

PRESS RELEASE

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2014 / Financial / Preliminary

Association of Asia Pacific Airlines
(Reg. No. 587)
Level 27-1, Menara Prestige
1 Jalan Pinang
50450 Kuala Lumpur
MALAYSIA
Tel +603 2162 1888
Fax +603 2162 6888
www.aapairlines.org

Asia Pacific Airlines Profits Fell in 2014 *Earnings performance weakened by intense competition*

Kuala Lumpur, Malaysia – Preliminary financial performance figures released today by the Association of Asia Pacific Airlines (AAPA) revealed that Asia Pacific airlines in aggregate operated at close to break-even in 2014, compared to a net profit of US\$2.2 billion reported for the year 2013. Downward pressure on airfares from stiff competition and excess capacity, as well as the effects of high fuel costs and Asian currency volatility, were the major factors leading to the decline in airline profitability, despite further steady growth in both passenger numbers and air cargo traffic volumes. Restructuring costs also acted as a drag on the overall results.

Overall, the region's carriers achieved aggregated operating revenues of US\$176.6 billion for the calendar year, 1.9% more than the US\$173.4 billion recorded in 2013. Passenger revenue increased by 1.4% to US\$135.4 billion, driven by an encouraging increase in traffic demand, which more than offset the fall in passenger yields. Although air cargo markets were also not spared from persistent yield pressure, the upswing in demand helped lift cargo revenue to a combined total of US\$20.8 billion for the year, a 2.7% increase compared to 2013.

During the year 2014, international passenger traffic, in revenue passenger kilometre terms, grew by an encouraging 4.7%. International air cargo traffic, measured in freight tonne kilometres, also registered a welcome 5.3% increase following several years of weak cargo market demand.

Combined operating expenses climbed 2.5% higher to US\$173.8 billion, driven by a 4.5% increase in non-fuel expenditure, led by higher aircraft operating lease expenses as well as landing fees & en-route charges. Fuel expenditure declined marginally, by 1.1% to US\$60.0 billion, on the back of a 7.8% decline in global jet fuel prices to an average of US\$113 per barrel for the year. As a result, the share of fuel expenditure as a percentage of total operating costs declined by 1.3 percentage points to 34.5% in 2014.

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Commenting on the financial results, Mr. Andrew Herdman, AAPA Director General said, “Asia Pacific carriers faced a number of significant challenges in 2014, with capacity growth slightly outpacing market demand leading to intensely competitive market conditions across all segments of the industry. In addition, the strengthening of the US dollar against many Asian currencies had some effects on travel patterns as well as increasing the burden of dollar obligations. In spite of this, overall, the region’s carriers managed a thin operating margin of 1.6%, down from 2.3% in 2013.”

Looking ahead, Mr. Herdman added, “The operating environment remains highly competitive, even though airlines have been carefully reviewing their route networks and closely matching capacity with the expected growth in demand. The benefits of lower oil prices should be reflected in further growth in travel demand, although the financial impact on individual airlines will vary depending on their respective fuel hedging policies. Overall, Asian carriers remain very focused on efforts to restore margins through a disciplined approach to managing costs, further productivity improvements, and ongoing investments in route development and customer service enhancements.”

ASIA PACIFIC AIRLINES 2014 FINANCIAL PERFORMANCE – PRELIMINARY

US\$ billion	2014	2013
Operating revenue	176.6	173.4
Net profit	(0.05)	2.2

- Aggregated financial data for 26 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 1,012 million passengers and 19 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.

For further information, please contact:
Office of the Director General
Tel +603 2162 1888 Fax +603 2162 6888
Email: odg@aapa.org.my
Website: www.aapairlines.org
Twitter: @aapairlines