

PRESS RELEASE

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Association of Asia Pacific Airlines

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Asia Pacific Airlines Profitability Fell in 2013 ***Competition and weak cargo markets dampen earnings***

Kuala Lumpur, Malaysia – Preliminary financial performance figures released today by the Association of Asia Pacific Airlines (AAPA) revealed that Asia Pacific airlines recorded US\$2.5 billion in combined net earnings in 2013, a 55% fall compared to the US\$5.6 billion reported for the year 2012. Profitability succumbed to widespread yield pressures arising from stiff market competition and lacklustre air cargo demand.

Operating revenue for the region's carriers totalled US\$171.2 billion, 2.1% less than the US\$174.9 billion achieved in 2012. Passenger revenue fell by 2.2% to US\$131.4 billion, driven by a fall in yields which more than offset the increase in traffic demand. Cargo revenue declined by 4.6% to US\$20.2 billion, caused by persistently soft global trading conditions which in turn affected demand for air freighted goods manufactured in Asia.

During the year 2013, international passenger traffic, in revenue passenger kilometre terms, grew by an encouraging 6.3%, whereas international air cargo traffic measured in freight tonne kilometres saw a 1.2% decline.

Combined operating expenses edged 0.4% higher to US\$167.4 billion, with lower fuel expenditure partially mitigating the effects of higher non-fuel costs. The region's fuel bill came to US\$59.9 billion, 3.2% lower than in 2012, with a corresponding decline in average jet fuel prices to US\$123 per barrel for the year. Consequently, the share of fuel expenditure as a percentage of total costs declined by 1.3 percentage points to 35.8% in 2013. Non-fuel expenditure increased by 2.5% to US\$107.5 billion, due to higher depreciation and staff costs.

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Commenting on the 2013 financial results, Mr. Andrew Herdman, AAPA Director General said, “Overall, Asia Pacific airlines faced challenging conditions in 2013, and registered a net profit margin of just 1.5%, compared with the 3.2% margin achieved in 2012. Intense competition in both the passenger and air cargo business segments led to pressure on fares, and weaker Asian currencies adversely affected costs, even more so for airlines with significant exposure to foreign denominated debt.”

Looking ahead, Mr. Herdman added, “Asian carriers are still facing a difficult operating environment marked by continued market competition and volatile currency markets. The focus for airlines remains firmly on strict cost controls and further productivity improvements. Overall, however, prospects for a further pick-up in the global economy and expectations of a cyclical upswing in international trade should give some grounds for optimism.”

ASIA PACIFIC AIRLINES 2013 FINANCIAL PERFORMANCE – PRELIMINARY

US\$ billion	2013	2012
Operating revenue	171.2	174.9
Net profit	2.5	5.6

- Aggregated financial data for 23 Asia Pacific based carriers
- Net profit figures include exceptional items
- Previous year data adjusted for comparison purposes
- All figures, including estimates for missing data, are provisional

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Association of Asia Pacific Airlines (AAPA)

The AAPA is the trade association for scheduled international airlines based in the Asia-Pacific region. The AAPA permanent secretariat is headquartered in Kuala Lumpur, Malaysia with international representation in Brussels and Washington, D.C. Collectively, the region’s airlines carry 948 million passengers and 18 million tonnes of cargo, representing one-third of global passenger traffic and two-fifths of global air cargo traffic respectively, and thus play a critically important role in the ongoing development of global aviation.

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