

PRESS RELEASE

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Asia Pacific Airlines Profitability Sustained in 2016 ***Healthy travel demand and lower fuel costs support earnings***

Kuala Lumpur, Malaysia – Preliminary financial performance figures released today by the Association of Asia Pacific Airlines (AAPA) revealed that Asia Pacific airlines registered US\$6.9 billion in aggregate net earnings for the full year 2016. Solid growth in passenger demand, coupled with renewed strength in air cargo markets, helped negate yield pressures resulting from stiff competition, while the fall in jet fuel prices had an ameliorating effect on airline operating costs.

During the year 2016, Asia Pacific airlines registered a 6.4% increase in international passenger traffic, measured in revenue passenger kilometre (RPK) terms, supported by continued expansion in network connections. International air cargo traffic, expressed in freight tonne kilometres (FTK), grew by 1.3%, on the back of a pick-up in export activity in the second half of the year.

Collectively, Asia Pacific airlines recorded operating revenue totaling US\$165.3 billion in 2016, a slight 0.3% decline compared to the US\$165.8 billion achieved in the previous year. Passenger revenue edged 0.2% lower to US\$126.4 billion, as lower airfares saw a 5.5% decline in average passenger yields to 7.9 US cents per RPK. Despite volume growth, cargo revenue fell significantly, by 9.8% to US\$16.2 billion, as air cargo yields declined by 11.0% to 22.9 US cents per FTK.

Combined operating expenses totaled US\$151.8 billion, unchanged from 2015. Reflecting the significant 17.7% drop in global jet fuel prices to an average of US\$52.6 per barrel, fuel expenditure fell by 16.8% to US\$33.7 billion. As a result, the share of fuel expenditure as a percentage of total operating costs declined by 4.5 percentage points to 22.2%. On the other hand, non-fuel expenditure rose by 6.1% to US\$118.0 billion.

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Commenting on the 2016 financial results, Mr. Andrew Herdman, AAPA Director General said, “Asia Pacific carriers achieved another year of respectable earnings in 2016, with an average 8.2% operating margin and net profits of around US\$6 per passenger, reflecting the still very competitive market environment. The strengthening of the US dollar against many Asian currencies affected revenue performance and increased the burden of dollar obligations for a number of carriers.”

Looking ahead, Mr. Herdman said, “Continued growth in passenger demand and the pick-up in air cargo markets, with significantly higher load factors during the first quarter, give some cause for optimism for the remainder of this year. However, the operating environment remains challenging, against a backdrop of stiff competition, higher oil prices and other cost pressures. Nevertheless, Asia Pacific airlines are focused on enhancing business performance and investing effectively in new technologies and aircraft, with the aim of strengthening resilience and further improving long-term profitability.”

ASIA PACIFIC AIRLINES 2016 FINANCIAL PERFORMANCE – PRELIMINARY

US\$ billion	2016	2015
Operating revenue	165.3	165.8
Net profit	6.9	6.9

- Aggregated financial data for 24 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 1,214 million passengers and 20 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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