

Stock Market Review

MIA expects slight decrease in passengers for 2012



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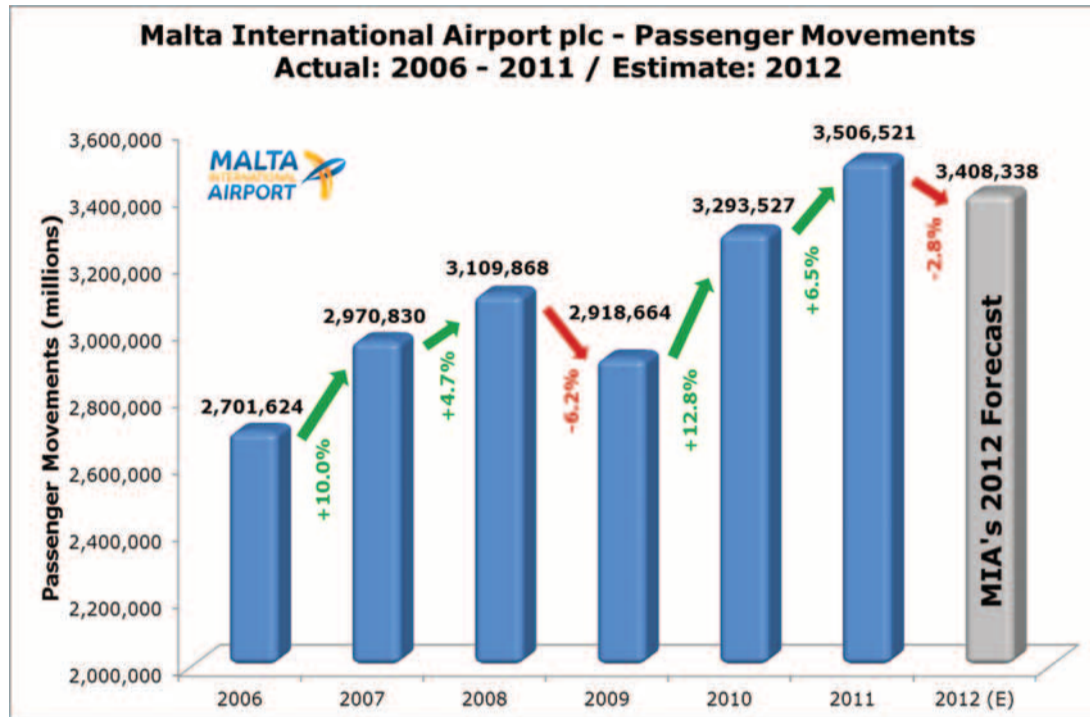
During a press conference held last Friday, the newly appointed CEO of Malta International Airport plc Markus Klaushofer provided further details on the 2011 traffic results of the airport operator following the initial announcement on January 3 of a 6.5 per cent growth in passenger movements to an all-time high of 3.5 million.

As seat capacity decreased due to a lower number of aircraft movements (-3.2 per cent), the increase in passenger traffic came about from a higher seat load factor (airline occupancy) from 70.8 per cent in 2010 to 76 per cent in 2011.

Mr Klaushofer stated that Air Malta remained the largest carrier for the airport as it accounted for 47.9 per cent (2010: 51 per cent) of traffic despite the marginal decline in passengers of 0.2 per cent carried by the national airline. The low-cost carriers Ryanair and Easyjet registered increased passenger movements of 16.5 per cent and 12.6 per cent respectively. These two low-cost airlines now account for 32.1 per cent of all traffic compared to 29.7 per cent in 2010.

Ryanair registered a total of 787,175 passenger movements and this compares well with the indications provided in May 2010 when the low-cost carrier had launched its base in Malta and announced a target of 800,000 passengers during 2011. The remarkable increase in passenger traffic at MIA since the recent low of 2.7 million passengers in 2006 is mostly as a result of the introduction of low-cost carriers which registered a total of 1.1 million passenger movements in 2011. The sharp upturn in low-cost carrier traffic significantly outweighed the decrease in charter business over the years.

July and August remained the peak months for the airport and for the second successive year



over 400,000 passenger movements were registered in both months, accounting for 24 per cent of total traffic during 2011. The seasonality factor remains evident from the passenger statistics with 44 per cent of overall traffic during the first half of the financial year between January and June and 56 per cent during the second six-month period.

Mr Klaushofer also stated that MIA's main markets for 2011 were the UK (31 per cent of market share), Italy (17.6 per cent) and Germany (14.8 per cent) followed by France and Spain. All other markets contributed less than three per cent of passenger movements.

During last Friday's press conference, MIA also provided a forecast for 2012. The CEO explained that the airport operator is forecasting that during the current year, passenger numbers will be 2.8 per cent lower than those registered in 2011. However, the expected amount of passenger movements for 2012 totaling 3.4 million would still represent a three per cent increase from the previous record of 3.3 million achieved in 2010. Mr Klaushofer noted that the 2012 forecast is based on the assumption that the on-going European economic crisis will adversely impact demand for travel particularly from Malta's main markets of UK, Italy, Germany, France and Spain.

In fact, the CEO stated "in the first three months, we will surely

see a decrease in traffic", while MIA is envisaging a consolidation of last year's record results during the peak summer months of July and August. When explaining the rationale behind the 2012 forecast, the CEO also noted that the slight decline takes into consideration a new route by Air France to Toulouse as from April 2012 and Ryanair's seven new routes starting from May. Moreover, MIA also factored in the reduced number of cruise ship calls that are expected to be made this summer related to the Cruise & Fly operation. In 2011, a total of 28 home port calls took place between May and November while MIA is expecting this to decline to 22 calls for the 2012 schedule.

Mr Klaushofer explained that MIA provided a cautious but achievable forecast for 2012 given the difficulty in estimating traffic movements due to the prevailing economic challenges. However, as was evident during 2011, this forecast may be revised during the year once further evidence is revealed on advanced bookings, seat load factors and airline announcements.

MIA's CEO noted with satisfaction the recent confirmation of the seven new routes by Ryanair since these include "some important new destinations". Mr Klaushofer was referring to the new destinations in Scandinavia (Malmo in Sweden and Oslo-Rygge in Norway) and those in Eastern Europe of Wroclaw in

Poland and Kaunas in Lithuania. During last week's press conference, Mr Klaushofer specifically mentioned that the airport operator is targeting increased passenger traffic from emerging markets in Eastern Europe especially in so far as the shoulder months are concerned which have room for improvement. At the time of the recent announcement of these new routes by Ryanair, the low-cost carrier revealed that these should result in a total of one million passenger movements to Malta as from 2013. This would represent a growth of more than 25 per cent from the actual level registered in 2011.

The CEO also made reference to the low-cost airline Norwegian which recently began operating to Malta but the overall contribution has so far remained low at under one per cent. Mr Klaushofer referred to the recent announcement of the Oslo-based budget airline which signed a record-setting deal with both Airbus and Boeing for the delivery of 222 new aircrafts. MIA is hoping that the significant increase in capacity could entice Norwegian to add further routes to Malta.

Mr Klaushofer also revealed a number of events to mark the 20th anniversary of the airport terminal which was originally inaugurated on February 8, 1992. The terminal was extended in 2009 as MIA's objective was to increase the overall level of non-aviation revenue and thereby add further retail outlets on both the landside as well as the airside parts of the terminal. MIA's long-term strategy of diversifying further its revenue streams and reducing dependency on aviation income which tends to be more volatile was the main reason for the decision to invest €16 million in the SkyParks Business Centre. The CEO confirmed that this property will be inaugurated in summer 2012 and further tenants are expected to be confirmed once the development is completed.

MIA has already confirmed that its 2011 financial statements will be published on March 22, 2012. The market expects another strong financial performance following the record passenger movements registered during the year. Meanwhile, MIA shareholders eagerly await the final dividend recommendation which should be easily sustainable given the passenger volumes during the year.

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