Asia Pacific Aviation

Brighter Skies

Andrew Herdman, Director General
ASSOCIATION OF ASIA PACIFIC AIRLINES

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Presentation outline

- AAPA overview
- Combined strength
- Recent performance
- Some global comparisons
- Future outlook

AAPA Association of Asia Pacific Airlines

- Regional trade association representing 17 major international airlines based in Asia Pacific
- Committed to promoting sustainable growth of the aviation industry serving both passenger and freight needs
- Work with member airlines, governments, regulators and industry partners on issues of common concern
- Permanent secretariat headquartered in Kuala Lumpur, Malaysia
- Representation in Washington and Brussels

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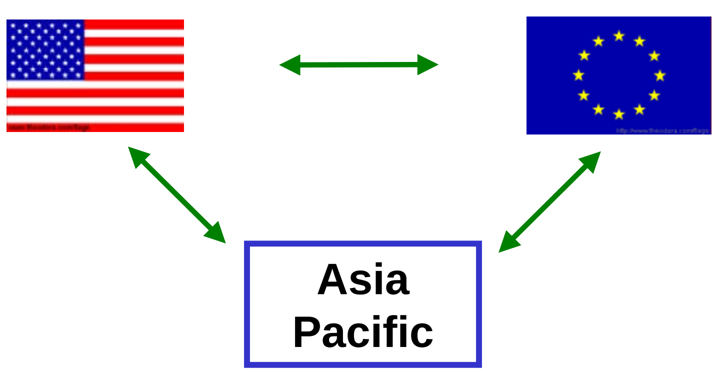
Global regulatory influence



Wider impact of US and EU regulations: need for better global harmonization

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U.S. and EU: regulatory perspectives

- US mainly driven by US domestic political concerns
  - Safety, led by FAA
  - Security, led by DHS/TSA
  - Open (your) Skies
- EU mainly driven by EU domestic political concerns
  - Safety: EASA, Eurocontrol
  - Consumer rights
  - Environment
  - EC assuming lead role in aero-political process
- Insensitivity about extra-territorial impacts: unilateral actions
- Where international issues are taken into account, the focus tends to be on US-EU differences
- Insufficient recognition of Asia-Pacific role and views

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The global economy

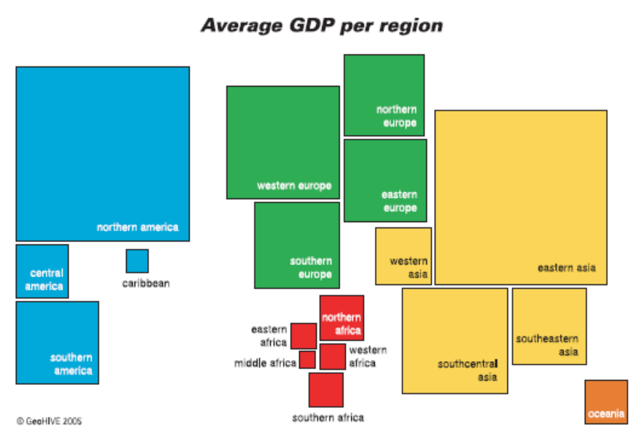

Figure 3. Source: Geohive

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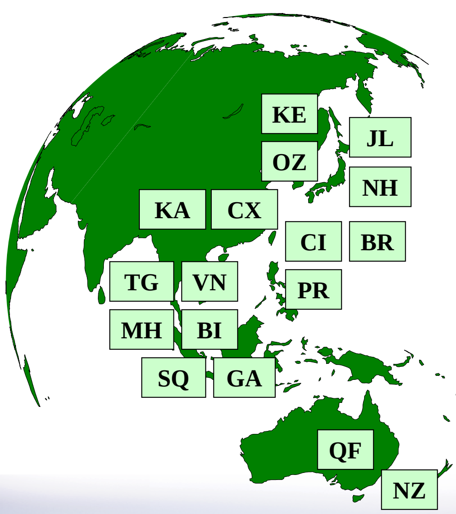
AAPA Combined Strength



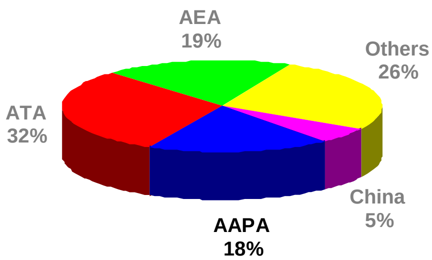
- 17 airlines
- US$ 73 billion revenue
- US$ 2 billion net profit
- 271 million passengers
  - Domestic 143 million
  - International 128 million
- 10 million tonnes of cargo
- 198,000 employees
- 1,300 aircraft

Global Market Share:
~ 18% of global pax traffic
~ 33% of global cargo traffic

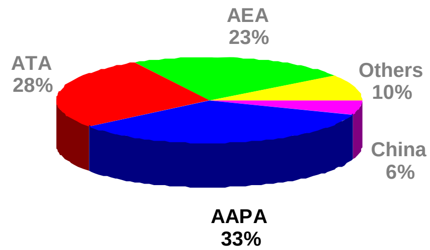
Data: 2005 estimates

AAPA global passenger and freight traffic share

Scheduled Systemwide Revenue Passenger Kilometres



Scheduled Systemwide Freight Tonne Kilometres



Data: 2004

Note: AAPA, ICAO, IATA and ATW

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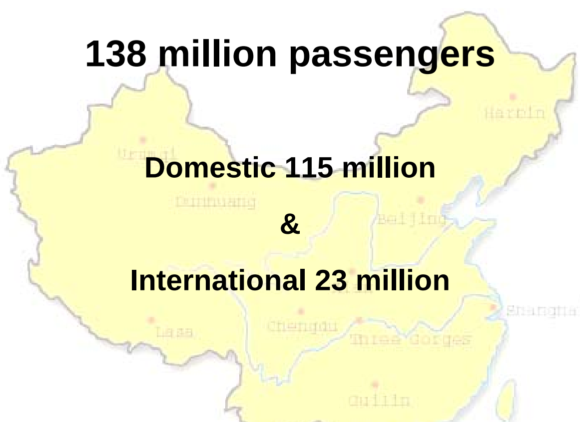
Mainland China aviation market



138 million passengers

Domestic 115 million

&

International 23 million

AAPA carriers are key players in serving the rapidly growing Chinese market

Data: 2005

Source: CAAC

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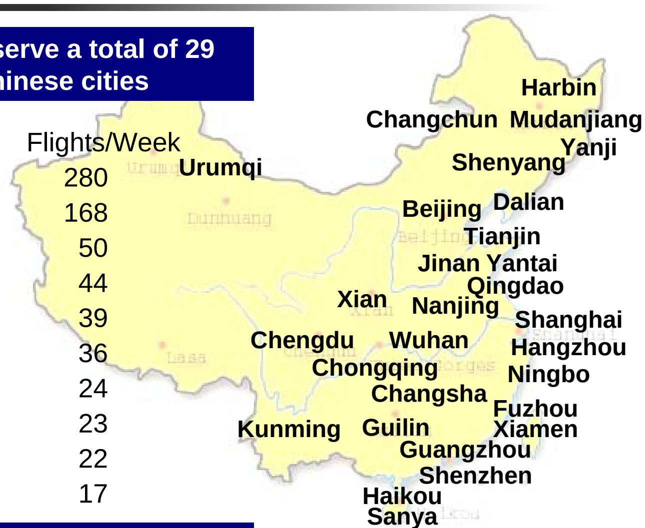
AAPA Mainland China services

AAPA members serve a total of 29 Mainland Chinese cities

		Flights/Week
1.	Shanghai	280
2.	Beijing	168
3.	Xiamen	50
4.	Guangzhou	44
5.	Qingdao	39
6.	Hangzhou	36
7.	Kunming	24
8.	Dalian	23
9.	Chengdu	22
10.	Tianjin	17



Over 800 flights per week

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AAPA India services

AAPA members serve a total of 9 Indian cities

		Flights/Week
1.	Mumbai	41
2.	Delhi	34
3.	Chennai	18
4.	Kolkata	12
5.	Bangalore	11
6.	Hyderabad	7
7.	Ahmadabad	6
8.	Kochi	5
9.	Amritsar	3

Over 130 flights per week

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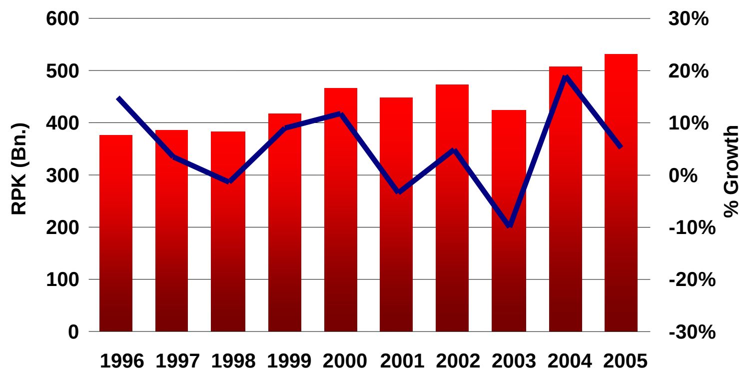
AAPA international passenger traffic

Scheduled International RPKs 1996-2005



Sustained growth in 2005

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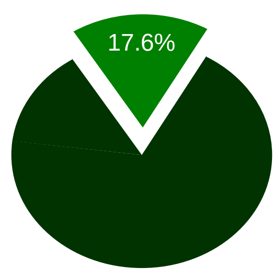
Cargo: key revenue contributor

- AAPA ~ 33% of global cargo traffic
- US$ 11.5 billion revenue
- Belly space complemented by 112 freighters

Cargo revenue contribution



Note: AAPA (FY2005: April 2004 to March 2005)

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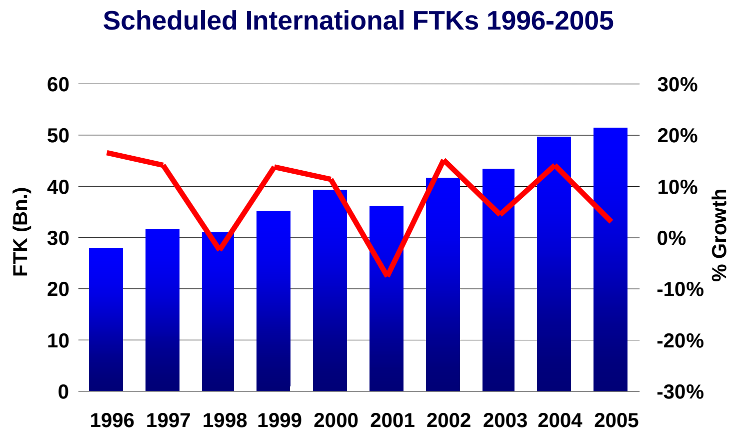
AAPA international freight traffic



Cargo growth moderated in 2005

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Lessons and current challenges

- Traffic growth remains positive
- Competitive pressures remain intense
- Challenges in passing on the impact of high fuel prices to consumers
- Maximising fuel efficiency but already highly efficient
- Optimism about the future reflected in firmer lease rates, and record level of orders for new aircraft
- Labour cost inflation, especially skilled pilots and mechanics
- Infrastructure quality and capacity issues

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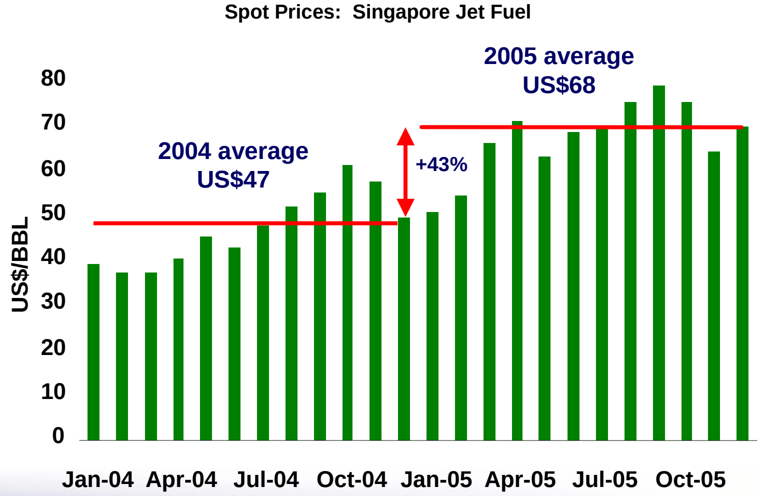
Impact of high fuel costs



Source: International Energy Agency (IEA)

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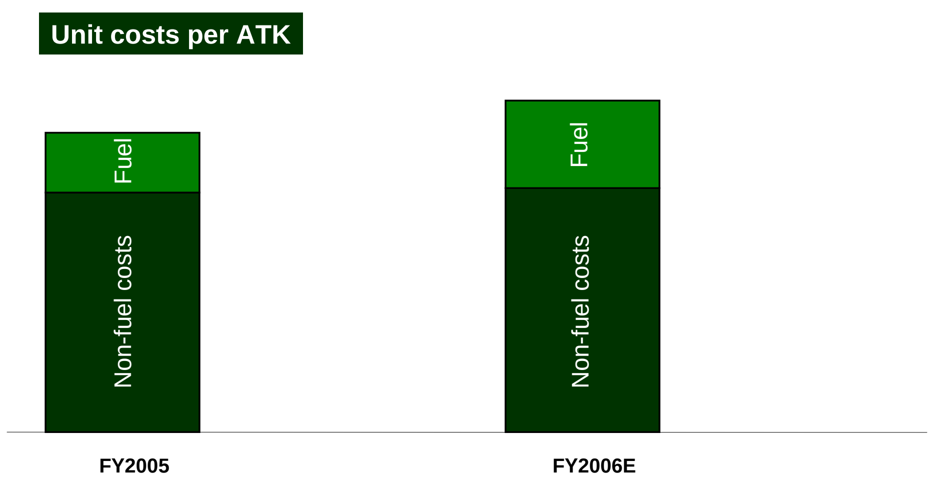
Fuel costs increased from US$12 bn to US$18 bn



Note: AAPA estimates

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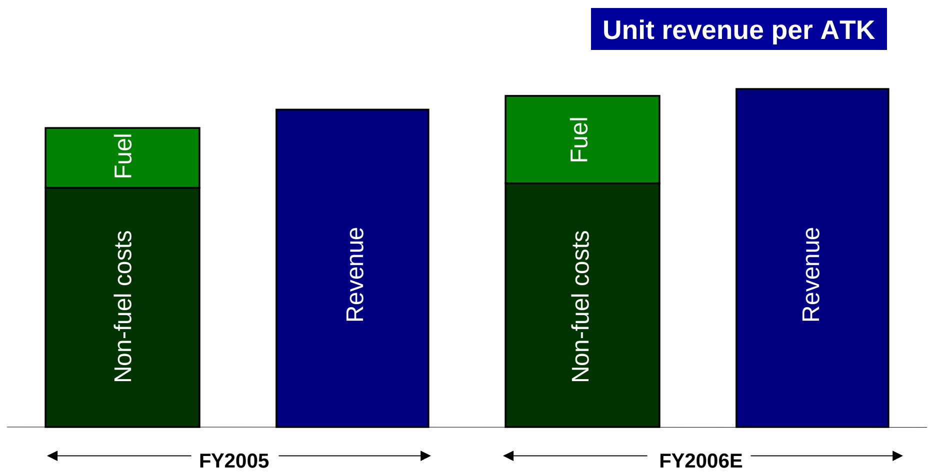
Profitability under pressure



Note: AAPA estimates

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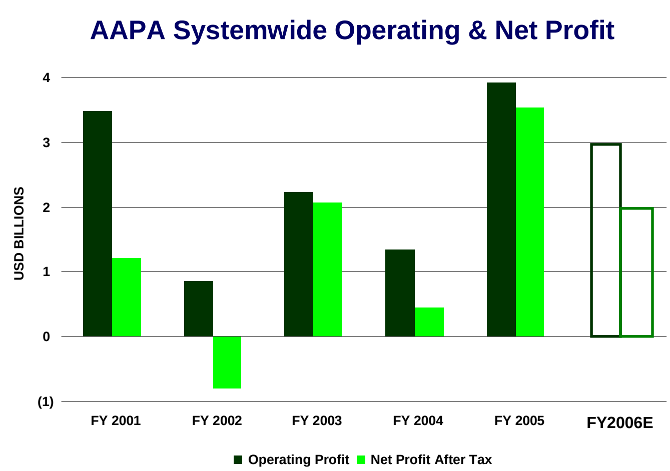
AAPA profitability trends



Cumulative net profit of US$5 billion for AAPA members from FY2002 to FY2005

Source: AAPA (FY2005: April 2004 to March 2005)

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Some global comparisons

- How does airline performance vary in different regions of the world?
- What are the contributory factors which could explain some observed variations?

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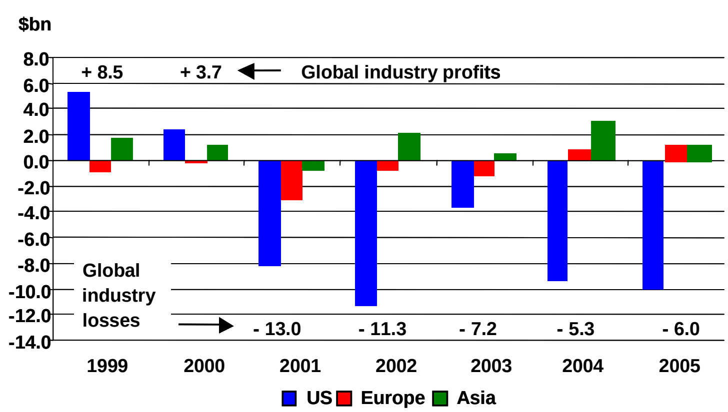
Airline profitability: mixed picture

Airline Profitability by Region



Industry losses top US$42 billion since 2001

Source: IATA

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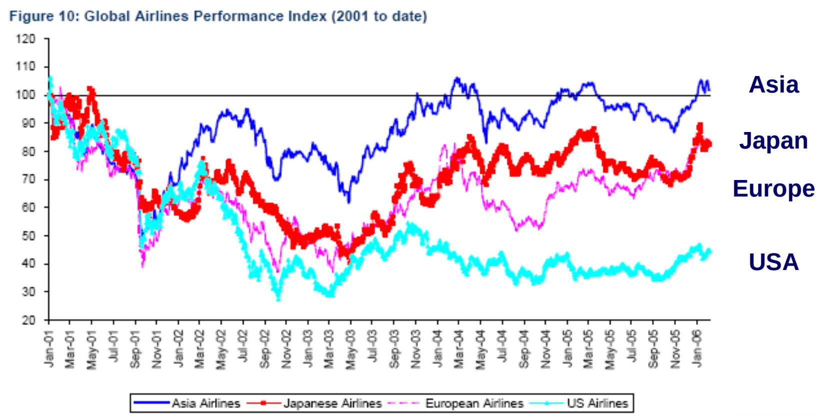
Airline valuations 2001 - January 2006



Source: Credit Suisse

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Airlines: market capitalisation

Region	Carriers	Market capitalisation US$ billion	Revenues US$ billion
USA	ATA (9)	6.8	88.0
	Southwest	*12.9*	*7.4*
	JetBlue	*1.9*	*1.7*
Europe	AEA (10)	23.4	72.4
	easyJet	*2.2*	*2.0*
	Ryanair	*6.3*	*2.0*
Asia Pacific	AAPA (12)	39.0	72.4
	Virgin Blue	*1.2*	*1.5*
	AirAsia	*1.0*	*0.2*

Data: June 2005

Source: Airclaims, Bloomberg, company data and AAPA estimates

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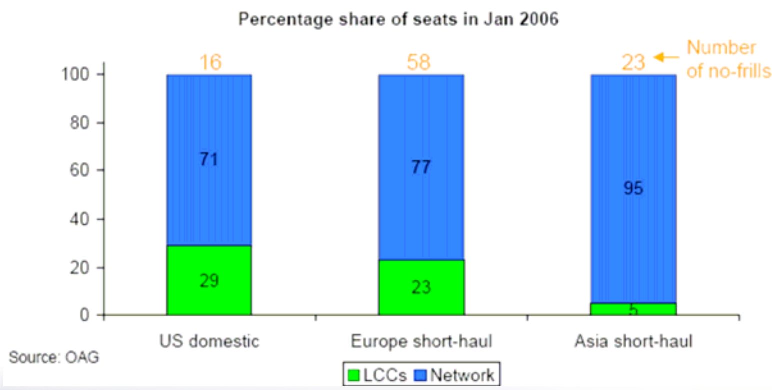
Impact of new entrants

Regional seat capacity



Source: IATA

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New entrants: Asian leaders

Virgin blue
40+ routes to 20+ destinations
50 B737s

Jet★
22 B717s and A320s
Upgrading to all A320 fleet

AirAsia
50+ routes to 30+ destinations
28 B737s
Ordered 60 A320s

Lion Airlines
25 MD80/90s and 6 B737s
Ordered 30 B737-900ERs

CEBU PACIFIC
12 DC-9s and 3 B757s
Upgrading to A319s and A320s

tiger airways.com
13+ routes to 12+ destinations
4 A320
Further 8 A320s on order

ADAMAIR
20+ routes to 18+ destinations
19 B737s
Ordered 30 A320s

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Price-competitive fares

Average yields: US cents/RPK	
easyJet	8.6
Virgin Blue	8.2
Southwest	7.3
Ryanair	7.0
AAPA Y*	5.3
JetBlue	5.2
AirAsia	3.6

Data: 2005

* AAPA Y systemwide economy class yields

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Future outlook

- Global economy
- Market growth
- Fleet development

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Future outlook

- Generally positive outlook for 2006
  - Slowing global economic growth
  - Asia Pacific should still lead, boosted by dynamic growth of China
  - Oil prices expected to remain volatile
- Competitive challenges will remain intense
- However, long term prospects remain bright

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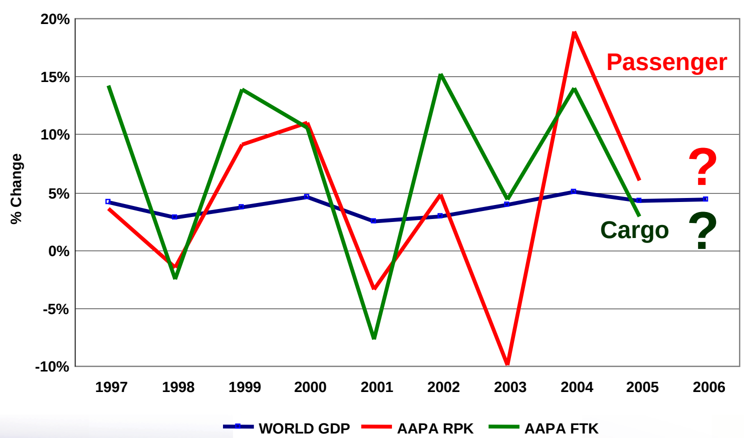
AAPA traffic and world GDP growth



Source: IMF

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AAPA Fleet Development

- ~ 1,300 aircraft
- 72% of AAPA fleet is widebody
  - Operating 37% of the world's B777 fleet
  - Operating 36% of the world's B747 fleet
  - Operating 26% of the world's A330/A340 fleet
- 47 new aircraft deliveries expected in 2006
- 296 more aircraft for delivery from 2007
  - Includes 180 new generation A380 and B787

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Asia Pacific Aviation: Brighter Skies

- At the heart of Asia Pacific's economic development
- Quality service reputation allied to good cost management
- Able to compete against the world's best
- Well placed to take advantage of new global opportunities

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Andrew Herdman, Director General
ASSOCIATION OF ASIA PACIFIC AIRLINES
herdman@aapa.org.my
www.aapairlines.org

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