



AIRPORTS COUNCIL
INTERNATIONAL

AIRPORT INDUSTRY OUTLOOK

Q1 2024 (January to March)

Airport Industry Outlook

Asia-Pacific and the Middle East

Q1 2024 (January - March)

Introduction

Air traffic recovery has continued positively in the first quarter of 2024, although global uncertainties and risks continue. This edition provides trends related to the first quarter of 2024 and a special focus is dedicated to Saudi Aviation and Vision 2030.

In the next decade, Saudi Arabia aims to become the Middle East's top aviation hub, leading in safety, customer experience, and sustainability. The Saudi Aviation Strategy, backed by the government, plans to leverage the Kingdom's strategic global location and become a preferred destination for tourism, business travel, and a global logistics centre. Post-pandemic, the aviation industry is focused on economic recovery, resilience, automation, digitisation, and adapting to changing travel attitudes. Saudi Arabia aims to influence the global aviation industry's evolution over the next decade and beyond.

Outlook Q1 2024 Key Performance Metrics

Macroeconomic Factors



Global inflation is expected to fall from 6.8% in 2023 to 5.9% in 2024, however this remains above pre-pandemic levels of approximately 3.5%. In 2024, the Middle East is expected to be 15.5%, although Emerging and Developing Asia and ASEAN-5, at 2.4% and 2.5% respectively, are expected to be below the global average.

Global growth (GDP) is projected to remain at 3.2% in 2024, the same as 2023. Growth across most of the APAC and ME region is expected to be above the global average for 2024 – Emerging and Developing Asia 5.2%, ASEAN-5 4.4% and Middle East 2.8%.

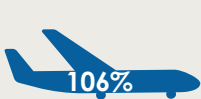


Due to regional conflicts around the globe that affect the supply chains for petroleum products, jet fuel prices continue to fluctuate significantly. US Gulf Coast jet fuel price increased from around \$100 per barrel in December 2023 to a peak of \$113 per barrel in February 2024. The price reduced gradually from February to March 2024 to around \$109 per barrel and reached about \$100 per barrel by May 2024. Conflicts including Russia-Ukraine, Israel-Gaza and the Red Sea Crisis have caused the fluctuation of oil prices globally and are likely to continue the influence fuel prices throughout 2024.

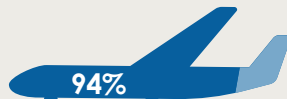


Passenger Traffic Performance*

*Measured in scheduled seat capacity



Domestic
Q1 2024 vs Q1 2019



International
Q1 2024 vs Q1 2019

Compared with equivalent 2019 levels of seat capacity, Domestic capacity in Q1 2024 was at 106% (versus 99% in Q4 2023). Initial indications for Q2 2024 also suggest capacity at approximately 106% of 2019 levels.

International capacity improved to 94% of 2019 levels (versus 88% in Q4 2023). Initial indications for Q2 2024 indicate approximately 96% of 2019 levels. However, ongoing supply chain issues may affect the outcome.

Airport Economic Performance



EBITDA Margin
30% (profit) in Q4 2023 vs
30% (profit) in Q3 2023



Net Profit Margin
17% (profit) in Q4 2023 vs
17% (profit) in Q3 2023

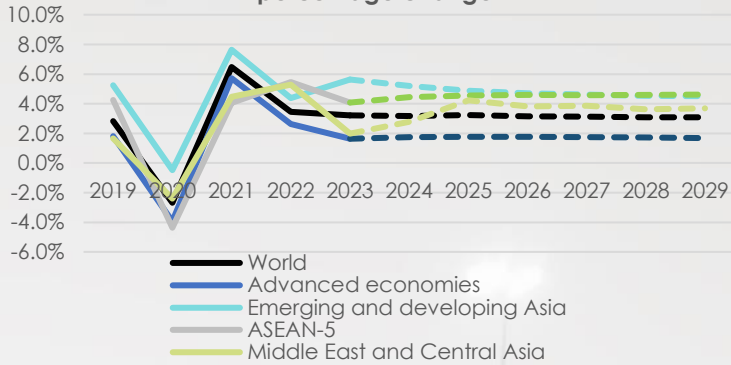
The EBITDA margin of airports in the APAC and ME region increased by a little under 1% between Q4 2023 and Q3 2023. The change in net profit margin of the airports is also limited to less than 1%, which led to the margin remaining at 17% in Q4 2023.

Traffic Factors

Economic Drivers and Outlook

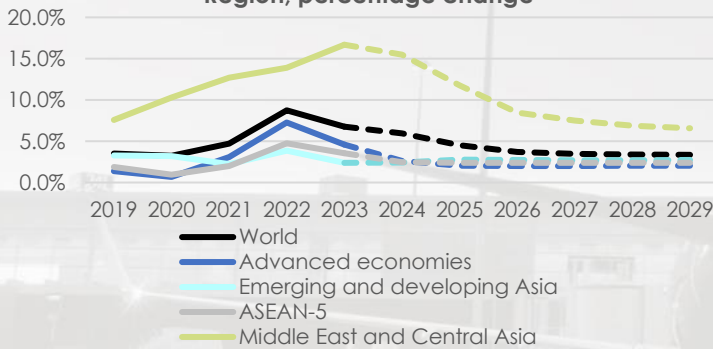
Economic Drivers and Factors

Figure 1: Gross Domestic Product by Region, percentage change



Source: IMF, World Economic Outlook, April 2024

Figure 2: Inflation (Average Consumer Prices) by Region, percentage change



Source: IMF, World Economic Outlook, April 2024

Figure 3: U.S. Gulf Coast Kerosene-Type Jet Fuel Spot Price FOB (US Dollars per Barrel)



Source: Energy Information Administration, accessed May 2024

Global growth (GDP) is projected to remain stable at 3.2% in 2024, which is the same level of growth seen in 2023. Economic growth across most of the APAC and ME region is expected to be above the global average for 2024, although there is considerable variation by region – Emerging and Developing Asia is expected to be 5.2%, India is expected to be 6.8%, ASEAN-5 is expected to be 4.4% and the Middle East is expected to be 2.8%.

Global inflation is expected to continue falling, with 2024's prediction of 5.9% down from 6.8% in 2023. However, inflation is expected to remain above pre-pandemic levels (inflation of 3.5% was seen in 2019). The majority of countries in Asia are expected to experience lower inflation than the global average, while Middle East countries are expected to experience significantly higher inflation at 15.5% (versus 16.7% in 2023).

Jet fuel price continues to fluctuate, however has generally been trending downwards since September 2023 to drop below USD 100 per barrel in June. Tensions in the Middle East region are likely to pose uncertainty as to the extent this trend might continue.

Advanced Economies: Andorra, Australia, Austria, Belgium, Canada, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hong Kong SAR, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Luxembourg, Macao SAR, Malta, Netherlands, New Zealand, Norway, Portugal, Puerto Rico, San Marino, Singapore, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Taiwan Province of China, United Kingdom, and United States. **Emerging and Developing Asia:** Bangladesh, Bhutan, Brunei Darussalam, Cambodia, China, Fiji, India, Indonesia, Kiribati, Lao P.D.R., Malaysia, Maldives, Marshall Islands, Micronesia, Mongolia, Myanmar, Nauru, Nepal, Palau, Papua New Guinea, Philippines, Samoa, Solomon Islands, Sri Lanka, Thailand, Timor-Leste, Tonga, Tuvalu, Vanuatu, and Vietnam. **ASEAN-5:** Indonesia, Malaysia, Philippines, Thailand, Vietnam. **Middle East & Central Asia:** Afghanistan, Algeria, Armenia, Azerbaijan, Bahrain, Djibouti, Egypt, Georgia, Iran, Iraq, Jordan, Kazakhstan, Kuwait, Kyrgyz Republic, Lebanon, Libya, Mauritania, Morocco, Oman, Pakistan, Qatar, Saudi Arabia, Somalia, Sudan, Syria, Tajikistan, Tunisia, Turkmenistan, United Arab Emirates, Uzbekistan, West Bank and Gaza, and Yemen.

Air Fare Trends

The chart below tracks average airline yields (US cents per RPK) from the start of 2019 to end 2023. In 2019, in APAC-ME yields were close to the global average, but diverged sharply during the pandemic, peaking at 16¢/RPK – double 2019 levels. The “Rest of the World” average yields did not increase until April 2022, with the

increased fuel prices driven by the Russia-Ukraine conflict. By April 2024, APAC-ME yields decreased back to global levels, but average yields are still 17% higher in April 2024 than in 2019.

Figure 4: Airline Average Yields

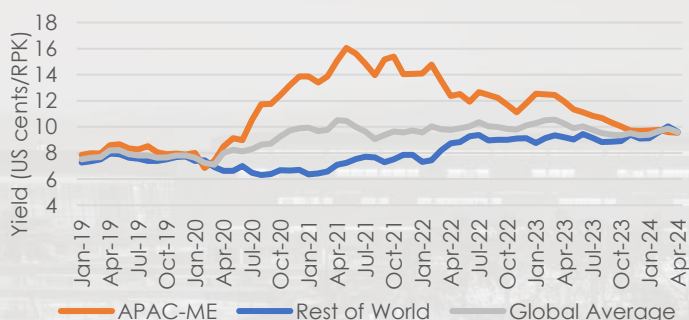
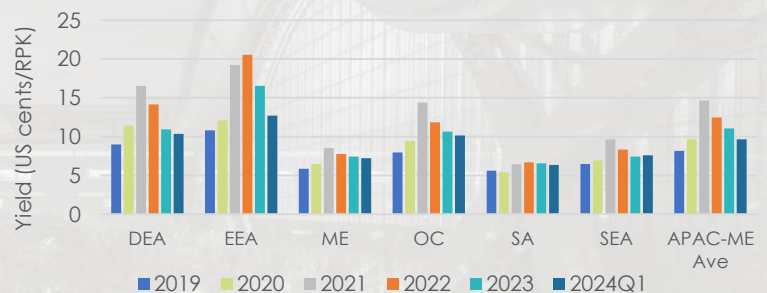


Figure 5: Airline Yields by Sub-Region



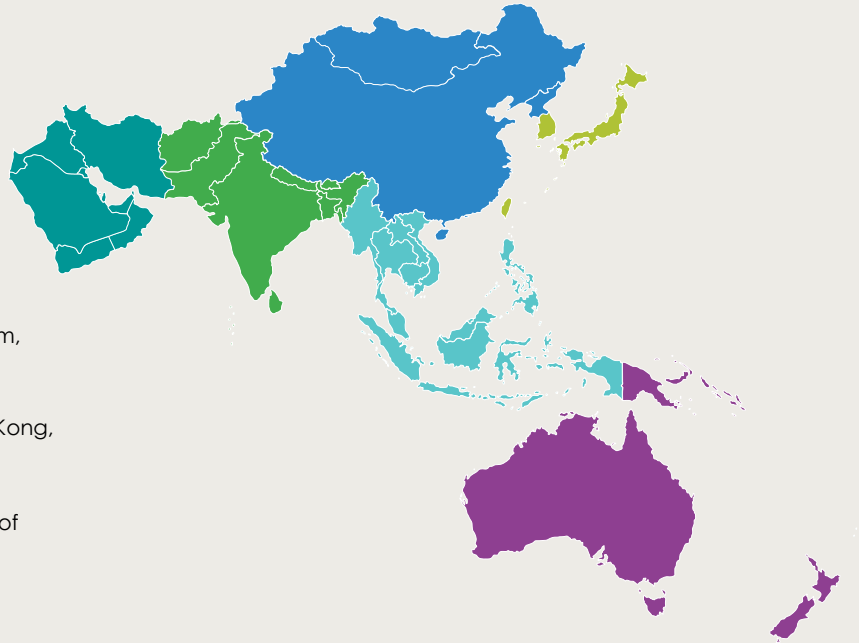
Source: MIDT air fares data; nominal prices

Traffic Development

Schedule Development by Sub-Region

Subregions

- Middle East (ME)**
Bahrain, Kuwait, Oman, Saudi Arabia, UAE, Iraq, Iran, Jordan, Yemen, Qatar
- South Asia (SA)**
Bangladesh, Bhutan, India, Nepal, Pakistan, Sri Lanka, Maldives, Afghanistan
- Southeast Asia (SEA)**
Brunei, Cambodia, East Timor, Indonesia, Laos, Malaysia, Myanmar, Philippines, Thailand, Vietnam, Singapore
- Developed East Asia (Dev EA)**
Japan, Republic of Korea, Chinese Taipei, Hong Kong, Macau
- Emerging East Asia (Em EA)**
China, Mongolia, Democratic People's Republic of Korea
- Oceania (ANZ and Oceania)**
Australia, New Zealand, Fiji, Papua New Guinea, Solomon Islands, Vanuatu, Kiribati, Marshall Islands, Nauru, Palau, Samoa, Tonga, Tuvalu

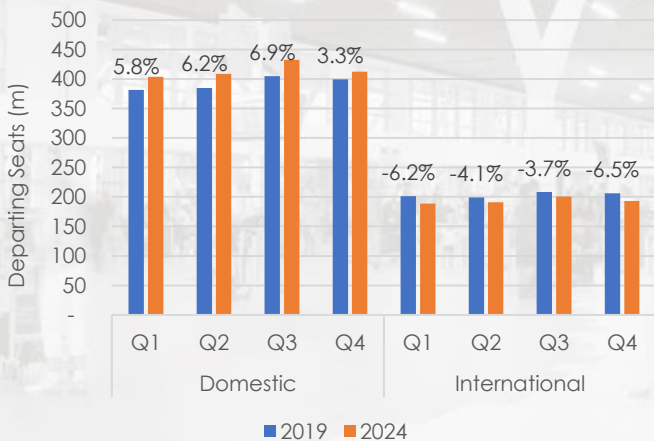


Schedule Developments

Scheduled Seats – Q1 2024 v Q1 2019

- Overall, seat capacity across the APAC and ME region recovered to 102% of 2019 levels in Q1 2024, with the domestic segment driving the growth.
- Domestic seat capacity increased by 6% compared to Q1 2019, while international is still down -6% versus H2 2019.
- Domestic capacity is expected to remain above 2019 levels through 2024, while international, although expected to remain below 2019 levels, indicates further recovery through Q2 and Q3 2024 (airlines are likely yet to finalise their Q4 2024 schedules).

Figure 6: APAC and ME Scheduled Seats

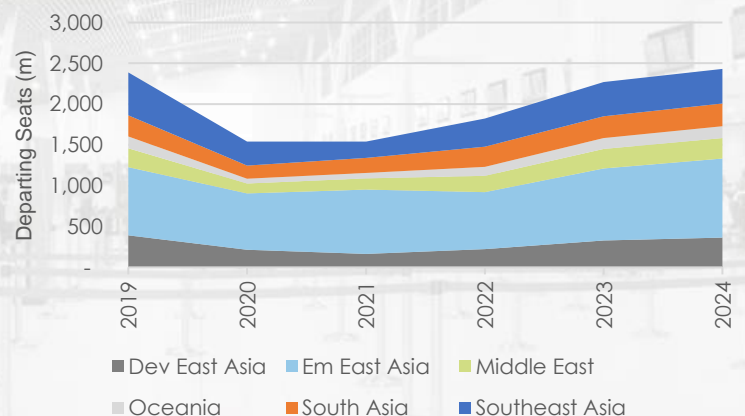


Source: SRS Schedules Analyser, accessed May 2024

Traffic Trend - Seats 2019-2024

- 2024 seat capacity is currently expected to exceed 2019 capacity by 2%.
- Emerging East Asia, South Asia, and the Middle East are expected to exceed 2019 levels (16%, 9% and 9% respectively). As reported previously, this is driven by the large domestic markets in both China and India. The Middle East continues to benefit from growth by the Gulf carriers, while growth remains slower in other sub-regions. In Southeast Asia capacity in 2024 remains -20% below 2019 levels (Air Asia, one of the region's largest airlines, has had supply chain issues with returning aircraft to service, however, is targeting 90% of its pre-pandemic capacity by the end of 2024).

Figure 7: Departing Total Seats by Sub Region (millions) 2019-2024



Source: SRS Schedules Analyser, accessed May 2024

Traffic Development

Seats, Load Factors, Passengers

Traffic Trend – Seat Capacity

- Across 2024, the scheduled seat capacity across the region is expected to continue recovering, as data for Q2 2024 would suggest. Emerging East Asia is expecting to continue its positive trajectory throughout 2024, likely driven by strong domestic demand within China as the authorities have been actively promoting domestic travel, offering attractive deals for would-be travellers to explore their own country.
- During 2024, only Developed East Asia and Southeast Asia scheduled seat capacity remains below 2019 equivalent levels.

Traffic Trend – Load Factors

- Load factors, for domestic and international travel combined across the region slightly exceeded pre-pandemic 2019 levels in Q1 2024; overall average load factors in Q1 2024 were 77.9%, compared with 77.4% in Q1 2019. While Southeast Asia's capacity remained 17% below 2019 levels in Q1 2024, its average load factor increased to 80.3% compared with 76.5% in Q1 2019 which suggests that demand for travel is returning in the region.
- In contrast, Emerging East Asia has the lowest load factor recovery (76.3% in Q1 2024 compared with 79.3% in Q3 2019) as demand catches up with strong capacity growth.
- All other sub-regions saw a return to pre-pandemic levels or above in Q1 2024, ranging from a 0.9% increase in Oceania (78.3% versus 77.4% in Q1 2019) to 2.5% in South Asia (83.5% versus 81.0% in Q1 2019).

Figure 8: Total Seats by Sub Region (Indexed 2019=1.0)

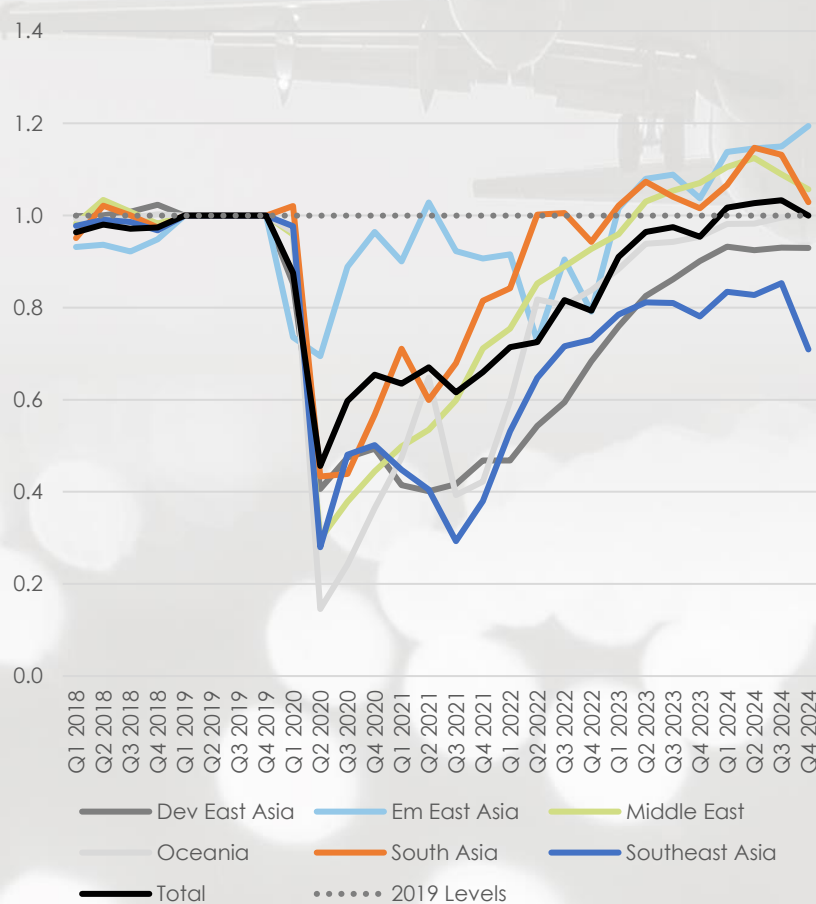
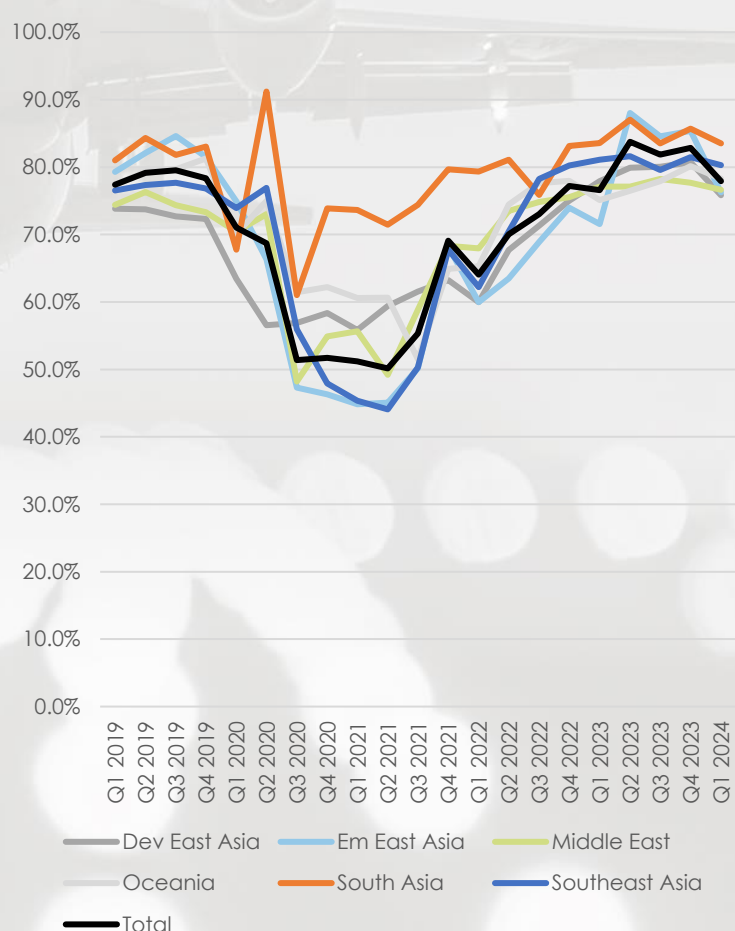


Figure 9: Average Load Factors by Sub Region



Source: SRS Schedules Analyser, accessed May 2024

Source: Emergo Sabre Community Portal, accessed May 2024

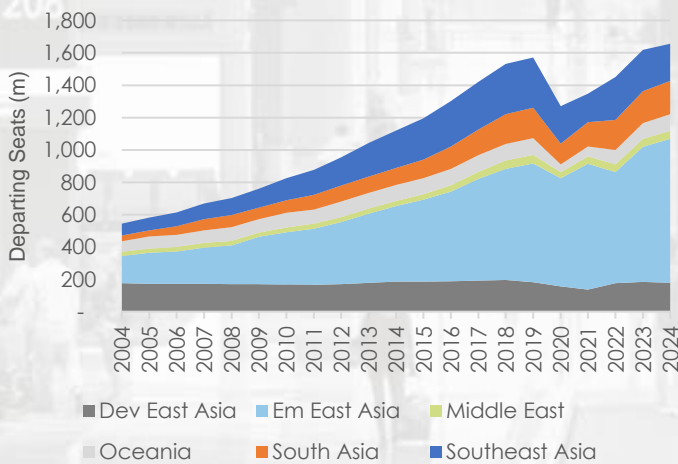
Traffic Development

Domestic and International Seats

- Total domestic seat capacity across the sub-regions for calendar year 2024 is expected to be 6% above 2019 levels.
- The strongest domestic recovery continues to be seen in Emerging East Asia, with seat capacity 21% above 2019 levels, driven by China's domestic market. South Asia is also expected to exceed 2019 levels with a 9% increase due to the strong recovery in India, which, like China, has a significant domestic market. Developed East Asia is expected to exceed 2019 levels by 1% during 2024.
- Recovery of domestic seat capacity in Southeast Asia is currently -25% below 2019 in 2024. Indonesia is the largest segment of the region's domestic seat capacity (35% in 2024) but is only expected to recover to 58% of 2019 levels in 2024; Garuda Indonesia reduced its fleet size substantially during the pandemic and currently operates 70 aircraft compared to 142 in 2019.

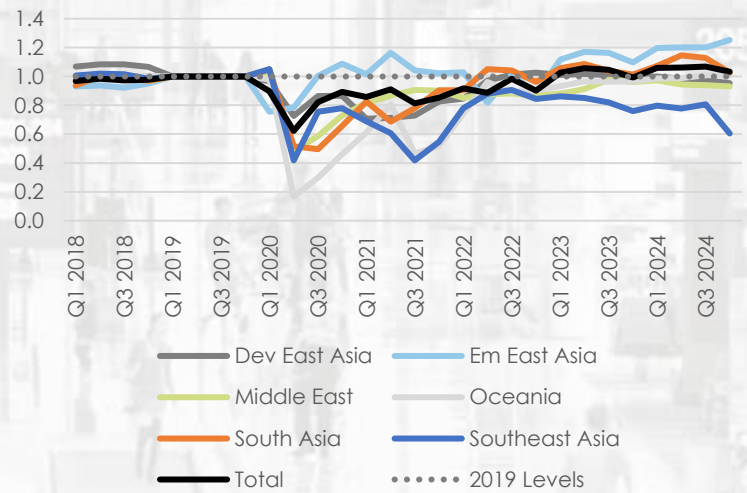
- International recovery remains slower than domestic; international seat capacity across the regions is expected to be -5% below 2019 seat capacity in 2024. However, this represents significant improvement versus 2023 (which was -20% below 2019 seat capacity).
- Two regions, the Middle East and South Asia, currently show international scheduled capacities greater than 2019 in 2024 (14% and 9% respectively). All other regions are expected to remain below 2019 international capacity, although in all regions international capacity currently filed for 2024 represents a significant improvement versus 2023.
- International recovery in Emerging East Asia is still 24% below 2019 capacity by Q4 2024, however this represents a 158% increase in international seat capacity compared to 2023 as China is expected to be open for international tourists throughout the year.

Figure 10: Domestic Departing Seats by Sub Region 2004-2024



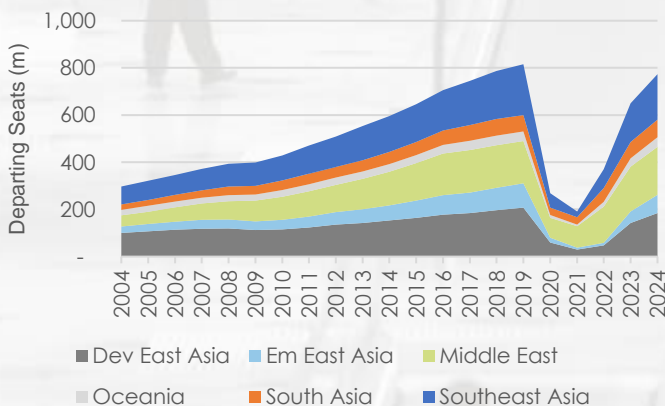
Source: SRS Schedules Analyser, accessed May 2024

Figure 11: Domestic Departing Seats by Sub Region (Indexed 2019=1.0)



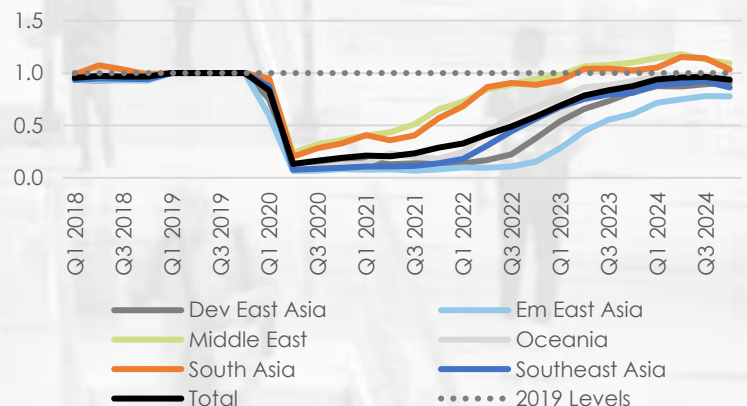
Source: SRS Schedules Analyser, May 2024

Figure 12: International Departing Seats by Sub Region 2004-2024



Source: SRS Schedules Analyser, accessed May 2024

Figure 13: International Departing Seats by Sub Region (Indexed 2019=1.0)



Source: SRS Schedules Analyser, accessed May 2024

Traffic Development

Air Cargo

Traffic Developments

Cargo load factors (CLFs) increased to 46% in Q4 2023 from 43% in Q3 2023 and remained at this level in Q1 2024. This matches the pre-pandemic values of 46% in 2019 (full year) but is below the Q1 2021 peak of 58%.

Asia-Pacific CLFs dropped below the global average for the first time in Q1 2024 since Q1 2019, from 48% in Q4 2023 to 45% in Q1 2024. Middle East CLFs, however, overtook the global average to 48% in Q1 2024.

Figure 14: Monthly Cargo Load Factors - Total Market

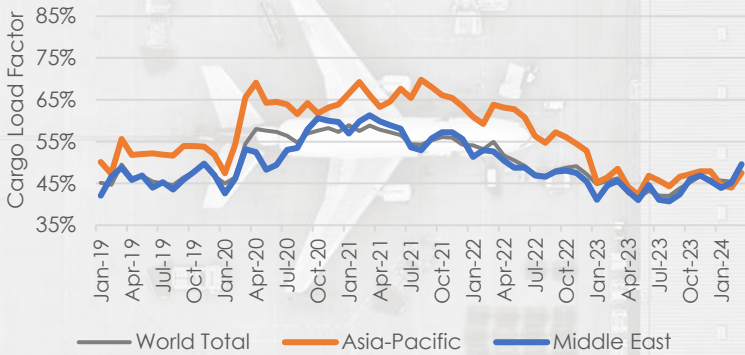
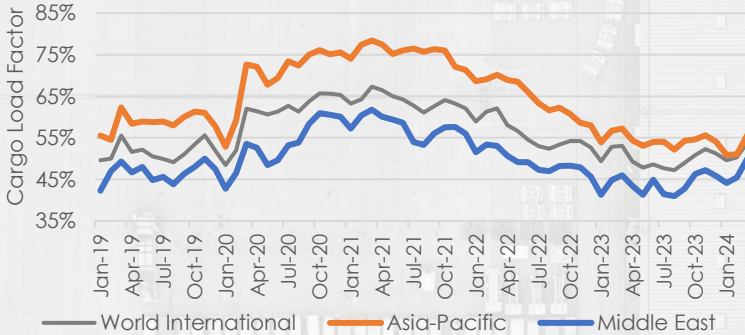


Figure 15: Monthly Cargo Load Factors - International



Sources: IATA Economics, IATA Monthly Statistics

Global international CLFs increased from 48% in Q3 2023, to 51% in Q4 2023. This is close to the 2019 average of 52% but is still below the peak CLF recorded in Q3 2021 of 63%.

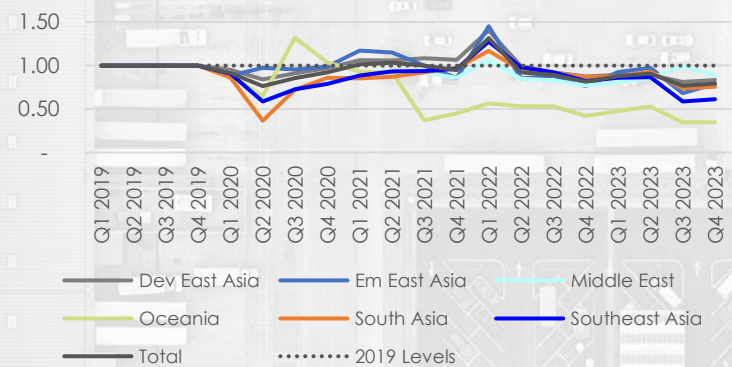
The international CLFs of the Asia-Pacific region increased slightly from 54% in Q3 2023 to 55% in Q4 2023, then dropped to 53% in Q1 2024. The Middle East international CLFs increased more significantly than other regions at the end of 2023, from 42% in Q3 2023 to 46% in Q4 2023. While the Middle East CLF growth eased in Q1 2024, 47% was achieved.

As the impact of the economic downturn eased, this caused the CLFs across all regions to increase. The Red Sea Crisis might also have led to an increase in air cargo transportation demand as sea transport became unsafe and unavailable in some regions.

Air cargo in Asia-Pacific and Middle East continued to suffer from weak global economic growth, with the tonnage in Q4 2023 still 21% below pre-pandemic levels in Q4 2019. The Red Sea conflict still impacts the cargo tonnage as shipping prices, as well as inflation, increase.

Despite the total cargo tonnage across the Asia-Pacific and Middle East in Q4 2023 being 11% higher than Q3 2023, Q4 2023 is still the worst performing last quarter since 2019, -3% versus Q4 2022. The Middle East tonnage has declined by -5% from Q3 2023 to Q4 2023. Oceania recorded a strong bounce back, with the tonnage 39% higher than Q3 2023, followed by Emerging East Asia at 26% higher in Q4 2023. Developing East Asia and Southeast Asia both recorded an 11% increase in tonnage from Q3 2023 to Q4 2023. South Asia tonnage saw a 2% growth from Q3 2023 to Q4 2023.

Figure 16: Total Air Cargo Tonnes by Subregion (Indexed 2019=100)

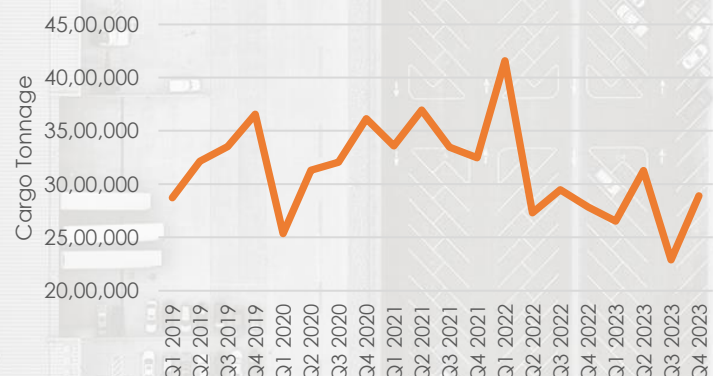


Source: ACI Monthly Traffic Data

Cargo tonnage in China has tracked below 2019 levels since Q2 2022.

The cargo tonnage in China was 26% higher in Q4 2023 than it was in Q3 2023. However, this is still 21% lower than Q4 2019 and only 4% higher than Q4 2022. This is likely driven by economic challenges currently being experienced in China such as a manufacturing downturn and weak internal demand.

Figure 17: Total Cargo Tonnage in Mainland China



Source: ACI Monthly Traffic Data

Airport Economic Performance

Airport Economic Performance Sources

These data are based on sample of listed airports that release quarterly financial statements. The sample represents approximately 30% of total annual regional traffic volume in 2019 (refer to footnote for list of included airports).

Airport Revenues and Expenditures

Airport economic performance continued to improve significantly since the start of 2023. The total airport revenues increased by 5% from Q3 2023 to Q4 2023 and were just 5% below the Q4 2019 level. All included airports made 73% more revenue in Q4 2023 compared to Q4 2022, and more than double compared to Q4 2021. With a strong recovery, it can be expected that airport performance is likely to overtake pre-pandemic levels in the near future.

Total operating expenses continued to increase in Q4 2023, 4% more than Q3 2023 and overtook Q4 2019 level by 8%. This is 10% higher than the total operating expenses in Q3 2022, and 27% higher than that in Q4 2021. The increase in labour and energy costs as traffic recovers are likely contributing factors.

Figure 20: Operating Expenditure Comparison by Current Quarter

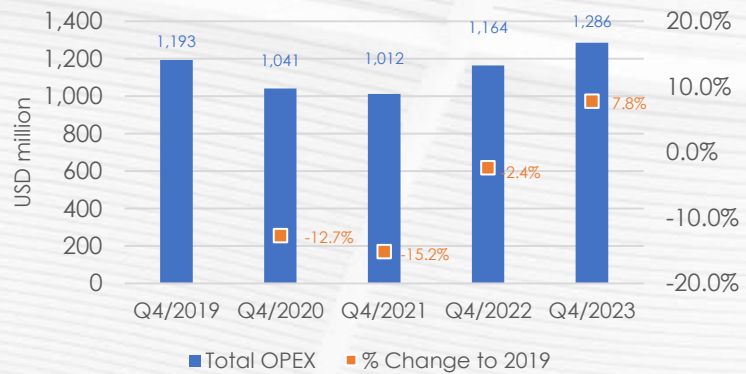
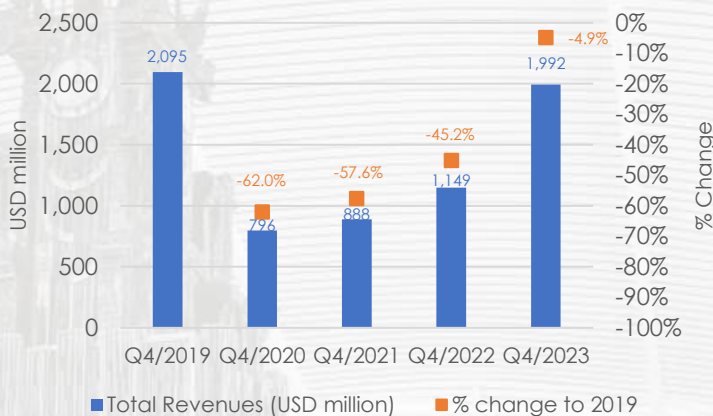


Figure 18: Total Airport Revenue Comparison by Current Quarter



Both the EBITDA margins and the Net Profit Margin have stayed positive in four consecutive quarters, between 30% and 16% respectively in Q4 2023 and Q3 2023. Although there is no growth in Q4 2023 compared to Q3 2023, the positive margins shows that the airports can sustain economic growth and continue to make profits. However, with the trend stabilised in the last 3 quarters, airports may have adjusted their operating models which lead to lower EBITDA and Net Profit Margin than in 2019.

Figure 21: EBITDA and Net Profit Margins

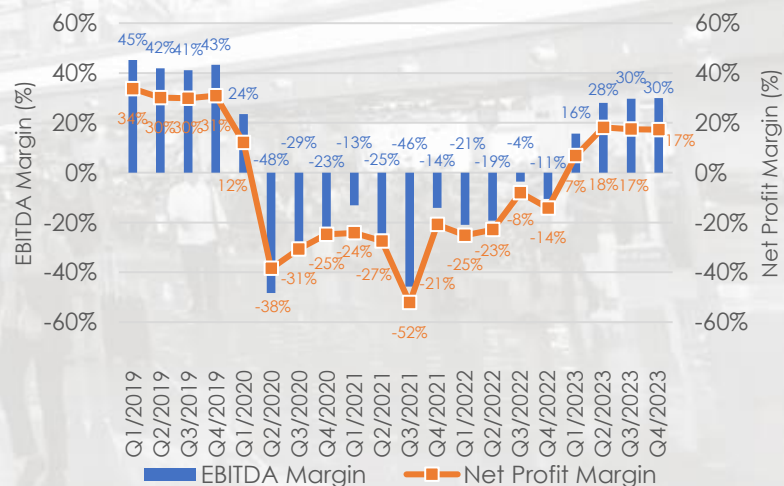
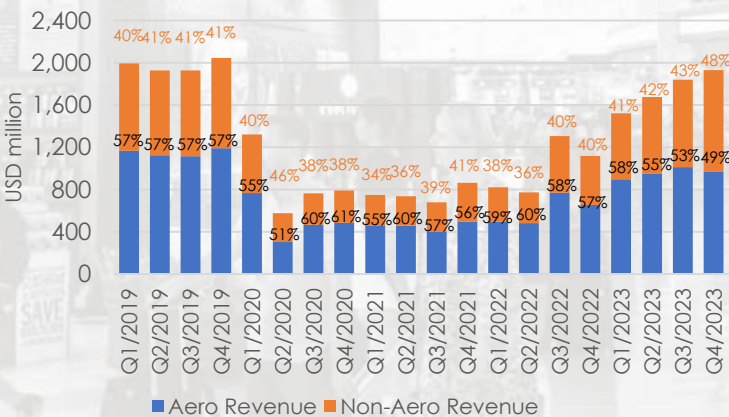


Figure 19: Aero and Non-Aero Revenue by Quarter



- List of sampled airport operators:
- Airports Corporation of Vietnam (ACV)
 - Airports of Thailand Public Company Limited (AOT)
 - Malaysia Airports Holdings Berhad (MAHB)
 - GMR Airports Limited
 - Shanghai Airport Authority (SAA) #

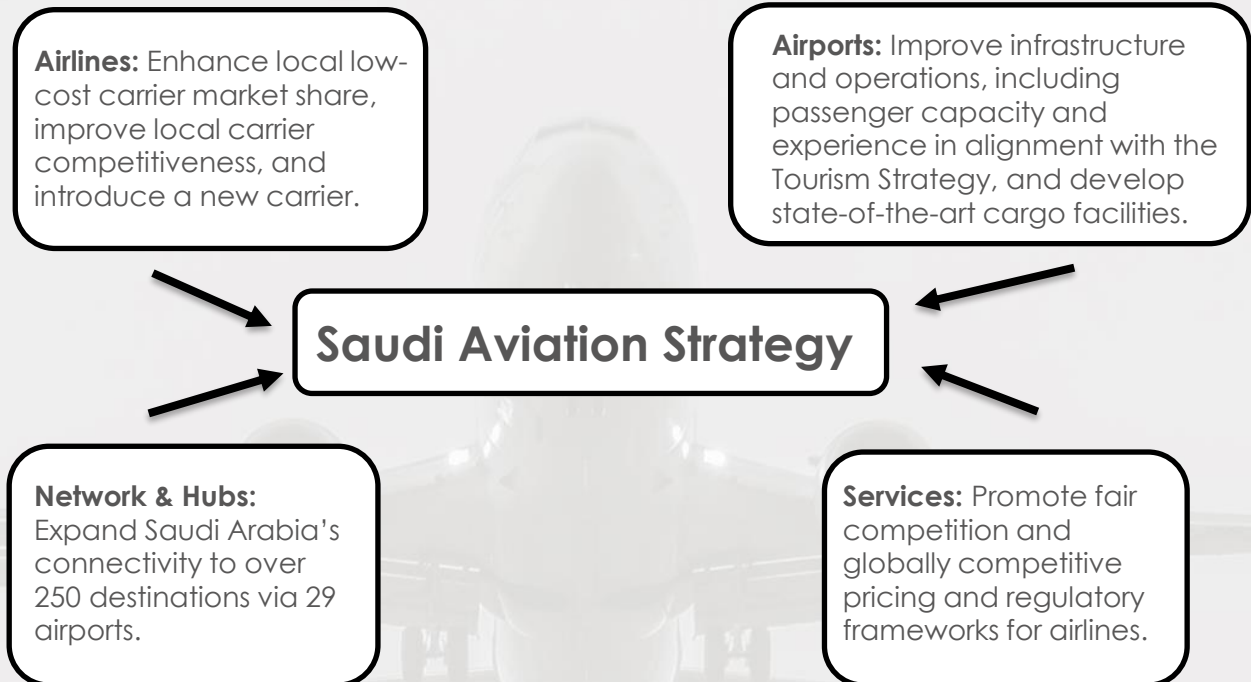
- Guangzhou Baiyun International Airport Co. Ltd.
 - Shenzhen Airport Company Ltd.
 - Xiamen International Airport Group Co., Ltd.
- #Data starting from Q3 refers to the consolidated statement that includes subsidiaries Hongqiao Int'l Airport and Shanghai Airport Logistic Co.

Special Topic: Saudi Aviation Vision 2030

Strategy and Impacts

The Ambition

The Saudi Aviation Strategy aims to support Saudi Arabia's National Tourism Strategy to become the Middle East's leading aviation sector by 2030, handling 330 million passengers and 4.5 million tons of air cargo. This is backed by \$100bn in investments from both the government and private sector.



Impact on Airlines:

Saudi Arabia, one of the Middle East's largest passenger markets, has experienced significant growth air services during the past 10 years. Saudi Arabia, currently hosting over 120 foreign airlines, will expand as new routes and incentives are introduced. The Kingdom is launching two new airlines to serve alongside Saudia – Riyadh Air due to commence services in 2025 and to develop hub operations from the new King Khalid International Airport in Riyadh, and NEOM Airlines due to start flying by the end of 2024 and serve the Red Sea technology and tourism centre at NEOM.

Impact on Airports:

Saudi Arabia is undertaking large airport developments with the construction of a new airport for the capital city Riyadh – King Salman International Airport will be a hub for Riyadh Air, along with existing flag carrier Saudia. The site will have six parallel runways and provide the capacity for 120 million passengers by 2030. At the same time, a new NEOM International Airport is being developed to serve the Red Sea developments in the north-west of the country. The General Authority of Civil Aviation (GACA) has led the transfer of several existing airports to private operators and reorganised the state-run airports under Matara Holding.

Impact on Cargo and Logistics:

The Saudi Aviation Strategy will increase Saudi Arabia's transit air cargo share of the regional market to 25%. The strategy aims to capture more of the market as airfreight grows from 0.8m tons today to 4.5m tons by 2030. The launch of free zones with competitive incentives is attracting leading logistics providers and multinational corporations to Saudi.

Impact on Regulation:

The Saudi Aviation Strategy redefines GACA's role as a regulator, focusing on enhancing aviation competitiveness. This new competitive environment will attract more Foreign Direct Investment (FDI) and enable the growth of local private sector players. The aviation sector's contribution to the Saudi economy will more than triple from \$21.3bn to \$74.6bn by 2030.

Special Topic: Saudi Aviation Vision 2030

Examples of Change

Saudia, the flag carrier of Saudi Arabia, is set to focus its operations at Jeddah by 2030 and has plans to have a fleet of 241 aircraft by this time – a substantial increase from the current 143. Saudia plans to serve over 100 destinations by 2030, and to complement a second planned flag carrier, Riyadh Air, which is set to focus its operations at Riyadh. The two flag carriers will enable a large push for tourism in the Kingdom.

NEOM Airlines plans to launch by the end of 2024, and will be primarily focused on connecting NEOM with regional and international destinations. Its fleet will be comprised of modified existing aircraft to become electric, hydrogen-powered or supersonic.

Flynas, a Saudi low-cost carrier, is expanding its fleet and route map, with plans to operate 250 aircraft and reach over 165 destinations. It's also increasing its Airbus A320neo fleet and adding A330-300 widebodies for long-haul pilgrimage flights.

Riyadh Air and King Salman International Airport, a new national hub carrier serving the Kingdom's capital city with a new airport set to replace King Khalid Airport. The new airport aims to have capacity for up to 120m passengers by 2030 and 185m by 2050, and is expected to contribute 27mn Saudi riyals (\$7.2m) pa to non-oil GDP and to create 103,000 direct and indirect jobs.

NEOM is a "city of the future" incorporating four 'megacities' named Sindalah, Trojena, Oxagon and the LINE. The 9 million inhabitants will be served by NEOM International Airport, which is being designed as a state-of-the-art airport to serve as a transportation hub. NEOM International Airport is being designed for an ultimate capacity of around 100 million passengers per year.

Jeddah Airports Company (JEDCO) plans to invest \$31bn to expand King Abdulaziz International Airport, increasing its passenger terminal capacity to 114m per annum. This airport is the principal gateway to Mecca and the base to Saudia.

SCOPA Industries and Airbus have signed an agreement to jointly produce over 100 civil and military H175 helicopters worth €6 billion over the next 20 years, creating 8,500 jobs. The first helicopters produced will be seen within 2 years of Feb 2024's World Defence Show



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