Passenger Traffic Snapshot, January to September* 2014

Total	2014	2013		2014	2013	
	September		% YOY	Year- to-date		%YOY
KLIA - KLIA Main & LCCT/klia2	3,817,649	3,970,508	-3.8%	36,101,010	34,394,109	5.0%
Other Airports	2,796,451	2,736,006	2.2%	25,146,166	22,941,296	9.6%
Total	**6,614,100**	**6,706,514**	**-1.4%**	**61,247,176**	**57,335,405**	**6.8%**

International	2014	2013		2014	2013	
	September		% YOY	Year- to-date		%YOY
KLIA - KLIA Main & LCCT/klia2	2,706,319	2,735,844	-1.1%	25,686,548	24,030,697	6.9%
Other Airports	424,135	431,313	-1.7%	4,012,246	3,865,683	3.8%
Total	**3,130,454**	**3,167,157**	**-1.2%**	**29,698,794**	**27,896,380**	**6.5%**

Domestic	2014	2013		2014	2013	
	September		% YOY	Year- to-date		%YOY
KLIA - KLIA Main & LCCT/klia2	1,111,330	1,234,664	-10.0%	10,414,462	10,363,412	0.5%
Other Airports	2,372,316	2,304,693	2.9%	21,133,920	19,075,613	10.8%
Total	**3,483,646**	**3,539,357**	**-1.6%**	**31,548,382**	**29,439,025**	**7.2%**

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

KLIA Main & LCCT/klia2 Passenger Traffic Snapshot, January to September 2014**

Airport	2014	2013		2014	2013	
	September		% YOY	Year-to-date		%YOY
KLIA Main						
Total	**1,938,955**	**2,117,678**	**-8.4%**	**18,575,717**	**18,164,629**	**2.3%**
International	1,472,374	1,588,501	-7.3%	14,200,337	13,920,036	2.0%
Domestic	466,581	529,177	-11.8%	4,375,380	4,244,593	3.1%
LCCT/klia2						
Total	**1,878,694**	**1,852,830**	**1.4%**	**17,525,293**	**16,229,480**	**8.0%**
International	1,233,945	1,147,343	7.5%	11,486,211	10,110,661	13.6%
Domestic	644,749	705,487	-8.6%	6,039,082	6,118,819	-1.3%

*** September comparison is on same airline basis*

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Aircraft Traffic Snapshot, January - September 2014

Total	2014 September	2013 September	% YOY	2014 Year- to-date	2013 Year- to-date	%YOY
KLIA Main & LCCT/klia2	27,461	27,461	-	250,283	238,636	4.9%
Other Airports	37,583	35,375	6.2%	329,040	301,704	9.1%
Total	**65,044**	**62,836**	**3.5%**	**579,323**	**540,340**	**7.2%**

International	2014 September	2013 September	% YOY	2014 Year- to-date	2013 Year- to-date	%YOY
KLIA Main & LCCT/klia2	18,169	17,695	2.7%	167,603	154,348	8.6%
Other Airports	4,766	5,066	-5.9%	45,242	45,679	-1.0%
Total	**22,935**	**22,761**	**0.8%**	**212,845**	**200,027**	**6.4%**

Domestic	2014 September	2013 September	% YOY	2014 Year- to-date	2013 Year- to-date	%YOY
KLIA Main & LCCT/klia2	9,292	9,766	-4.9%	82,680	84,288	-1.9%
Other Airports	32,817	30,309	8.3%	283,798	256,025	10.8%
Total	**42,109**	**40,075**	**5.1%**	**366,478**	**340,313**	**7.7%**

Traffic performance to date

MAHB passenger traffic grew by 6.8% recording 61.2million passengers up to September 2014 compared to the same period over 2013. International and domestic sector grew by 6.5% and 7.2% respectively. Correspondingly, 36.1million passengers travelled through KLIA, recording an increase of 5%. International and domestic sector grew by 6.9% and 0.5% respectively. Aircraft movements grew by 7.2% for the same reporting period.

Third quarter traffic

MAHB airports handled 19.9million passengers in the third quarter of 2014 registering a decline of 2.1% over the same corresponding period last year. International and domestic movements recorded 0.9% and 3.3% declines respectively. Aircraft movements, however, grew by 2.3% over the same period last year. The lower passenger traffic in spite of the growth in aircraft movements implies that demand was softer-than-expected.

For the third quarter many of the main international sectors to and from Malaysia registered declines in traffic. China, Macao and Hong Kong traffic declined in the double-digit range. There was also a marginal decline in Middle East traffic but certain countries in the region registered very high decreases. Declines for Egypt, Iran and Yemen traffic was significant at above 20%. The Europe sector grew marginally by 0.6% but there was a decline of 8-10% for Netherlands and for United Kingdom. There was also a 3.3% decline in domestic traffic in the third quarter.

September traffic

MAHB passenger volume recorded 6.6million in September 2014, a decline of 1.4% against the high traffic growth of 26% recorded in September 2013. International and domestic sectors declined by 1.2% and 1.6% respectively. The decreasing traffic from China, Macao and Hong Kong continued through September. There was also a declining trend of traffic from Netherlands and United Kingdom. Overall Europe sector traffic declined by 3.4% in September 2014. Domestic traffic declined by 10.4% at KLIA as well as other airports including Tawau, Kota Kinabalu, Kuching, Kuantan and Sandakan. There was a drop of 3 percentage points in the average load factor for both the international and domestic sectors.

KLIA traffic

Year to date KLIA handled 36.1million passengers registering 5% growth. International passengers grew by 6.9% while domestic traffic grew by 0.5%. KLIA Main traffic declined by 0.2% while LCCT/klia2 increased by 11%, in part due to the shift of Lion Air and Malindo Air from KLIA Main to klia2. For September 2014 KLIA passengers declined by 3.8%. International and domestic movements declined by 1.1% and 10% respectively. KLIA Main recorded a decline of 12.7% as compared to a 7.3% increase at klia2. On a like-for-like basis, KLIA Main recorded a decline of 8.4% as compared to a 1.4% increase at klia2.

Most of the domestic sectors from KLIA registered a year-on-year decline for September passenger traffic. The highest declines were for Tawau, Kota Kinabalu, Sandakan, Kuantan and Kuching. While the aircraft movements for these sectors also declined, there was also a decline in the average load factors. It is possible that passenger traffic to Sabah airports in particular were affected by the reports of Chinese tourists kidnapped whilst on island vacations.

Overview of traffic

Third quarter passenger traffic performance was slightly below expectations. While the growth rate was affected by the high 2013 base, there appears to be an overall decline in demand for travel in the region. This is obvious from the fact that many of the airports in the ASEAN region had low growth rates year to date up to August 2014 and negative growth for August 2014. Six of the ASEAN capital destinations from KLIA registered year-on-year declines for September 2014. KLIA's year-to-date growth remains higher than the other main ASEAN capital airports. Though this reflects the latent demand for travel, the identified incidents and developments appear to be having a negative impact on traffic numbers. Nevertheless, Malaysia's high base in 2013 extended to the initial months of 2014, is providing support to elevate the year-to-date performance.

Total Pax	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
2014	6,971,500	6,518,608	7,159,059	6,682,678	6,743,439	7,258,099	6,395,919	6,903,774	6,614,100
% yoy	25.8%	17.5%	13.1%	11.5%	2.5%	3.9%	0.4%	-5.0%	-1.4%
2013	5,541,937	5,549,820	6,330,484	5,995,448	6,581,546	6,986,128	6,373,331	7,270,197	6,706,514
% yoy	1.0%	14.2%	11.4%	12.5%	20.5%	21.5%	13.9%	27.8%	26.0%

Malaysia's traffic in the third quarter was likely affected by demand sentiments in the region as well as the two incidents involving Malaysia Airlines' aircraft. In addition, the events in the Middle East may be affecting demand to certain destinations especially Iran, Yemen and Egypt (Middle East and Africa sectors). Emotional sentiments with respect to MH370 in China including Hong Kong and Macao markets appear to remain strong. Malaysia Airlines-operated destinations in Europe especially Amsterdam and Heathrow seem to have been affected by the MH17 incident. The reported kidnappings in Sabah may have an effect on tourist traffic especially to Kota Kinabalu.

The influence of the international travel on the domestic transfer traffic combined with lesser demand for domestic travel is a factor for the lower domestic numbers. This is due to the hub-and-spoke model of airports in Malaysia, where a significant proportion of foreigners travelling to secondary domestic airports first pass through KLIA. The unfavourable circumstances leading to lower propensity for air travel could also be a factor for the erosion of demand. This is symptomatic from the declined average load factor from 72% in September 2013 to 69% in September 2014. A similar drop in percentage points in the international sector was also observed.

Industry Outlook

The full-year growth prospect remains softer than actual traffic growth to-date. The first two quarters announcements of Malaysia's actual GDP performance is promising. However, IMF on 7th October revised the global economy forecast to 3.3% from 3.7% in April and 3.4% in July 2014. The 2015 forecast was also lowered by another 0.2% to 3.8% in October. IMF says the downside risks have increased since the spring. Short term risks include a worsening of geopolitical tensions and a reversal of recent risk spread and volatility compression in financial markets. Medium-term risks include stagnation and low potential growth in advanced economies and a decline in potential growth in emerging markets.

The current global geopolitical events especially in the Middle East has an impact on the traffic growth. In addition, if the conflicts escalate, they may have an impact on jet fuel price, although this is not immediately apparent at this point. Lower global GDP forecasted by IMF and the Ebola outbreak that had spread to Europe could impact traffic negatively. The impact from MH370 and MH17 remains a concern especially for Malaysia Airlines' operations, given the unprecedented nature of having two incidents affecting an airline within a short period of time.

The seat capacity offered by airlines for the next three months remains optimistic in the range of 5.1% average. However, in the recent past the actual performance has been lower than the schedules filed internationally. Based on the global risks this trend may continue to apply for the rest of the year. On balance, MAHB now observes more downside than upside risks to the total traffic numbers for 2014. In spite of the unprecedented nature of sequence of incidents, MAHB is cautiously optimistic that the full-year passenger traffic should not be significantly different from the base case target of over 83 million passengers.

Research and Planning, MAHB

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