

Traffic snapshot

- Total MAHB System (including Istanbul SGIA) registered 4.2% growth for the first half of 2016 as both local and foreign carriers fill the void left by a restructured Malaysia Airlines
- In Malaysia, international passengers registered 4.5% growth while domestic passengers declined by 0.6% as Regional International Airports like Penang and Kota Kinabalu continue to gain critical mass
- The negative growth in June passenger numbers is due mainly to the seasonally-lesser travelling during the Ramadhan period affecting both Malaysia and Turkey
- More positively, airlines' seat capacity offerings for Malaysia in the second half of 2016 is in the positive range as compared to the negative growth in the first half of 2016
- Average load factor for the Malaysia traffic increased by 2.5 percentage points for the first half of 2016
- There are security and macro-economic uncertainties in the second half of 2016

Passenger Traffic Snapshot ('000), June 2016

Total	2016	2015	% YOY	2016	2015	%YOY	2016	2015	%YOY
	June	June		Year- to-date	Year- to-date		'LTM	'LTM	
KLIA	3,896	3,999	-2.6%	24,809	24,051	3.2%	49,696	48,530	2.4%
MASB Airports	2,758	2,999	-8.1%	17,295	17,292	0.02%	34,894	34,828	0.2%
Total	6,654	6,998	-4.9%	42,104	41,343	1.8%	84,591	83,358	1.5%
Istanbul SGIA ²	2,399	2,454	-2.2%	14,163	12,646	12.0%	29,802	25,433	17.2%
Total MAHB System	9,053	9,452	-4.2%	56,267	53,989	4.2%	114,393	108,791	5.1%
International	2016	2015	% YOY	2016	2015	%YOY	2016	2015	%YOY
	June	June		Year- to-date	Year- to-date		LTM	LTM	
KLIA	2,747	2,826	-2.8%	17,610	17,110	2.9%	35,260	34,585	2.0%
MASB Airports	490	462	6.2%	2,931	2,538	15.5%	5,678	5,189	9.4%
Total	3,237	3,288	-1.5%	20,541	19,647	4.5%	40,938	39,774	2.9%
Istanbul SGIA	732	815	-10.2%	4,506	4,355	3.5%	9,855	9,063	8.7%
Total MAHB System	3,969	4,102	-3.2%	25,047	24,002	4.4%	50,794	48,837	4.0%
Domestic	2016	2015	% YOY	2016	2015	%YOY	2016	2015	%YOY
	June	June		Year- to-date	Year- to-date		LTM	LTM	
KLIA	1,149	1,173	-2.0%	7,199	6,941	3.7%	14,437	13,945	3.5%
MASB Airports	2,268	2,538	-10.6%	14,365	14,755	-2.6%	29,216	29,639	-1.4%
Total	3,417	3,710	-7.9%	21,563	21,696	-0.6%	43,653	43,584	0.2%
Istanbul SGIA	1,668	1,639	1.9%	9,656	8,292	16.5%	19,947	16,370	21.9%
Total MAHB System	5,085	5,349	-4.9%	31,220	29,988	4.1%	63,599	59,954	6.1%

*June 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, June 2016

Airport	2016	2015	% YOY	2016	2015	%YOY	2016	2015	%YOY
	June			Year- to-date			LTM		
KLIA Main									
Total	1,920	1,882	2.0%	11,033	11,734	-6.0%	21,910	23,891	-8.3%
International	1,419	1,465	-3.1%	8,343	9,112	-8.4%	16,813	18,424	-8.7%
Domestic	501	417	20.2%	2,680	2,622	2.2%	5,096	5,467	-6.8%
klia2									
Total	1,976	2,117	-6.6%	13,776	12,317	11.8%	27,777	24,639	12.7%
International	1,328	1,361	-2.4%	9,258	7,998	15.8%	18,437	16,161	14.1%
Domestic	648	756	-14.2%	4,518	4,319	4.6%	9,340	8,478	10.2%

Aircraft Traffic Snapshot, June 2016

Total	2016	2015	% YOY	2016	2015	%YOY	2016	2015	%YOY
	June			Year- to-date			LTM		
KLIA	27,373	28,299	-3.3%	172,593	176,593	-2.3%	349,270	348,570	0.2%
MASB Airports	34,251	37,778	-9.3%	222,109	232,590	-4.5%	451,589	467,105	-3.3%
Total	61,624	66,077	-6.7%	394,702	409,183	-3.5%	800,859	815,675	-1.8%
Istanbul SGIA	18,679	17,974	3.9%	107,372	92,566	16.0%	220,986	186,262	18.6%
Total MAHB System	80,303	84,051	-4.5%	502,074	501,749	0.1%	1,021,845	1,001,937	2.0%
International	2016	2015	% YOY	2016	2015	%YOY	2016	2015	%YOY
	June			Year- to-date			LTM		
KLIA	19,019	19,418	-2.1%	117,110	119,404	-1.9%	236,050	235,013	0.4%
MASB Airports	4,700	4,720	-0.4%	28,818	29,124	-1.1%	56,835	59,136	-3.9%
Total	23,719	24,138	-1.7%	145,928	148,528	-1.8%	292,885	294,149	-0.4%
Istanbul SGIA	6,572	6,537	0.5%	39,317	34,425	14.2%	81,440	70,640	15.3%
Total MAHB System	30,291	30,675	-1.3%	185,245	182,953	1.3%	374,325	364,789	2.6%
Domestic	2016	2015	% YOY	2016	2015	%YOY	2016	2015	%YOY
	June			Year- to-date			LTM		
KLIA	8,354	8,881	-5.9%	55,483	57,189	-3.0%	113,220	113,557	-0.3%
MASB Airports	29,551	33,058	-10.6%	193,291	203,466	-5.0%	394,754	407,969	-3.2%
Total	37,905	41,939	-9.6%	248,774	260,655	-4.6%	507,974	521,526	-2.6%
Istanbul SGIA	12,107	11,437	5.9%	68,055	58,141	17.1%	139,546	115,622	20.7%
Total MAHB System	50,012	53,376	-6.3%	316,829	318,796	-0.6%	647,520	637,148	1.6%

MAHB system's airport traffic performance

Passenger movements at MAHB system of airports (including Istanbul SGIA) recorded 9.1million passengers, 4.2% lower than June 2015. International passenger movements recorded 4.0million passengers and domestic movements recorded 5.1million, a reduction of 3.3% and 4.9% respectively. On year-to-date basis, the total MAHB system (with Istanbul SGIA) registered 4.2% growth with 56.3million passengers. Overall aircraft movements declined by 4.5% with international and domestic registering a decrease of 1.3% and 6.3% respectively over June 2015.

Malaysia airports registered 6.7million passengers in June 2016, a decrease of 4.9% year-on-year over June 2015. International sector recorded 3.2million passengers, a decrease of 1.5% while domestic sector recorded 3.4million passengers with a contraction of 7.9%. Overall aircraft movements decreased by 6.7% with a reduction in international and domestic movements by 1.7% and 9.6% respectively over June 2015.

For the first half, international passenger traffic in Penang, Kota Kinabalu, Langkawi, Miri and Ipoh continued with high double-digit growth in the range of 11% to 110%. On the domestic sector, airports that experienced positive growth include KLIA, Langkawi, Kuala Terengganu, Alor Setar and Tawau.

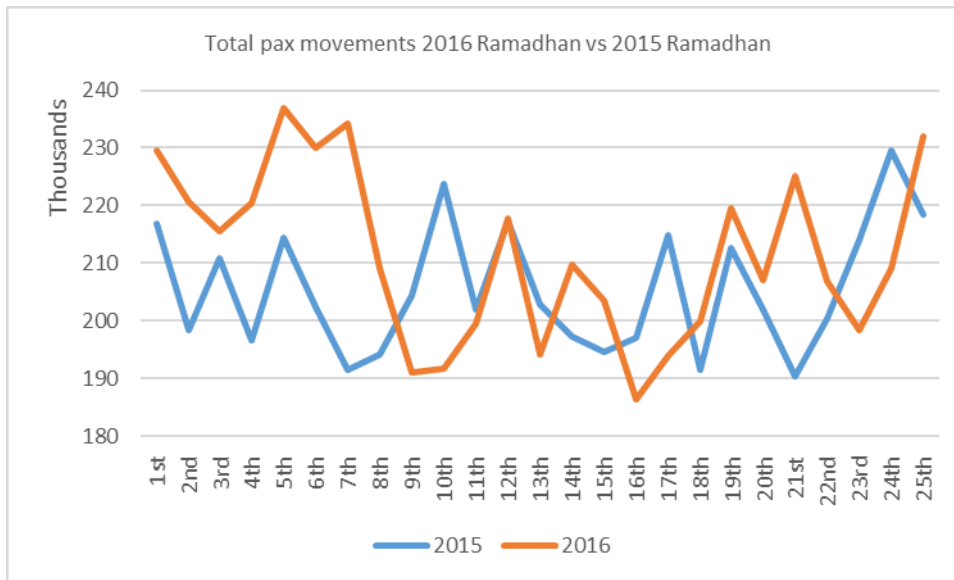
KLIA passenger movements decreased by 2.6% in June 2016. KLIA Main Terminal traffic increased by 2.0% while klia2 declined by 6.6%. The year-to-date passenger traffic for KLIA Main terminal recorded 11.0million passengers, a decline of 6.0%, while klia2 recorded 13.8million, an increase of 11.8% over the same corresponding period. Overall aircraft movements at KLIA in June 2016 decreased by 3.3% over the same month last year. International and domestic aircraft movements at KLIA registered a reduction of 2.1% and 5.9% respectively.

Istanbul SGIA passengers declined by 2.1% in June 2016 over the same period last year. The international sector declined by 10.1% while the domestic sector increased by 1.9%. Istanbul SGIA overall aircraft movements increased by 3.9%. Aircraft movements increased by 0.5% and 5.9% respectively for international and domestic.

On a last-twelve-month basis, the total MAHB system (with Istanbul SGIA) registered 5.1% growth with 114million passengers. Overall aircraft movements for MAHB airports including Istanbul SGIA grew by 2.0% over the same reporting period in June 2015.

Overview of traffic

June 2016 passenger traffic at Malaysia Airports registered a decline mainly due to the lesser travel during the Ramadhan month, typical as previous years. On a like-to-like basis compared to 2015 Ramadhan period, there was an increase in passenger movements by 2.5% for the first 25 days (June) of Ramadhan 2016. The graph below shows the traffic performance for the 2 periods. The abrupt variations observed for some of the days are due to week-ends travel.



This 2.5% growth is encouraging despite the relatively less than favourable air travel demand environment now. China traffic continues to recover and registered over 20% growth in June 2016. Other than the South Asia sector, the other international and domestic sectors generally registered negative growth for June 2016. Direct traffic to Oman, Pakistan, parts of North Asia and New Zealand registered double-digit growth in June 2016 as new flights to some of these countries were introduced.

Airlines seat capacity up to June 2016 remains in the negative while the next half year indicates a positive 1.9%. The negative effect from Malaysia Airlines' frequencies and routes cut continued in the first half of the year. Malaysia Airlines registered a double-digit decline in the international passenger movements and a single-digit decline in the domestic movements. The vacuum created by Malaysia Airlines has largely been filled up by AirAsia group, Malindo and other airlines, all of which registered double-digit growth. Malindo and AirAsia are the main contributors filling up Malaysia Airlines gap and are providing 185 additional frequencies compared to 2015. Other foreign airlines such as All Nippon Airlines, Air China, British Airways, China Southern Airlines, Oman Air, KLM, Turkish and Xiamen Airlines have also increased their operations significantly contributing to the overall growth by foreign carriers.

The 4.5% half year growth in the international sector is a positive sign with respect to latent demand for international travel. Despite the lower seat capacity offered by airlines, the six months 1.8% overall growth was made possible by productivity increases in the form of improved average load factor by 2.5 percentage points.

There was significant improvement in KLIA Main passenger traffic mainly contributed by shifting of Malindo and Lion Air from klia2 and also further contribution from other foreign airlines. This trend is expected to continue. KLIA Main is expected to have an overall positive growth by the end of the year for 2016.

Istanbul SGIA's passenger traffic was negatively affected by the new bombing at neighbouring Ataturk Airport, visa restrictions and also by the lesser travel during Ramadhan month.

Industry Outlook

IATA in its half year report has estimated global passenger growth of 6.2% for 2016 and 8.5% for Asia Pacific. IATA in its global forecast in 2015 forecasted that Malaysia will be among the top 10 countries that will contribute to the additional air traffic in the next two decades. Airlines seat capacity for first half 2016 was in the negative but the passenger traffic continued to grow at 1.8% over the same corresponding year in 2015. In the second half the airlines seat capacity provision is expected to be 1.9% and this is an indication that the inherent demand for air travel continues to remain in the positive territory.

There are challenges for growth. IMF in April 2016 has further revised the global economy forecast downward for 2016 to 3.2% from 3.4% projected in January 2016 and from 3.6% in October 2015. The recent events globally and locally including the spate of bombings at airports, IS threats and Brexit have added some uncertainties to air travel. These events pose a downside risks to air travel.

Nevertheless, MAHB is cautiously optimistic its final passenger numbers for Malaysia airports would at least meet the originally estimated 2.5% growth for 2016. The international growth will likely outpace the domestic growth. This is based on the premise that the current unfavourable conditions would not worsen. The travel warnings to Turkey and visa requirements may hinder Istanbul SGIA's growth in the range of over 10% experienced previously.