Special Guest Speaker
Conrad Clifford
Regional Vice President Asia Pacific
IATA
Outlook for the Airline Industry – Growth or Gridlock in the Asia Pacific?

CONRAD CLIFFORD
Regional Vice President
IATA Asia Pacific
Asia Pacific Airlines’ ROIC Lagging Europe and US

Return on invested capital

Source: IATA Economics using data from The Airline Analyst

EBIT adjusted for operating leases as %

Invested capital

North America
Europe
Industry average
Asia Pacific
Latin America
Middle East
Weighted Average Cost of Capital

Source: IATA Economics using data from The Airline Analyst
Growth has Returned to Air Cargo

Growth in industry FTKs

Global PMI new export orders component (adv. 2 months)

Implied PMI series if the index remains flat at its February 2017 level over the coming months

Sources: IATA Economics, IATA Monthly Statistics, Markit
Long-term Expansion Even in Gloomy Macro Scenario

Global O-D passenger journeys (billion)

- Reflation/open borders scenario
- Constant policies scenario
- Pick-up in Protectionism scenario

Source: IATA/Tourism Economics Air Passenger Forecasts, September 2016
Security is the New Safety

The Rising Tide of Protectionism
ASIA PACIFIC
Potential Growth and the Rise of LCCs
Significant Change in Top-10 Markets over Next 20 Years

Source: IATA/Tourism Economics Air Passenger Forecasts, September 2016
Japanese Government’s Target for Inbound Tourism

Target: 40 million people by the year 2020

Change in LCC Penetration, 2005 - 2016

LCC share of seats flown (% of total)

- Within Southeast Asia
- Within Europe
- Within North America
- Australasia - Asia
- North America - South America
- Within East Asia
- Europe - Asia

Source: IATA Economics
Airline Model Spectrum

Low Cost Carriers

IndiGo
peach
JEJUair
cebu pacific
HK express
Spring Airlines
AirAsia.com
Batik Air

Full Service Carriers

PAL express
JINAir
scoot
Vanilla Air
Air India Express
Cathay Pacific
Garuda Indonesia
Air New Zealand
Singapore Airlines
ASIA PACIFIC
What’s Holding It Back?
## INFRASTRUCTURE - a dire situation

<table>
<thead>
<tr>
<th>IATA Code</th>
<th>Name</th>
<th>2013 Aircraft Movements</th>
<th>2013 Growth Rate</th>
<th>Capacity limit reached</th>
<th>2013 Passengers in Millions</th>
<th>2013 Growth Rate</th>
<th>Capacity limit reached</th>
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</thead>
<tbody>
<tr>
<td>PEK</td>
<td>Beijing Capital</td>
<td>567,759</td>
<td>1.9%</td>
<td>2019</td>
<td>83.7</td>
<td>2.2%</td>
<td>FULL</td>
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<tr>
<td>PVG</td>
<td>Shanghai</td>
<td>371,190</td>
<td>2.6%</td>
<td>2021</td>
<td>47.2</td>
<td>5.1%</td>
<td>2018</td>
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<tr>
<td>HKG</td>
<td>Hong Kong</td>
<td>382,782</td>
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<td>2016</td>
<td>59.6</td>
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<tr>
<td>BOM</td>
<td>Mumbai</td>
<td>269,394</td>
<td>4.4%</td>
<td>2020</td>
<td>32.0</td>
<td>6.4%</td>
<td>2018</td>
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<tr>
<td>DEL</td>
<td>Delhi</td>
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<td>36.7</td>
<td>7.3%</td>
<td>2021</td>
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<td>4.9%</td>
<td>2021</td>
<td>60.1</td>
<td>4.1%</td>
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<tr>
<td>NRT</td>
<td>Narita</td>
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<td>2029</td>
<td>35.3</td>
<td>7.5%</td>
<td>2022</td>
</tr>
<tr>
<td>KUL</td>
<td>Kuala Lumpur</td>
<td>326,678</td>
<td>15.3%</td>
<td>2023</td>
<td>47.5</td>
<td>19.1%</td>
<td>2022</td>
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<tr>
<td>MNL</td>
<td>Manila</td>
<td>271,508</td>
<td>-0.6%</td>
<td>2019</td>
<td>32.9</td>
<td>3.1%</td>
<td>2015</td>
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<td>SIN</td>
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<td>2018</td>
<td>53.7</td>
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<td>ICN</td>
<td>Incheon</td>
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<td>41.7</td>
<td>6.4%</td>
<td>2015</td>
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<tr>
<td>BKK</td>
<td>Bangkok</td>
<td>301,747</td>
<td>-4.8%</td>
<td>2023</td>
<td>51.4</td>
<td>-3.1%</td>
<td>FULL</td>
</tr>
</tbody>
</table>

Source: IATA/ACI
Infrastructure essential to unlocking the ‘Value of Aviation’
REGULATIONS

ASEAN Single Aviation Market

Visa Restrictions

Aviation Security

Fees and Charges
GROWTH OR GRIDLOCK?
THANK YOU