Overview

• Asia Pacific aviation
• Safety trends
• Current business conditions
• Future growth drivers
• Infrastructure needs
Aviation: moving the world

- Air travel delivers global mobility
- 3.2 billion passengers
  - 9 million people flying per day
- Carries 35% by value of global trade
  - Goods worth US$ 6.4 trillion
- Wider social and economic benefits
- Committed to sustainable growth
- Outstanding safety record

Source: ICAO, ATAG
Unprecedented tragedies

• Every loss brings human suffering
• Even though, flying is extraordinarily safe, and getting safer still
• Industry is delivering continuous improvements in aviation safety performance
• Despite heightened anxieties, public confidence about air travel remains positive
Safety Performance Trends

Western-built Jet Aircraft Major Accident Rates
by Operator Region 2004 - 2014
3-year moving averages

Source: AAPA

- 1 major accident in 1 million flights
- 1 major accident in 2 million flights
- 1 major accident in 3 million flights
Safety

- Airlines operate in a complex and challenging business environment
- Asian airlines are listed among some of the world’s leading safe airlines
- Safety requires long term investment and commitment in resources by all stakeholders
- Greater focus on effective regulatory oversight aligned with agreed ICAO standards
- Enhanced safety performance relies on transparency, collaboration and cooperation between regulators and industry

*Keeping air travel safe, secure and convenient*
Asia Pacific

- Diverse geographic region
- Home to more than 4 billion people
  - 57% of the world’s population
- Dynamic economies generate 31% of global GDP
- Wide range of income levels, rapidly growing middle class
- Aviation widely recognised as a key contributor to economic and social development
- Political diversity remains challenging: need for multilateral cooperation
Asia Pacific Aviation

US$173 billion revenue
US$2 billion net profit
1,078 million passengers
767 million domestic
311 million international
17 million tonnes of cargo
6,268 aircraft

Asia Pacific carriers overall market share:
31% of global passenger traffic
40% of global cargo traffic

Source: Combined AAPA + non-AAPA airlines GMT+5 to GMT+12
Current Business Conditions
Global passenger and cargo traffic

- **Solid growth in passenger demand**
- **Modest revival in cargo markets**

Source: IATA
Global airline industry profitability

Net margins of just 2.7% in 2014, on industry revenue of US$789 billion
Airline profitability trends by region

Largest airlines, EBITDA as % revenues, seasonally adjusted

US carriers reporting higher profits
Selected enterprise values by region

North America
- American
- Delta
- United Continental
- Southwest
- Alaska Airlines

Europe
- Ryanair
- IAG
- Lufthansa
- Air France-KLM
- EasyJet

Asia Pacific
- Air China
- China Southern
- China Eastern
- Cathay Pacific
- All Nippon Airways
- Korean Air
- Japan Airlines
- Singapore Airlines

Market capitalisation as of 24 February 2015

Source: AAPA Estimates
Future Growth
Emerging economies drive growing middle class

Global Middle Class**
(Millions of people)

<table>
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<tr>
<th>Year</th>
<th>Emerging Countries</th>
<th>North America</th>
<th>Europe</th>
<th>World Population</th>
<th>% of world population</th>
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<td>2013*</td>
<td>2,356</td>
<td>1,413</td>
<td>679</td>
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<td>2023</td>
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<td>2033</td>
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<td>4,450</td>
<td>673</td>
<td>8,500</td>
<td>63%</td>
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</tbody>
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Source: Kharas and Gertz, Airbus
* EOY 2013

** Households with daily expenditures between $10 and $100 per person (at PPP)

Source: Airbus
GMF 2014 - 2033
Asia Pacific traffic leading global markets

Source: Airbus GMF 2014 - 2033

20-year world annual traffic growth 4.7%

Source: Airbus GMF 2014

AAPA
ASSOCIATION OF ASIA PACIFIC AIRLINES
Future fleet growth projections

Global total: 36,770 new deliveries, valued at US$5,200 billion

Source: Boeing
CMO 2014 - 2033
Infrastructure

• Aviation infrastructure must keep pace with rapid traffic growth
• Chronic congestion and delays already evident in some areas
• Greater focus on operating efficiency, productivity and cost-effectiveness
• Government responsibility to coordinate planning and long term investment required
• Industry ready to play its part

Infrastructure is critically important
Closing Thoughts

- Aviation is at the heart of global economic development
- Flying is extraordinarily safe, but requires effective regulatory oversight
- Highly competitive market environment
- Asian airlines pressing ahead with both customer service and business model innovation
- Overall prospects for long term growth remain bright but infrastructure planning is a shared challenge

*Shared confidence and optimism about the future*