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ASSOCIATION OF ASIA PACIFIC AIRLINES

Asia Pacific Aviation

Responding to Challenges



Willis



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Director General
Association of Asia Pacific Airlines

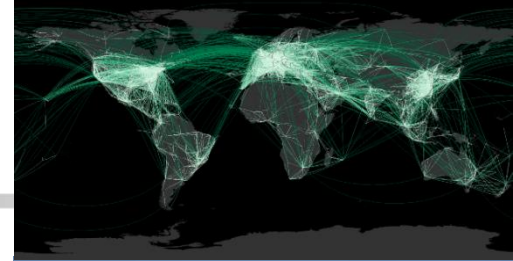
**WILLIS IATA AAPA
ASIA PACIFIC AVIATION
INSURANCE CONFERENCE**
JW MARRIOTT | MARCH 3-5, 2015

Overview

- **Asia Pacific aviation**
- **Safety trends**
- **Current business conditions**
- **Future growth drivers**
- **Infrastructure needs**

Aviation: moving the world

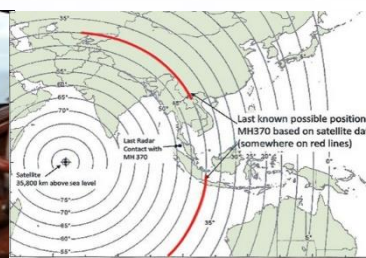
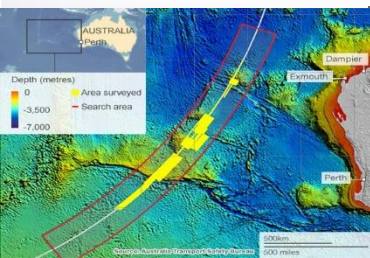
- **Air travel delivers global mobility**
- **3.2 billion passengers**
 - **9 million people flying per day**
- **Carries 35% by value of global trade**
 - **Goods worth US\$ 6.4 trillion**
- **Wider social and economic benefits**
- **Committed to sustainable growth**
- **Outstanding safety record**



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

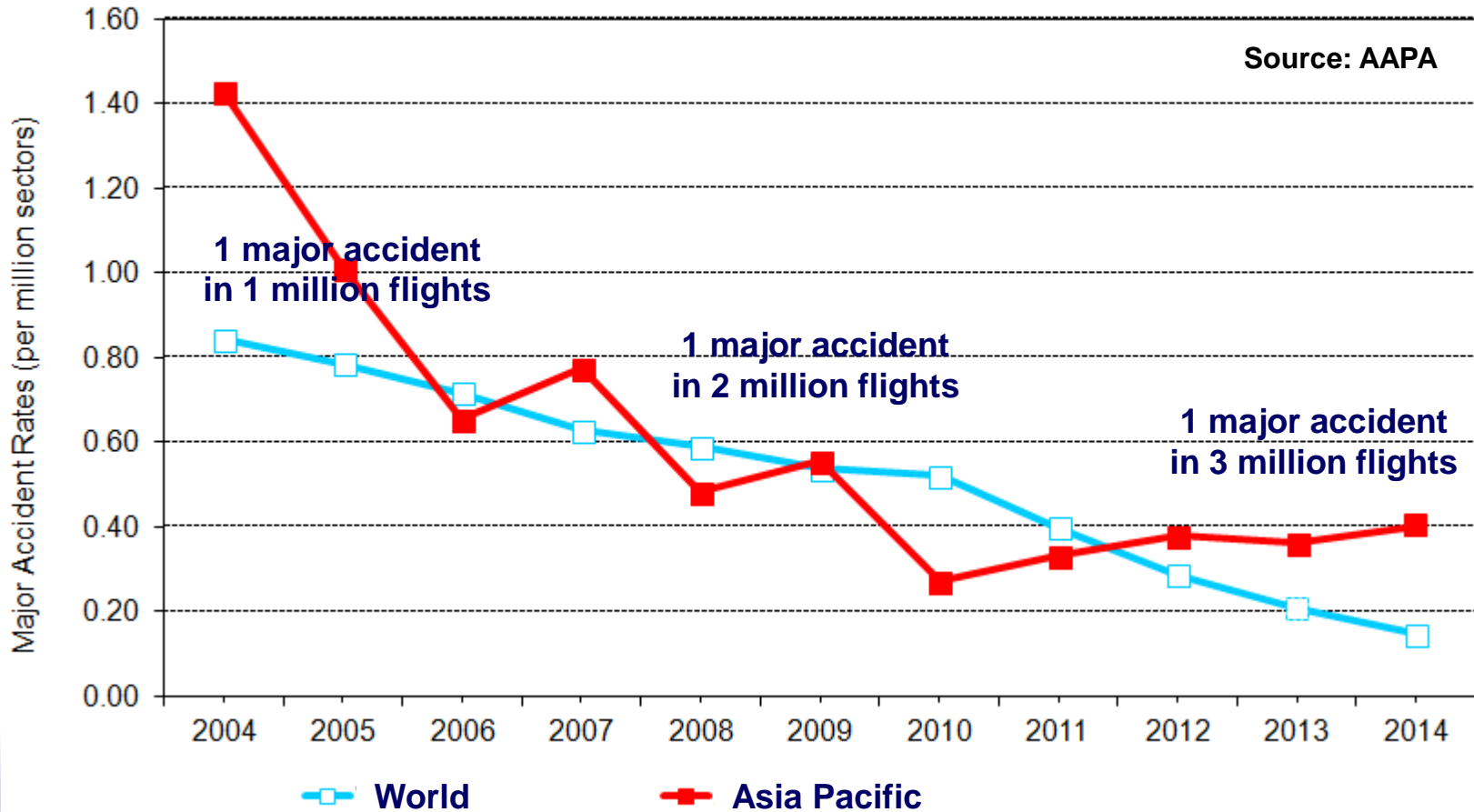


Safety Performance Trends



Western-built Jet Aircraft Major Accident Rates

by Operator Region 2004 - 2014
3-year moving averages



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

Data: Financials: 2013 Estimates, Traffic & Fleet: 2014 Estimates

Source: Combined AAPA + non-AAPA airlines GMT+5 to GMT+12



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Current Business Conditions

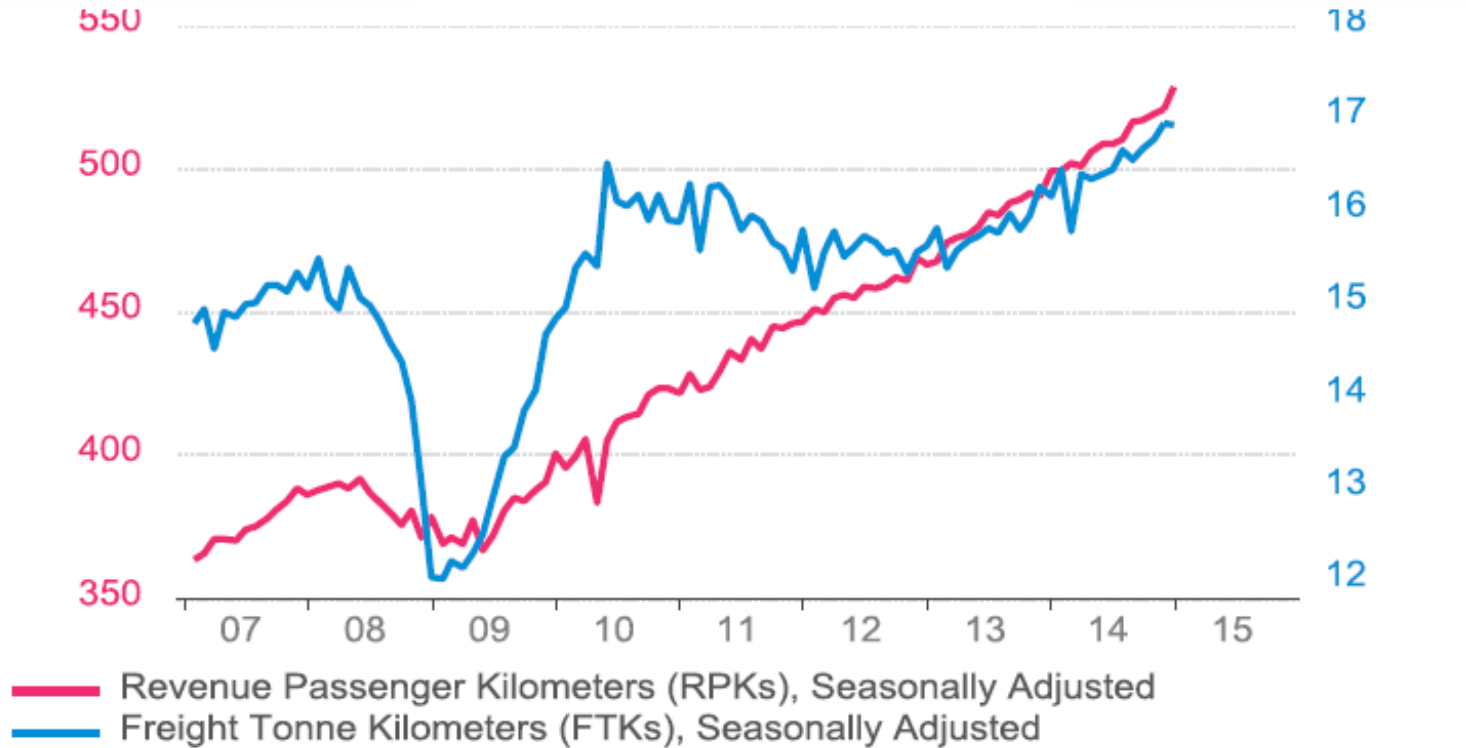
Global passenger and cargo traffic



Total Passenger and Air Freight Volumes

Monthly RPKs, billion

Monthly FTKs, billion

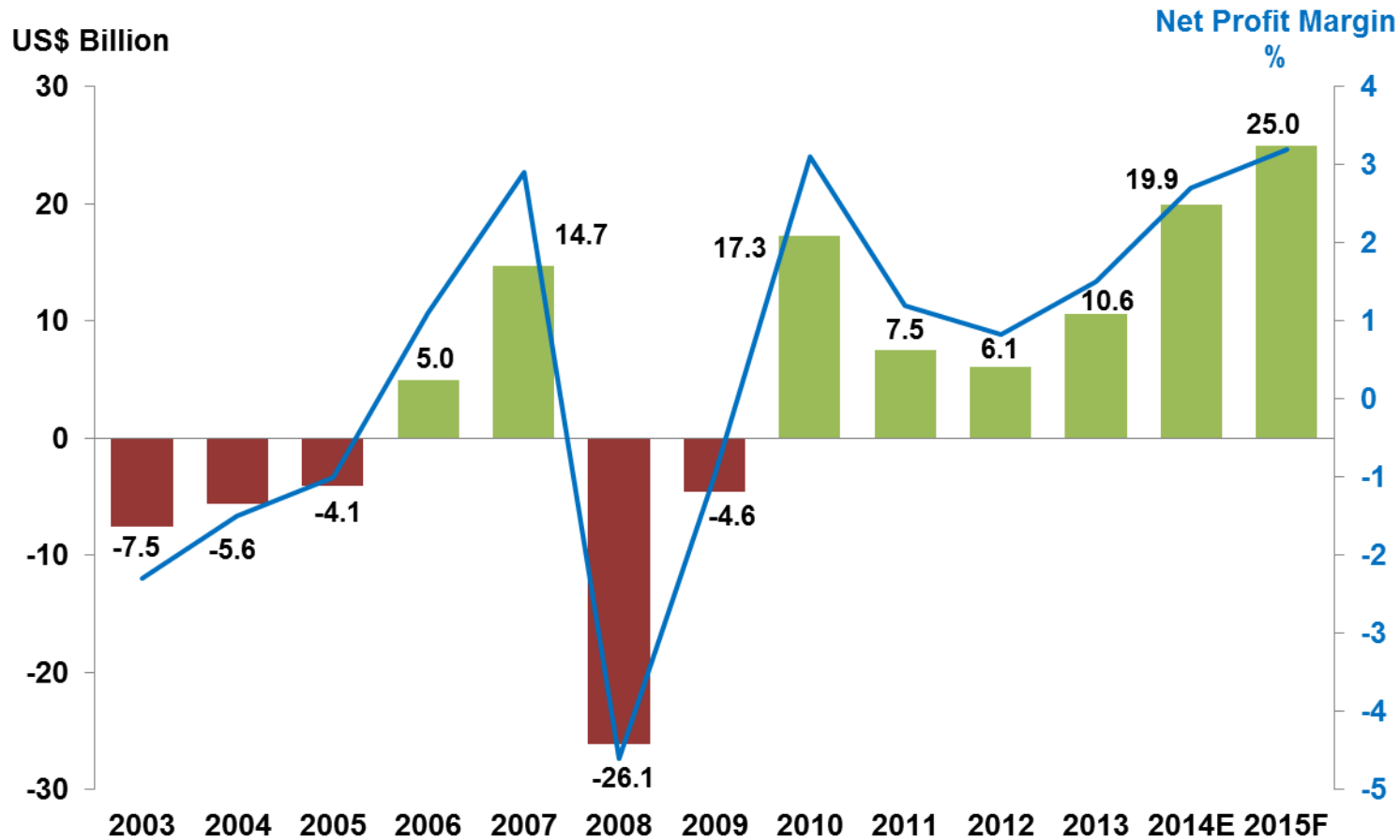


Source: IATA

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

Source: IATA

Global airline industry profitability

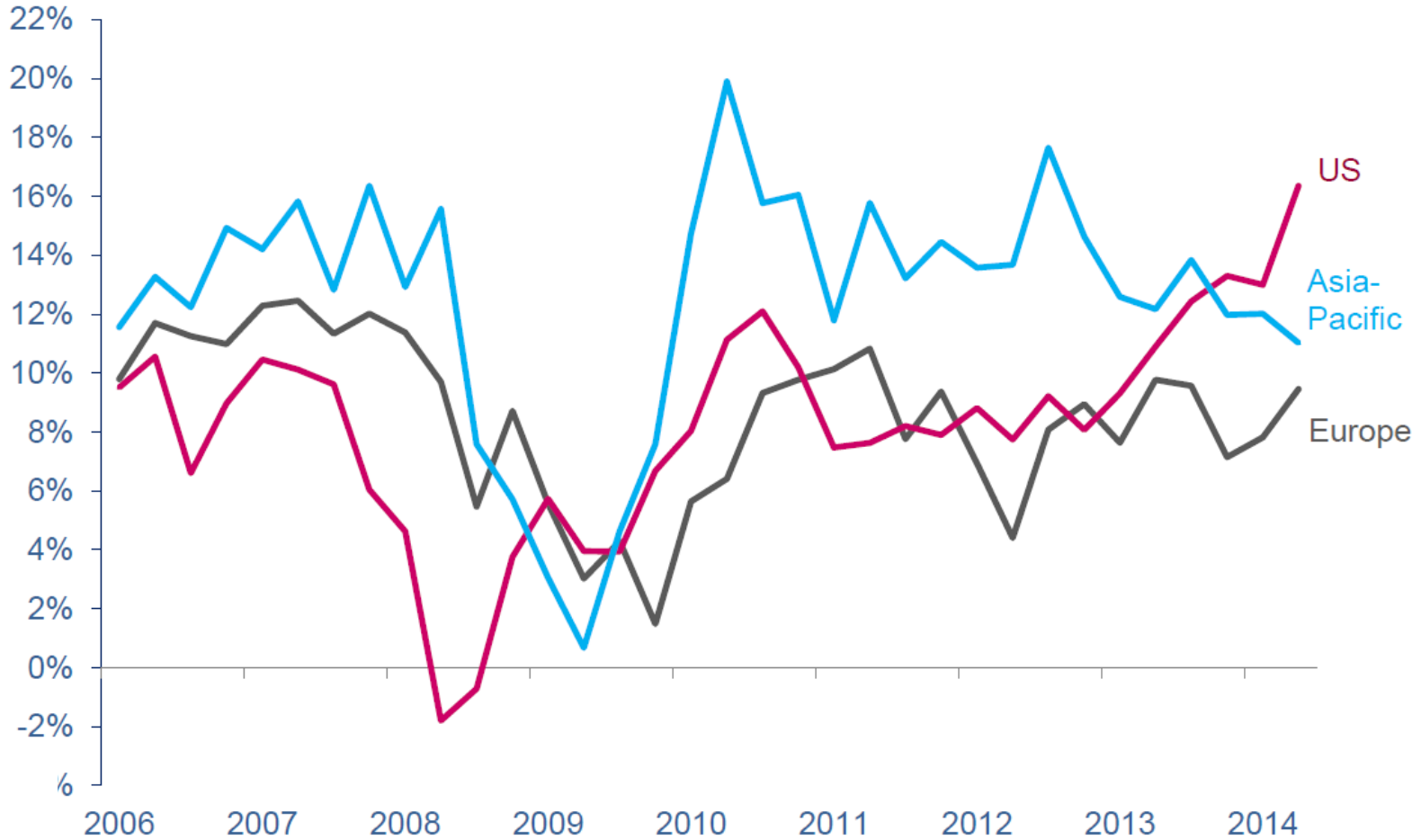


Net margins of just 2.7% in 2014, on industry revenue of US\$789 billion

Airline profitability trends by region

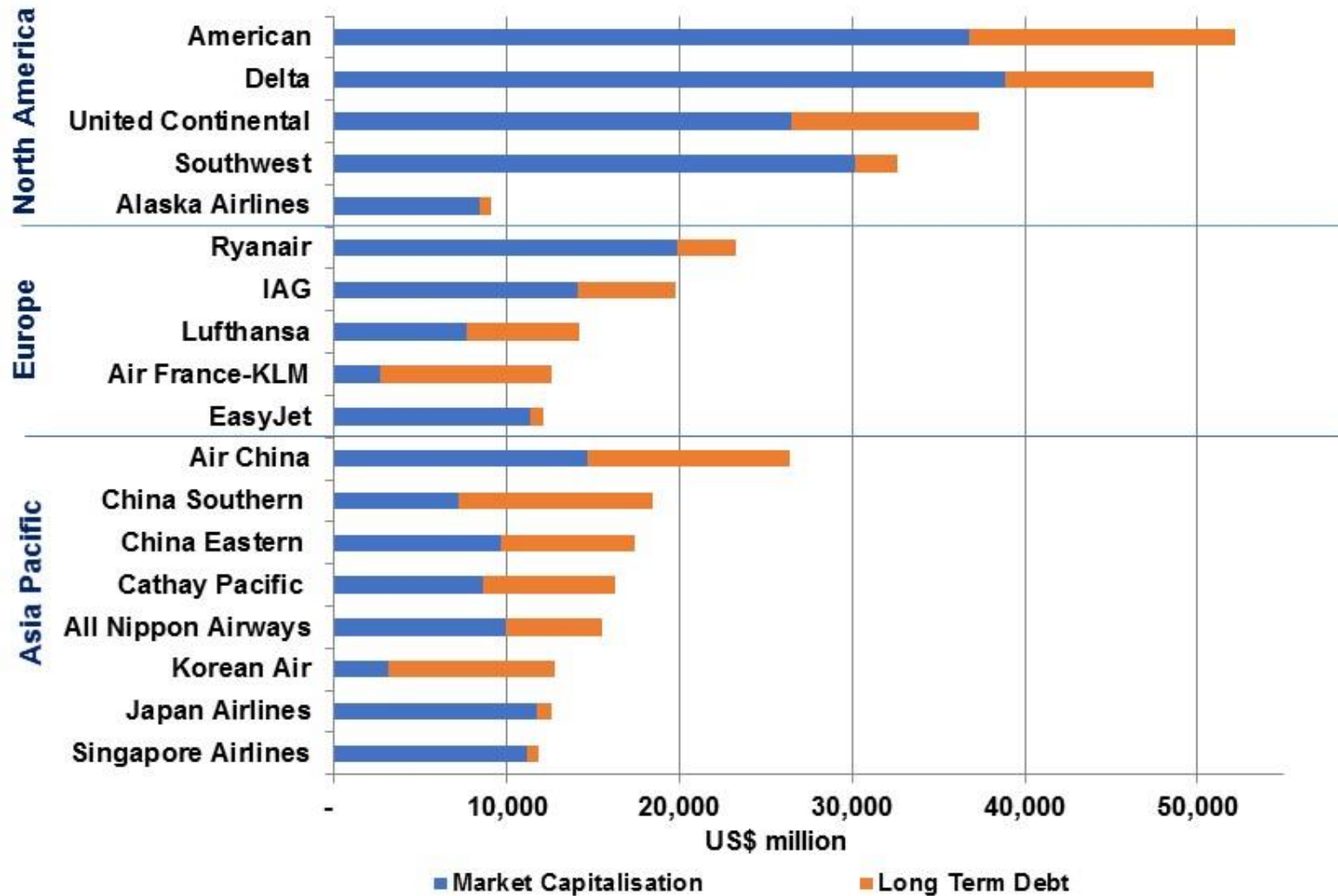


Largest airlines, EBITDA as % revenues, seasonally adjusted



US carriers reporting higher profits

Selected enterprise values by region



Market capitalisation as of 24 February 2015

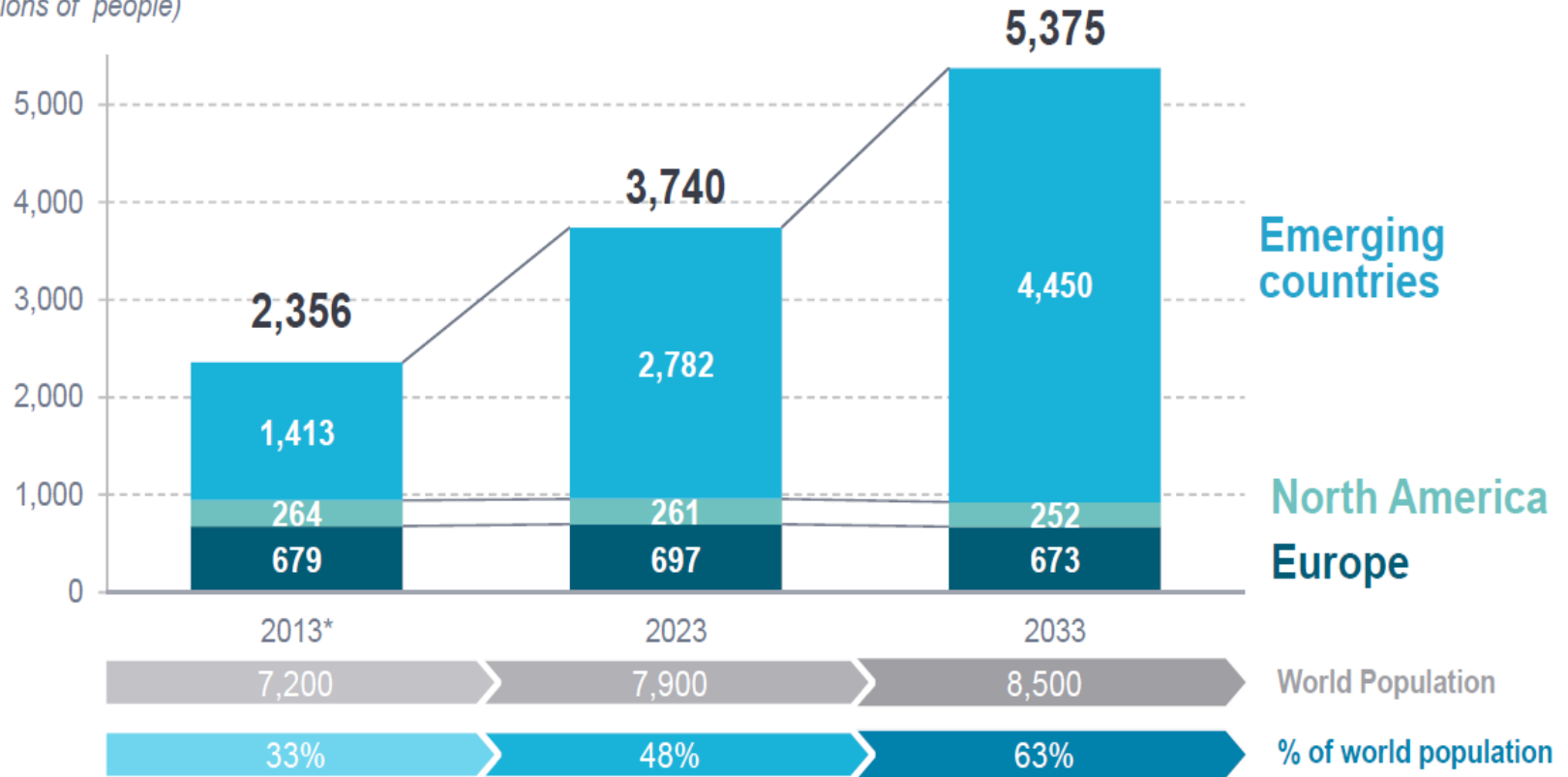
Source: AAPA Estimates



Future Growth

Emerging economies drive growing middle class

Global Middle Class**
(Millions of people)



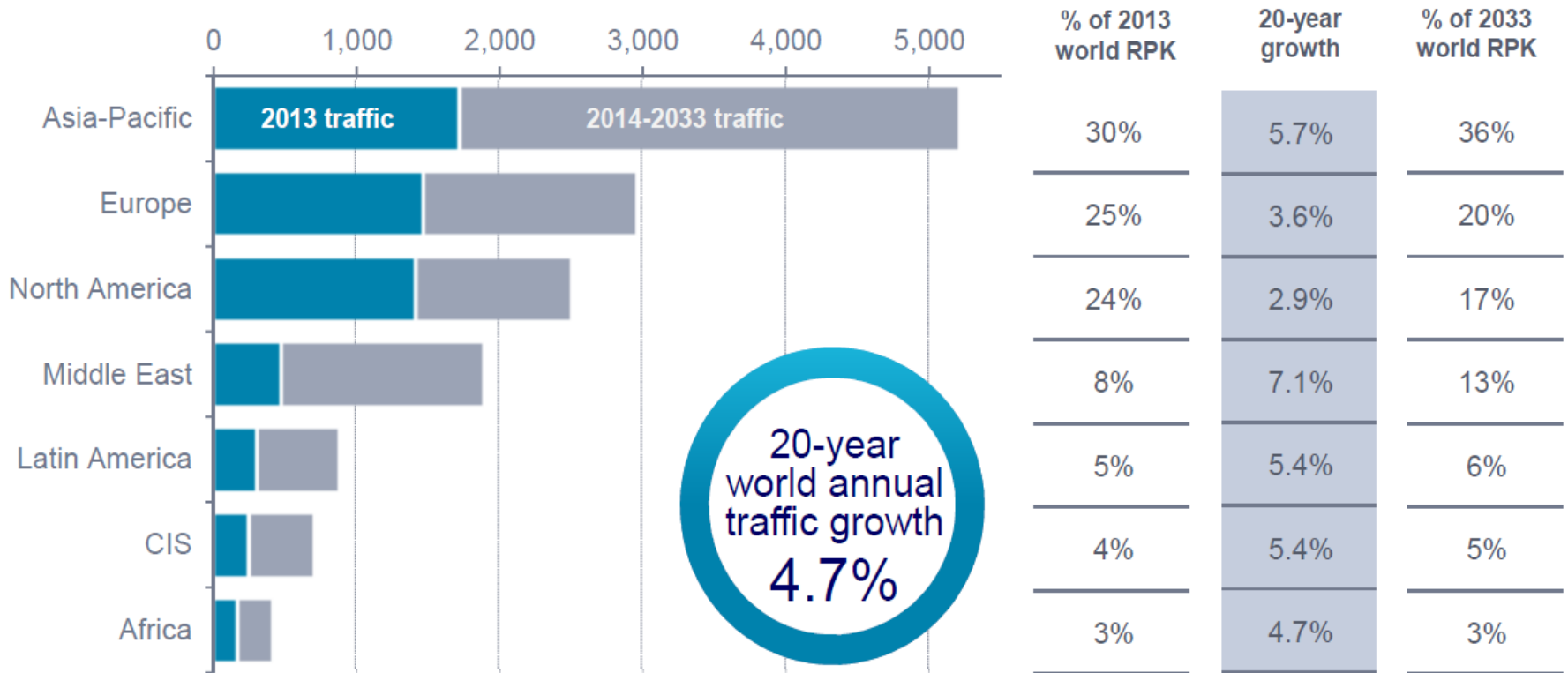
Source: Kharas and Gertz, Airbus
* EOY 2013

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

Source: Airbus
GMF 2014 - 2033

Asia Pacific traffic leading global markets

RPK traffic by airline domicile (billions)

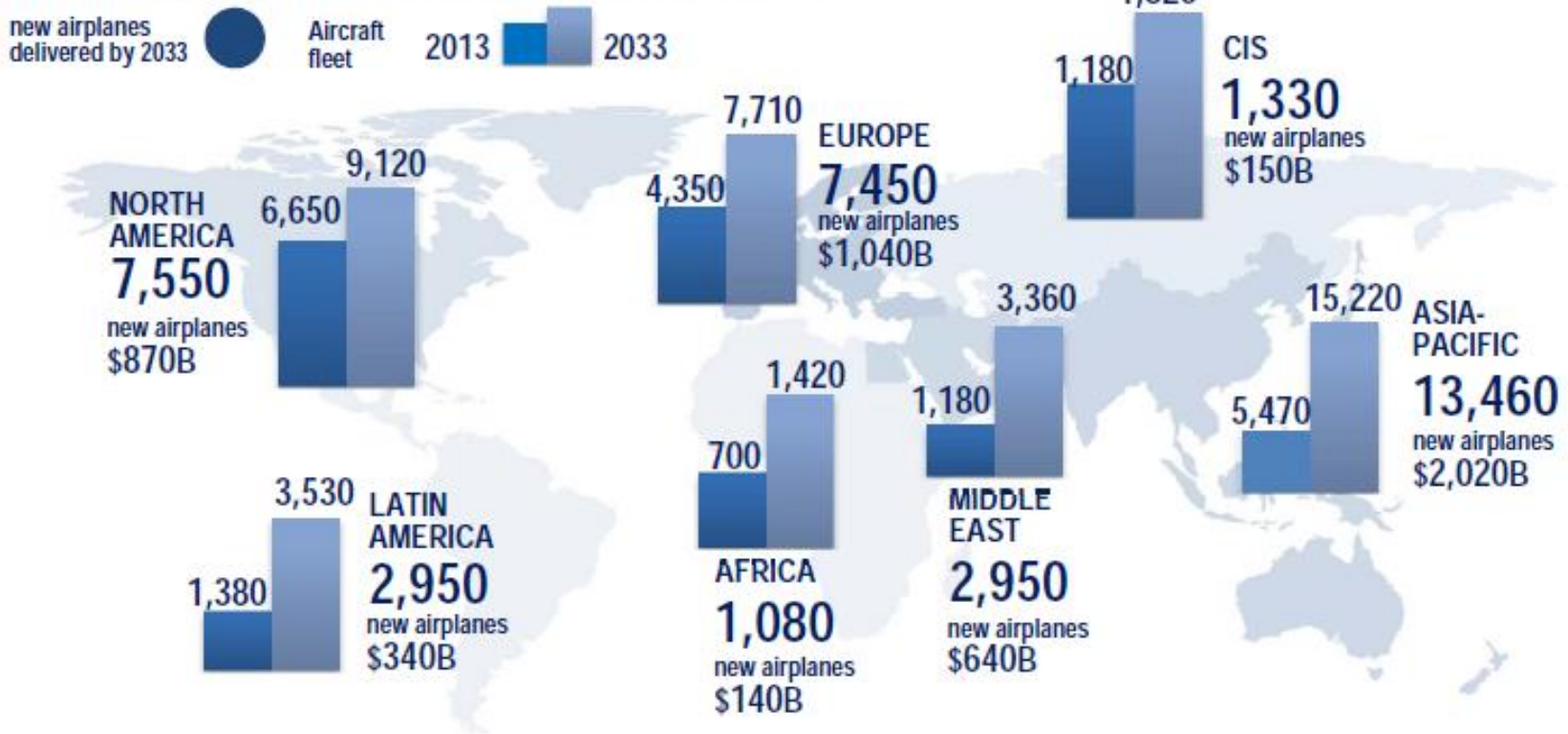


Source: Airbus GMF 2014

Source: Airbus GMF 2014 - 2033

Future fleet growth projections

EMERGING MARKETS TO LEAD THE GROWTH ▼



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

Source: Boeing
CMO 2014 - 2033

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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

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