of airports handled 87.7million passengers up to September 2015 registering a 4.8% growth over the same corresponding period last year. Domestic movements increased by 4.4% while international movements increased by 5.3%. Malaysia Airports registered 4.4% growth in passenger movements, while Istanbul SGIA registered 5.9%. Aircraft movements declined by 0.2% over the same period last year.

Industry Outlook

IATA's forecast for global passenger growth remains at 6.2% for 2016 and 8.5% for Asia Pacific. There are some positive developments in the Malaysia market with the aggressive growth of not only many foreign airlines but also the local airlines. Malindo Air and AirAsia Group registered positive growth while Malaysia Airlines had a positive turn around for domestic sector from July 2016. Malaysia Airlines Berhad registered a first positive for international traffic in September with a 6.3% increase.

It should be noted that the airlines' seat capacity increase which remained in the negative for the first 8 months, indicates a net positive of 4.8% for the last quarter. There was a double-digit increase in passenger traffic in many sectors including China, Japan, India, Iran, South Korea, Turkey, New Zealand, Qatar, Taiwan, Jordan, Singapore, Maldives and Vietnam. The airlines and destination growth that has picked momentum will likely hold at least until the end of the year.

International Monetary Fund (IMF) has in October 2016 projected a 4.3% growth for Malaysia in 2016 and 4.6% in 2017. Though IMF has revised its estimate for the global economy downwards by 0.1% compared to the April estimate, Asia and ASEAN economies are expected to be improving as they move into 2017.

In view of the optimism as well as increasing average load factor and the lower base of 2015, 2016 is expected to end with a relatively higher growth than the 2.5% forecasted over 2015.

The travel warnings to Turkey and visa requirements may hinder Istanbul SGIA's growth. There has been some improvement in numbers for September but it is not enough to reverse the negative cumulative. In view of the foregoing events in Turkey, we expect Istanbul SGIA growth to be mainly driven by the domestic sector.

MAHB including Istanbul SGIA's passenger traffic for fourth quarter is likely to have the best performance and this is expected to result in an optimistic growth for the whole of 2016.

10 October 2016

Research & Planning