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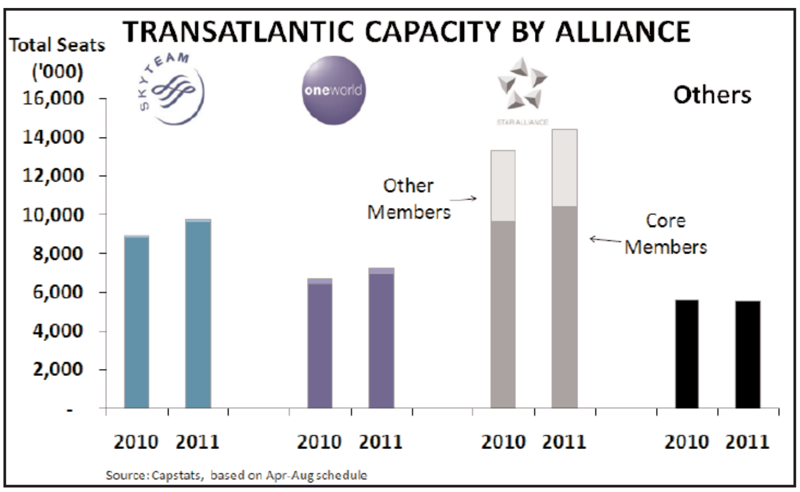
North Atlantic: the metal neutral market

This summer three airlines will carry at least 73% of air traffic across the Atlantic. They are: International Airline Group (BA merged with Iberia) and virtually merged with American; United (incorporating Continental) virtually merged with Lufthansa and Air Canada; and Air France/KLM virtually merged with Delta (incorporating Northwest).

These airline groupings represent the deeply integrated joint ventures at the core of the three Branded Global Alliances (BGAs – oneworld, Star and SkyTeam). On a slightly broader measure, including all alliance members, the proportion of the North Atlantic controlled by the alliances is 85%.

The term "virtual merger" is now more than marketing hype, it is becoming a legal necessity mandated by the US DoT in order for the US and European carriers to cooperate as closely as possible without actually merging, which would be impossible because of nationality requirements, and this cooperation has to take the form of "metal neutrality". Metal neutrality is described by the DoT (which has the authority to issue immunity and regulate alliances) as a JV in which the airlines "become effectively indifferent to which plane or 'metal' carries a passenger ... this form of cooperation is a close substitute to a merger because it typically involves full coordination of the major airline functions on the affected routes, including scheduling, pricing, revenue management, marketing and sales".

This situation may appear odd: the US authorities normally set out to make companies compete not collude, and regularly punish erring executives with gaol time. The logic is linked into the evolution of Anti Trust Immunity (ATI) through which the US authorities allow airlines in a JV to discuss and set fares, schedules, etc. ATI has been used as an incentive to advancing the policy aim of greater international liberalisation, first awarded in 1993 to KLM and Northwest following the first



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Open Skies agreement between the Netherlands and the US. KLM and Northwest, with their dual hub system, achieved metal neutrality but other immunised alliances like that between Lufthansa and United did not initially take their cooperation that far. ATI was granted back in 1996.

Former KLM General Counsel and the world's leading expert on metal neutrality Paul Mifsud explained in the November 2010 edition of the *Airneth* newsletter how the DoT's position has crystallised into almost obligatory metal neutral conditions following an initial disapproval for ATI for all four main carriers linked by the 2005 merger of Air France and KLM; in approving the re-submitted plan, the DoT stated:

"…the Joint Applicants now supply a detailed joint venture agreement that integrates international operations to such an extent as to suggest metal neutrality and seamless travel across one joint network. The proposed alliance is likely to result in the introduction of new capacity and greater availability of discount fares across the entire joint network – benefits that we tentatively find to be substantial in the circumstances of this case. Building on the highly integrated common bottom line arrangement in the Northwest/ KLM alliance, the four-way JV represents a significant shift in the way in which SkyTeam plans to deliver benefits to the travelling and shipping public."

Since that case, it appears that a metal neutral joint venture has become a DoT requirement for a grant of ATI. The DOT has conditioned subsequent ATI approvals with the specific requirement that the major participants in both the Star Alliance and oneworld parties enter into a metal neutral joint venture within 18 months of approval.

Double marginalisation arguments

Why does the DoT (and the EU Commission, by association) place such importance on metal neutrality? One of the key criteria for the DoT is that the immunised JVs should bring public benefits. These can include greater route choice, better scheduling, sharing of FFPs and – in particular – a reduction in fares, which is surprising. In anticipating fare reductions the DoT has relied heavily on the work of Jan Brueckner, an academic who has analysed the impact of alliances on interline fares, using the theory of double marginalisation. Basically this states that the more integrated an alliance, the less incentive the participating airlines will have to maximise fares on their legs of a connecting flight, hence the integrated fare will fall.

In his latest analysis (October 2010) Brueckner estimated that the impact of a codeshare on a transatlantic interline fare is to reduce it on average by 3.9%, an alliance agreement reduces the fare by a further 7.6% and a fully immunised JV takes off another 4.4% - so in total interline fares would benefit to the tune of 15.9% due to the introduction of immunised JVs. A fully merged transatlantic airline would produce fare savings of 18.9% compared to the base interline fare.

Merge without merging

So, the theory goes, in order to capture these benefits airlines in an immunised JV should get as close as they can to being a merged entity without actually merging – and this means metal neutrality. (In practice, selling the concept to passengers is challenging, given the difference in hard and soft product spec between alliance members; moreover, within the alliances the mechanisms for precisely allocating revenues and costs in a metal neutral fashion must be subject to intra-alliance competition and/or conflicts of interest.)

Importantly, the US DoJ contests the DoT findings on the interline fare benefits, and concentrates on the impact on point-to-point fares. Hubert Horan, a leading US analyst, and contributor to Aviation Strategy, has described the double marginalisation theory as consumer

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fraud, part of a malign policy to re-create old-style IATA-type cartels.

Whether one ascribes to the anti-competitive view or regards the alliance building as representing an overdue rationalisation of the inter-continental markets, the degree of consolidation on the North Atlantic is now advanced.

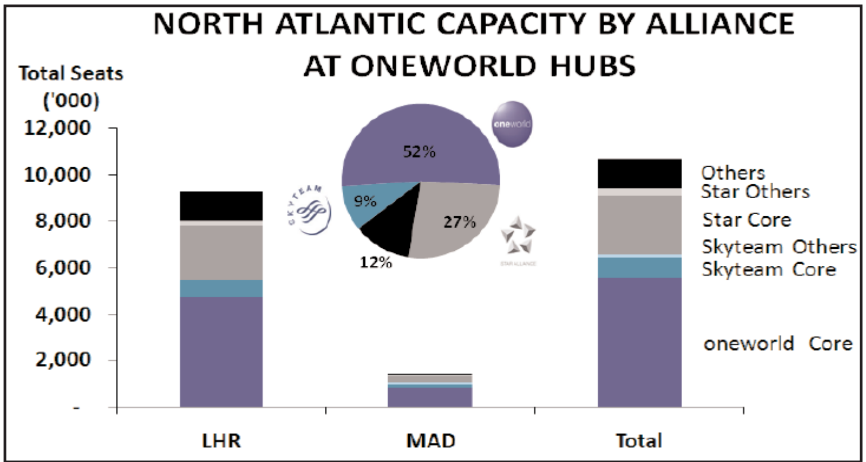
At the highest level the North Atlantic market splits out into four airline groupings: oneworld with 20%, Star with 39%, SkyTeam with 26% and others with 15% - which looks like a competitive oligopoly. ('Others' is mostly Virgin Atlantic, which has spent the last six months looking for an alliance intro – see *Aviation Strategy*, Jan/Feb 2011).

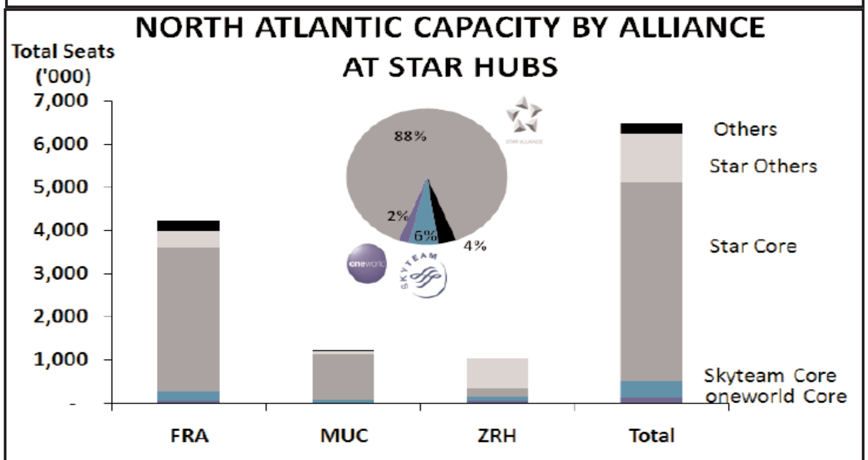
Looking at the North Atlantic from a European hub perspective: from the oneworld hubs, London Heathrow (and Madrid, which doesn't add much in the North Atlantic region), oneworld airlines account for 52% of capacity. For the Star hub system, the most fully integrated alliance operation, encompassing Frankfurt, Munich and Zurich airports, the Star airlines' share is a totally dominant 88%. For SkyTeam, with its dual hubs at Paris CDG and Amsterdam, the market share is 71%.

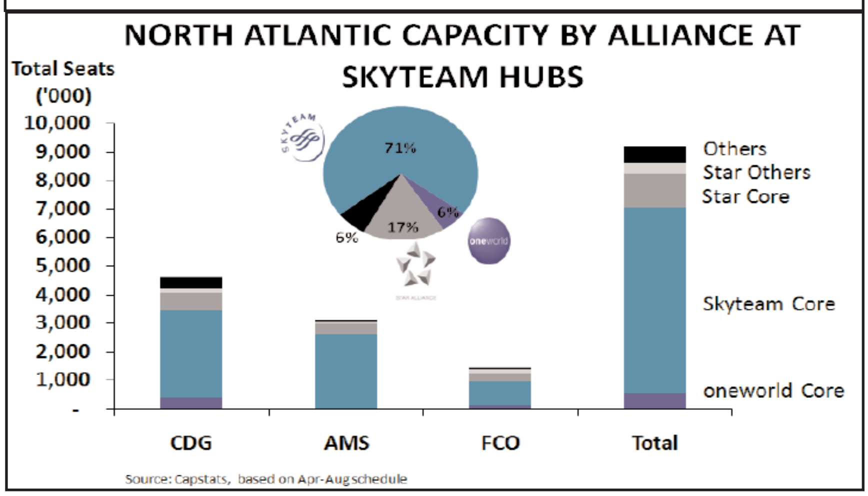
Take the analysis to a further level of granularity: on the Euro-hub to New York routes Star is overwhelmingly dominant from its base, SkyTeam is dominant from CDG and Amsterdam; oneworld takes more than half the market but does face significant competition. On hub-to routes 100% control is the norm.

This degree of consolidation should logically increase the average fares achieved, and indeed this is what the latest transatlantic financial results indicate.

Atlantic numbers from the three major US airlines (of the European carriers, only BA has ever split out its Atlantic division but a couple of years ago stopped revealing this detail) are







Notes: Alliance membership is as defined by EC/US DoT joint report (Transatlantic Alliances: Competitive Issues and Regulatory Approaches, 16 Nov 2010):
Oneworld (Core): BA, American and Iberia, integrated JV on the North Atlantic
Oneworld (Total): All 11 members, 5 of which are defined as medium integrated
Star (Core): Lufthansa, United (inc. Continental), Air Canada
Star (Total): All 26 members, 9 of which are defined as medium integrated
SkyTeam (Core): Air France/KLM, Delta (inc. Northwest), Alitalia
SkyTeam (Total): all 12 members, of which 5 are defined as medium integrated

CAPACITY SHARES EURO HUB TO NEW YORK

	oneworld	Star	SkyTeam	Others	Total
LHR-NYC	51%	15%	10%	25%	100%
CDG-NYC	14%	15%	66%	5%	100%
AMS-NYC	0%	27%	73%	0%	100%
FRA-NYC	0%	92%	8%	0%	100%
MUC-NYC	0%	100%	0%	0%	100%

Note: New York = JFK and EWR

CAPACITY SHARES EURO HUB TO US HUB

	oneworld	Star	SkyTeam	Others	Total
LHR-DFW	100%	0%	0%	0%	100%
LHR-ORD	62%	33%	0%	6%	100%
CDG-ATL	0%	0%	100%	0%	100%
CDG-DTW	0%	0%	100%	0%	100%
AMS-ATL	0%	0%	100%	0%	100%
AMS-DTW	0%	0%	100%	0%	100%
FRA-CHI	0%	100%	0%	0%	100%
FRA-HOU	0%	100%	0%	0%	100%

probably indicative of the positive impact of the consolidation on financial results, even allowing for the rebound from the 2009 depression.

In 2010 United's Atlantic unit revenue (PRASM – Passenger Revenue per ASM) was up 21%, compared to systemwide 19%; Delta's Atlantic unit revenue was up 21%, compared to systemwide 13%; American's was up 16% compared to systemwide 10%. (In all cases Pacific PRASM growth, where consolidation has also accelerated, was higher, 38% for United, 26% for Delta and 16% for American.)

If you would like to focus on other aspects of the North Atlantic capacity analysis or review the statistics in more detail please email *info@aviationeconomics.com* stating your requirements

Japan: Immunised JVs could help in tough times

Amid all the misery surrounding the crisis in Japan, which is having a devastating impact on travel demand to and from that country that could last quite some time, there has been one piece of positive news: American and Japan Airlines (JAL) are sticking to their plans to launch their immunised Joint Business (JB) on the Pacific on April 1. That may be exactly what the carriers – and the US-Japan market – need at this point.

The Joint Business plans were confirmed by Beverly Goulet, AMR's VP of Corporate Development & Treasurer, at the JP Morgan transportation conference in New York on March 22. Of course, there are no guarantees; as Goulet noted, "no-one knows what the future holds in this very fluid situation".

So far United Continental and All Nippon Airways (ANA) have not commented on their similar planned Pacific Joint Venture, which also had an April 1 launch date, but one has to assume now that they will go ahead.

Both the JAL-AMR and ANA-UAL Joint Ventures (JV) were made possible by the October 2010 signing of the Japan-US open skies agreement and the subsequent granting of ATI on the Pacific. They are closely modelled on the immunised transatlantic joint ventures. While both airline pairs have codeshared for some time, this April was to mark the beginning of closer cooperation in terms of schedules, pricing and other activities.

The Joint Venture is particularly important to JAL because of its drastic downsizing as part of its bankruptcy restructuring over the past year. In the past two years JAL's international ASKs have fallen by 40%. The carrier's reorganisation plan called for "aggressive use of alliances", and that includes benefiting from the "managerial know-how, facilities, IT systems and other tangible and intangible assets of alliance partners".

Goulet explained American's thinking as follows: "JAL operates one of the biggest airline networks in Asia and a joint business with JAL is a substantial opportunity for us, given the pace of economic growth in Asia and the fact that the Pacific region only accounted for about 5% of our total capacity in 2010." Goulet said that about 50% of American's traffic to Japan is connecting traffic and that "having the very robust JAL connecting schedule to Asia to offer to our customers is of paramount importance in this situation". In other words, American views it as an important strategic long-term relationship and in the short term is prepared to try to make it work relying primarily on connecting traffic to Asia.

But it is also possible that an immunised alliance would put the airlines in a better position to respond to the crisis. Since they would not be competing, surely they would find it easier to reduce capacity to match the drastically lower demand levels.

The past year has seen instances of immunised global alliances being better able to cope with problems (albeit nothing of the magnitude now seen in Japan). Delta noted last year that its "metal neutral" transatlantic JV made it possible to "de-risk the hiccups", for example, enabling the partners to work around strikes at Air France and prevent traffic ending up at competitors. And when the FAA briefly downgraded Mexico to category 2 under the IASA safety assessment programme last summer, the Mexican carriers' US partners were able to temporarily pick up the traffic for the alliances.

JAL and American have already been coordinating their activities since February, when they spaced their flight timings further apart and begun offering joint package tours in the US. But April 1 was always the target for the start of key activities such as joint sales, revenue sharing, schedule coordination, co-location of facilities, more fare options, service enhancements and the sharing of best business practices. Under the plans announced in January, the venture would initially cover ten Pacific routes, linking Tokyo with JFK, Chicago, San Francisco, Los Angeles and Dallas and also including three US-China routes operated by AMR. The two would codeshare on 123 sectors beyond Tokyo and from AMR's cornerstone cities in the US.

As Star partners, United, Continental and ANA already have a long history of codesharing, FFP cooperation and facility sharing; now from April 1, if they stick to their late-January plans, they would integrate operations in very similar fashion to AMR/JAL. But the JV covers more Pacific routes, linking Narita with eight US mainland airports plus Honolulu, Haneda with two US cities and Kansai with San Francisco. Also some Hong Kong-US and Seoul-US routes are included in the scope of the JV.

It is hard to imagine, though, given the sharp fall-off in demand, that the JVs could be implemented exactly as originally planned. Undoubtedly the teams are hard at work trying to figure out which segments might work in the new environment. The routes to the US from Beijing, Shanghai, Hong Kong and Seoul covered by the JVs are the obvious starting points.

The progress made with the Pacific JVs will be followed with interest in Europe, where Lufthansa is waiting for approval from the Japanese government for an immunised alliance with its longtime partner ANA and where BA is believed to be waiting in the wings to do such a deal with JAL. ANA and Lufthansa submitted their application for a Japan-Europe JB in late February and had been expecting approval by mid-year, but Lufthansa's CEO Christoph Franz has expressed concerns that, given all the current turmoil in Tokyo, it might be delayed or even fall through.

The same rationale applies to the potential Europe-Japan JVs: such deals would be good for the airlines, especially in times like these.

Airline response to the crisis

Delta, which has the largest Japan exposure among US carriers but lacks a partner in Japan, sent shockwaves through the industry with the deep cutbacks announced on March 22. The airline is reducing capacity to Japan by 15-20% through May. It is suspending the Detroit-Haneda service it only launched on February 19. Delta said that it expects a significant drop-off in bookings tied to Japan in the next 2-3 months and estimated the financial impact of the crisis at $250-400m.

In contrast, Goulet said on March 22 that American continued to operate a normal schedule to Japan and that JAL was also operating a full schedule of international connecting flights. United, too, appeared to be operating a normal US-Japan schedule. ANA has operated its normal schedule since March 13 (in addition to domestic relief flights free of charge) but planned to switch to smaller aircraft on some international and domestic routes from March 27. JAL said on March 28 that it would reduce frequencies or operate smaller aircraft on some international routes for most of April; the airline has seen a 28% decline in domestic passengers and a 25% fall in international passengers since the earthquake.

Many reports and anecdotal evidence paint a virtual collapse of Japan-bound demand. According to March 24 newspaper reports in Japan, foreign arrivals were running 60% down at Narita and 50% down at Osaka. Travel agents in the US report that business travel by Americans to Japan is now limited to only "mission-critical" travel (for news reporting, security, humanitarian or infrastructure purposes).

With the situation being in a flux, there is no clear view yet of the long-term impact. Some people have suggested that air travel demand to Japan will begin to recover when the reconstruction effort gets under way, perhaps in the second of half or 2011. But it is hard to imagine any recovery at least until the radiation leaks are eliminated and Japan's water supply and produce are proved safe.

This is so unfortunate for Japan's major carriers which, after being hit exceptionally hard by the recession, have staged strong financial recoveries in recent months. ANA swung to an operating profit of ¥77.7bn ($940m, 7.5% of revenues) in the nine months ended December 31, contrasting with an operating loss of ¥37.8bn a year earlier.

JAL, in turn, has accomplished an amazing turnaround, having gone through a much more thorough and swift business restructuring than anyone could have imagined. Its leadership disclosed recently that the airline had earned a consolidated operating profit as high as ¥165.9bn ($2bn) in the ten months ended January 31. Of course, the net losses could be horrendous because of the restructuring charges, but the very strong operating results were a promising sign that boded well for JAL's future.

As an encouraging sign of "business as usual", JAL announced on March 28 that it had effectively emerged from the court-led restructuring (April 1 had been the target date). Having received a ¥350bn ($4.2bn) injection from ETIC in December, JAL has now procured ¥255bn ($3.1bn) from 11 banks and repaid debt totalling ¥395bn. It has also raised an additional ¥12.7bn ($154m) through a share sale to eight companies; the leadership described this as adequate, but it is short of the earlier ¥50bn ($605m) goal and leaves JAL somewhat undercapitalised.

Scandinavian battles: the SAS and Norwegian saga continues

Scandinavia may be out of the mainstream battle, but it is still a very important part of the European market. Even though the three countries Sweden, Denmark and Norway have relatively low populations (of 9.2m, 5.5m and 4.9m respectively), distances are large, physical geographical barriers can favour air travel, personal incomes are high (with GDP per head of $44,000, $56,000 and $79,000 respectively in 2009). Norway in particular portrays the highest propensity to travel by air of all nations – with an average number of seven air trips per head of population per year. However, it is also an area which relies on very short-haul air trips; and therefore a market which is highly open to attack from the low-cost model.

The legacy incumbent SAS – formed originally in 1946 as the world's first multinational air carrier as the consortium of the then national flag carriers of Sweden, Norway and Denmark – has for many years enjoyed the (relatively) protected market of a niche local market. Over the years it has tried to expand out of the core "natural" market – and in the good times has targeted long-haul route expansion (through its network hub at Copenhagen), leisure oriented growth, acquisitions and partnerships - but in each cyclical set-back the company has had to refocus back to the core intra-Scandinavian domestic and intra-European business oriented routes.

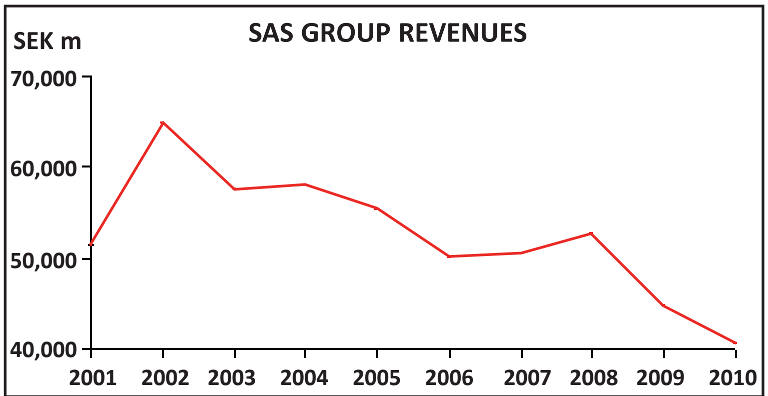
Back in 2001 SAS made (in hindsight) a disastrous strategic decision. Bowing to political pressure it acquired its Norwegian competitor Braathens SAFE – which then had half the domestic Norwegian market. On the face of it, this acquisition could have allowed SAS to maintain control over the majority of the Scandinavian market, but in reality provided the opportunity for a low cost upstart – Norwegian Air Shuttle (formerly a feeder for Braathens) – to start operations in direct competition. Unlike the other major carriers in Europe, SAS has a relatively small natural long-haul market and has been far more heavily dependent on short haul point-to-point demand – while shuffling medium-haul through its hub at CPH. It was reliance on this short haul point-to-point market that made it so vulnerable to new low-cost entrants.

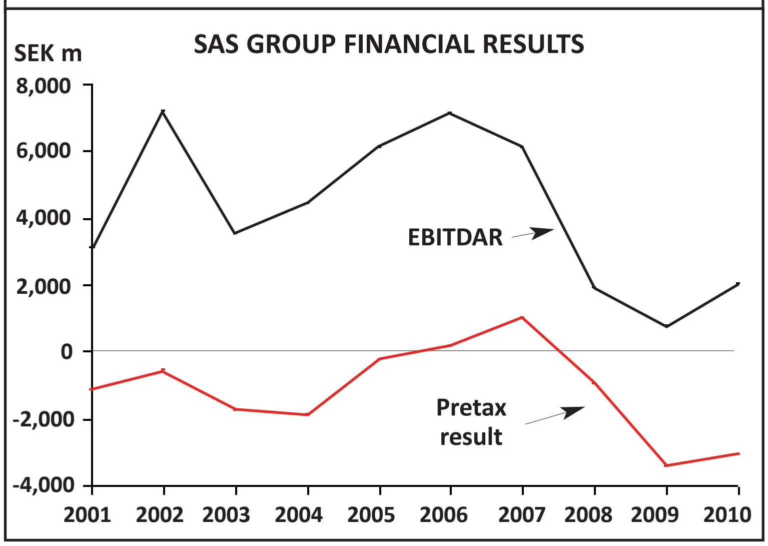
In the regulated era SAS had developed CPH as a transfer hub – to try to make commercial sense out of its long-haul routes. Passengers of course prefer direct services where possible: and Norwegian has now started direct longer haul competition – from Oslo to Dubai on 737-800s – and with an order for two 787s has ambitions to compete directly with its legacy competitor.

This then is an evolving saga of the low cost insurgent pushing the patience of the incumbent dinosaur. By 2010 Norwegian had grown to be half the size of the SAS Group in numbers of passengers carried and a fifth the size in terms of annual revenues. For 2010 Norwegian produced a pre-tax profit of NOK 243m (€30m) – although well down on the prior year's NOK623m, not that dissimilar from SAS's SEK258m "income before non-recurring items in continuing operations" - but its net profit of NOK143m was significantly above SAS's SEK2.2bn net loss for the period.

SAS – 2010 a year showing recovery

For 2010 as a whole, SAS Group capacity in ASK terms fell by 2.6%, traffic grew by a modest 1.9% and load factors grew by 3 points to 74%. The closure of European airspace following the eruption of the Icelandic volcano last spring had a greater than average impact on operations in Scandinavia; in the first half of the year SAS's capacity was down by 9% and traffic by 4% whereas in the second half of the





year capacity was up by 5% and demand by 8%, with an acceleration of the growth in the fourth quarter. Unlike the other European majors SAS did not benefit as much from any improving yield environment. For the full year, underlying (currency adjusted) traffic yields fell by some 7%, and in its press release the company blames severe competitive pressure in the domestic Danish and overcapacity in the Norwegian markets. Total group revenues fell by 10% to SEK40bn (€4.4bn), and are now some 40% below the peak achieved in 2002, albeit in a simpler group structure.

Costs also were down reflecting the implementation of the new restructuring plan "Core SAS". Total operating costs (and unit costs) fell by nearly 8% despite the jump in fuel prices in the fourth quarter. EBITDAR was up 150% to SEK3.9bn – but still represents a paltry 5% of revenues. As a result the group managed to reduce its operating losses by a third from the prior year period to SEK1.9bn and published pre-tax losses of SEK3bn up from losses of SEK3.4bn in 2009. However, these figures include certain non-recurring restructuring costs, fines (for its part in the cargo cartel and for industrial espionage against Norwegian) amounting to some SEK2.6bn in all. Trying to get to a positive figure, the company has further estimated that the ash cloud over Northern Europe last spring cost it a further SEK700m, suggesting that it could have achieved an underlying profit of SEK265m. It is perhaps worth noting that in the past ten years SAS has achieved a published pre-tax profit in only two (2006 and 2007) and has generated total pre-tax losses since 2001 of some SEK12bn (see chart, left).

"Core SAS" - the strategy

A new strategy was unfolded at the beginning of 2009 entitled "Core SAS". It is based on five pillars:

- focus on the Nordic market;
- focus on business travellers;
- improve cost base;
- streamline organisation; and
- strengthen capital structure.

The programme was envisaged to generate some SEK7.8bn in cost savings by 2012. As part of the focus on the home region, the group has divested stakes in Spanair, bmi and Estonian along with certain peripheral support operations outside Scandinavia; it has reintegrated what had become SAS Sweden, SAS Norway and SAS Denmark into the core SAS brand. It retains its holdings in Wideroe and Blue1 as core Nordic carriers (interestingly Blue1 returned an increased operating loss of 11% of revenues while Wideroe, helped by parent capacity shifts, reported an operating profit margin of almost 6%). A large part of the total cost savings is targeted to come from employee costs (with flight and cabin crew providing some SEK1.9bn of the total) – total payroll costs in 2010 fell by 25% from those in 2009. The group states that it has implemented 87% of the cost saving programme – but as usual it is not easy for an outside observer to be able to verify the assumption – and that results in 2010 benefited by SEK3.6bn as a consequence; and the group anticipates further benefits of SEK1.5bn accruing in 2011.

For the final pillar of the plan there is still some way to go. The group completed another SEK5bn rights issue last year and ended 2010 with SEK5bn in cash (12% of revenues – although it has another SEK5bn in available facilities) despite a small operational cash outflow. It has a target to achieve a cash flow return on equity of 25% - these results represent a mere 6%.

One of the more important strategic decisions last year was to implement a simplification of the fleet structure. The group had 230 aircraft of 14 different types at the end of last year (and sub-configurations of some of those types) – of which 23 are leased out to other carriers (including a bundle of MD80s to Spanair) and probably 20 in storage. Among these it still owns 49 twenty-year old MD80/90s and 13 eighteen-year old 737 Classics. It has started the process to phase out the older generation single aisle jets at Stockholm and Oslo to concentrate on pure 737NG operations there. It is phasing out the remaining Fokker 50s replaced with Wideroe's Q400s. Blue1 is phasing out its RJs and MD90s replacing them with 717s. The replacement of the short-haul single aisle older generation fleet was always going to be a financial burden – the group has no orders currently but states that it has started negotiations with manufacturers and leasing companies.

On the outlook for 2011, SAS retains some optimism. Capacity is set to grow by 6% in actual terms – with an underlying 2% growth after allowing for the ash-cloud effects. It does not expect the non-recurring items of SEK2.6bn to recur; and on the basis of continuing benefits from the cost cutting programme and an assumption of $85/bbl fuel it assumes that it will be able to produce a profitable year.

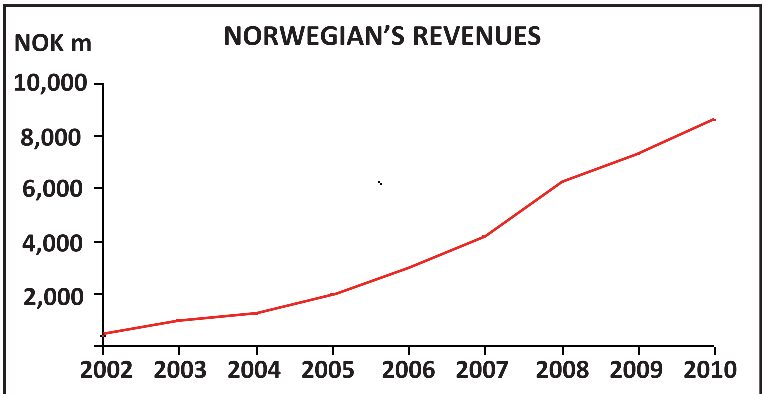
Meanwhile, the usual rumours surfaced again recently that SAS could be in discussions to sell out to Lufthansa. This may be a longer term option for the consortium carrier (it has a long standing joint venture on routes into and out of Germany, was closely involved in the disastrous ECA with LH and bmi, and is closely involved in the Star Alliance). However, with the three nation states retaining their joint 50% stake in the flag carrier any ownership change is fraught with political sensitivities; Lufthansa itself has got a belly-full of undigested recent acquisitions and is unlikely to be interested until SAS has its finances back in order.

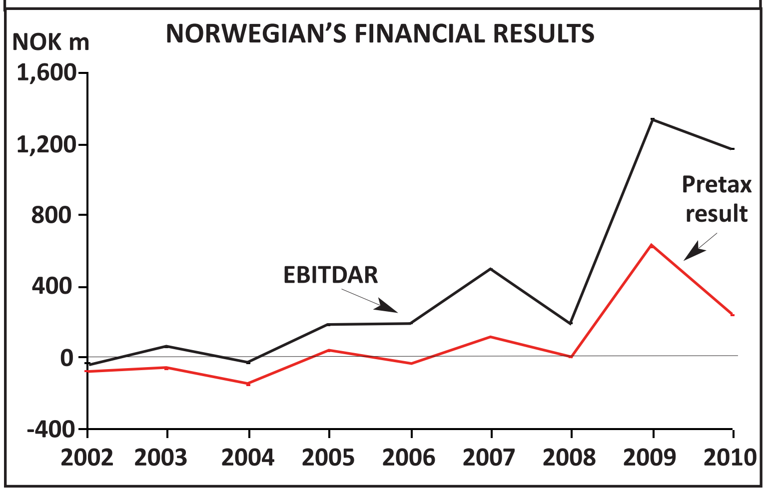
SAS GROUP FLEET

Model	In Active Service	On Order	On Option	In Storage
A319-100	4	-	-	-
A321-200	8	-	-	-
A330-300	4	-	-	-
A340-300	6	-	-	-
Avro RJ-85ER	1	-	-	-
717-200	-	-	-	1
737-400	3	-	-	-
737-500	9	-	-	-
737-600	28	-	-	-
737-700	19	-	-	-
737-800	18	-	-	-
CRJ900	12	-	15	-
Dash 8 Q400	-	-	-	3
MD-82	23	-	-	-
MD-87	2	-	-	2
MD-90-30	-	-	-	5
Total	**137**	**0**	**15**	**11**

Norwegian - growing and profitable LCC

Unlike some other LCCs in Europe Norwegian continues to grow strongly. In 2010 it took delivery of another 12 737-800s (five replacing older 737-300s) giving a year end fleet of 53 aircraft. It increased seat capacity by 31% year on year (with a 10% increase in stage length). Total passenger demand increased by 30% and the load factors dipped slightly to 76%. Hardly surprisingly yields were under pressure – not just from the significant increase in





capacity and increased sector length , but also the strength of the Norwegian Kronor against the Euro - falling by 13% year on year, although there was a further growth in ancillary income of around 8% per passenger. Total operating revenues increased by 18% to NOK8.6bn (€1.1bn).

Unit costs were down by 5% overall – and by 11% excluding fuel – reflecting in part the increasing proportion of 737-800s in the fleet (the company disposed of the last of its MD80s in the first half of last year) and a near 10% increase in average stage length. Total costs were up by 24% and EBITDAR fell by 12% to NOK1.2bn – a 14% margin – and pre-tax profits fell by 60% to NOK243m. As with everyone else, Norwegian was badly hit by the closure of European airspace in April – which it estimates to have cost it NOK170m – and the very weak resulting second quarter played a major part in the disappointing full year figures. In the first half of the year the company had reported a loss of NOK460m against a profit of NOK94 in the prior year period – whereas the second half pre-tax profits were up by a third to NOK700m – even despite the severe winter weather in the fourth quarter. However, these figures also reflect the award of NOK180m in compensation from SAS for industrial espionage. Year-end cash and cash equivalents stood at NOK1.2bn (down from NOK1.4bn at the end of 2009) equivalent to only 13% of annual revenues.

NORWEGIAN FLEET

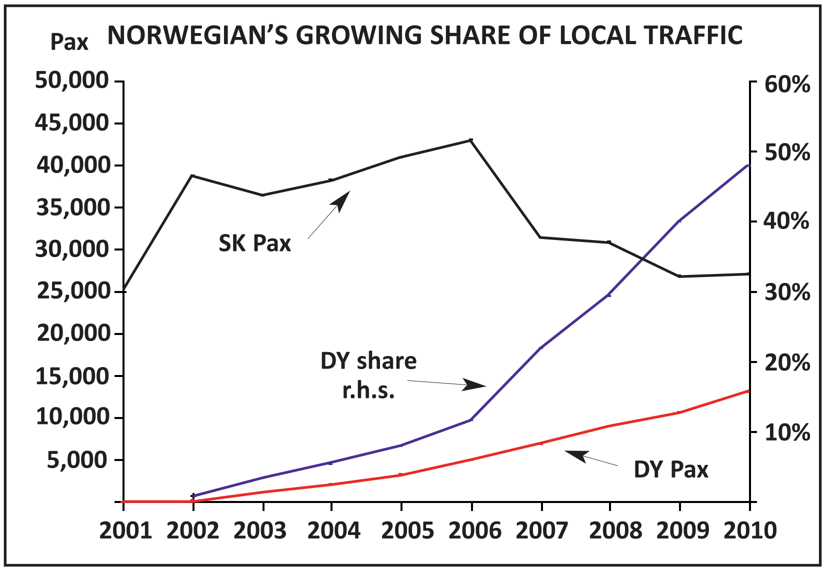
Model	In Active Service	On Order	On Option	In Storage
737-300	22	-	-	1
737-800	35	54	30	-
787-8	-	2	-	-
Total	57	56	30	1

Norwegian's traffic share

Although SAS bemoans overcapacity in the Norwegian domestic market, Norwegian only increased domestic capacity by 5% with the rest of the growth apportioned on international routes and to bases outside its home country. However it did increase capacity at its main base in Oslo strongly – and proudly states that it generated 96% of the total growth in passenger throughput at Oslo Gardemoen with a 14% increase in the number of its passengers there. It maintained its 45% share of domestic traffic and improved its share of international to 32% of the total. It is in the process of developing bases in the other Nordic capitals – and this is where it is likely to push a large part of the future increase in capacity.

At Stockholm Arlanda (SAS's home base) it now has a 16% share of the traffic on domestic routes and a near 14% share of the international – doubled in two years. At Copenhagen (SAS's network hub) it has taken further advantage of the withdrawal of Transavia to build an 18% domestic share and 10% international share of the market. Starting this March it is opening a base in Helsinki (it does have an agreement with Finnair forged following the takeover of its Swedish operations and which gave Finnair a stake in NAS) with an initial three aircraft.

At the end of 2010 Norwegian had 53 aircraft in its fleet – 23 737-300s and 30 737-800s. It took delivery of another six B737-800s in the first quarter of this year and has another 54 outstanding on order with an additional 30 options. Part of these new aircraft deliveries will go to replace the older leased 737 classics (all of which are due to leave the fleet this year) – and the current plans appear to allow the fleet to grow by a net 4-6 aircraft a year to build to a fleet of 73 aircraft by 2014. The company claims an annual average 10.4 hour daily utilisation which it could raise further as the classics leave the fleet and as it develops longer routes. Total seat capacity in 2011 is likely to grow by another 20-25% and under current plans the company could continue to generate similar but slightly reducing rates of growth over the next four years.



In addition to the 737-800s Norwegian has placed an order for two 787s to be delivered at the end of 2012. This will allow it further to develop its long haul aspirations – the longest current route it operates is to Dubai – and the 787 would be provide a significant cost advantage in competition with SAS's A330 operations out of CPH. Intriguingly SAS has countered its fear of the impending competition by announcing the re-establishment of a direct route from Oslo to New York (which would presumably be the first natural choice for Norwegian).

Norwegian is now the third largest LCC in Europe behind Ryanair and easyJet in terms of passenger numbers (excluding that is Air Berlin, which is probably not really an LCC) – closely followed by Vueling and Wizz. Norwegian has a unit cost base some 15% higher than easyJet's (partly explained by a shorter average stage length and partly by its very base in Norway), but still 25% lower than Finnair's and half that of SAS. Intriguingly it achieves an average revenue per passenger of nearly NOK700 which (depending on the exchange rate used) could be 20% higher than that of easyJet (and still 50% lower than that of the SAS Group). It, like easyJet, has a policy of targeting primary airport destinations, and states an aim that at these airports it should achieve cost leadership.

Ragnarok?

In some sense Norwegian portrays the way in which the classic LCC model is evolving. Norwegian is actively promoting self-transfer through its effective "hub" at Oslo; it is directly targeting the business oriented routes of SAS at each of its three main bases; it could – like Air Asia in KUL – successfully generate feed onto long-haul operations through its main base in Oslo (or for that matter any of the other Nordic capitals?). SAS meanwhile is finding that this upstart is increasingly biting into its home operations with a young, fuel efficient and well utilised fleet. The battle royal is yet to come as Norwegian develops its long-haul network.

JetBlue: Primed for profitable growth and alliance opportunities

In the US, no carrier currently looks more appealing than JetBlue Airways, New York's hometown airline that sailed through the recession, earned a healthy 8.8% operating margin in 2010 and has more profitable growth and international partnerships lined up for 2011.

JetBlue, now the sixth largest US carrier in terms of RPKs, has had its share of minor hassles in recent months. It has been a difficult winter in the Northeast, with several snowstorms disrupting operations and crimping revenue generation. More seriously, higher fuel prices are now hampering the airline's progress to what analysts had hoped would be double-digit operating margins in 2011.

But it is hard to think of another airline that has deployed smarter strategies and been more creative in recent years. As a result, JetBlue should perform well even in a higher fuel cost environment and looks uniquely well positioned for the longer term.

JetBlue has to be commended, first of all, for its smart network moves. It has found two fantastic new growth markets to complement its original strong niche in New York: the Caribbean and Boston. As a result, it was able to diversify away from the fiercely competitive transcon market and grow profitably through the recession.

Second, while JetBlue has always been able to attract and retain business traffic, it has made further significant inroads into that segment in the past year, thanks to strategies such as massive network and flight frequency expansion in Boston, schedule optimisation, transitioning to Sabre, FFP revamp and new products targeting the business customer.

Third, JetBlue has not lost its traditional cost advantage. It remains one of the most efficient and lowest-cost LCCs in the US.

Fourth, JetBlue has cleverly taken advantage of its leading domestic market position and extensive slot holdings at New York JFK, as well as its strong brand and high service quality, to forge partnerships with multiple international carriers, thus expanding its reach to 300-plus destinations on six continents.

Fifth, JetBlue acted quickly to curtail capacity growth in 2008 and has brought capital spending to relatively modest levels through aircraft sales and order deferrals. The financial community is reassured by what Fitch recently described as the management's "proven ability to defer aircraft capital spending during periods of weak cash flow".

Its continued strong revenue momentum, promising further growth opportunities and solid track record are reasons why JetBlue can get away with planned ASM growth as brisk as 7-9% in 2011 without too many complaints from analysts.

First decade: not all plain sailing

Now in its 12th year of operation, JetBlue had perfect credentials when it commenced operations from New York JFK in February 2000: ample start-up funds, a strong management team and a promising growth niche. The carrier quickly attained Southwest's efficiency levels and achieved spectacular 17% operating margins in 2002 and 2003. With its new A320 fleet, state-of-the-art technology and superior in-flight product, JetBlue set new standards in airline service quality in the US and attracted considerable customer loyalty. It also grew extremely rapidly, achieving "major carrier" status (with $1bn-plus annual revenues) in its fifth year.

But JetBlue then stumbled financially, seeing its operating margin plummet to the low single-digits and net results turn negative in 2005 and 2006. The airline was struck by a host of negative factors, including higher fuel prices, a weakened domestic revenue environment, an over-simplified pricing model and an over-aggressive growth plan. Furthermore, an operational meltdown in February 2007 highlighted serious shortcomings in its ability to deal with operational issues.

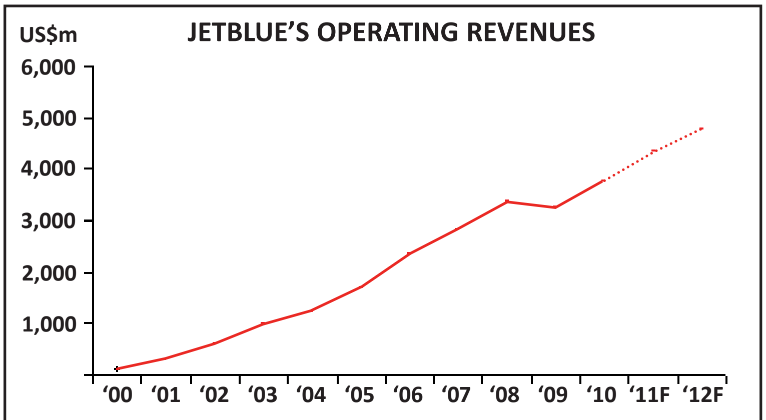
JetBlue tackled its problems with great gusto, spending two years restructuring and refining its strategy. It drastically slowed growth through fleet reductions, improved revenue generation through a multitude of initiatives and enhanced profitability through network changes.

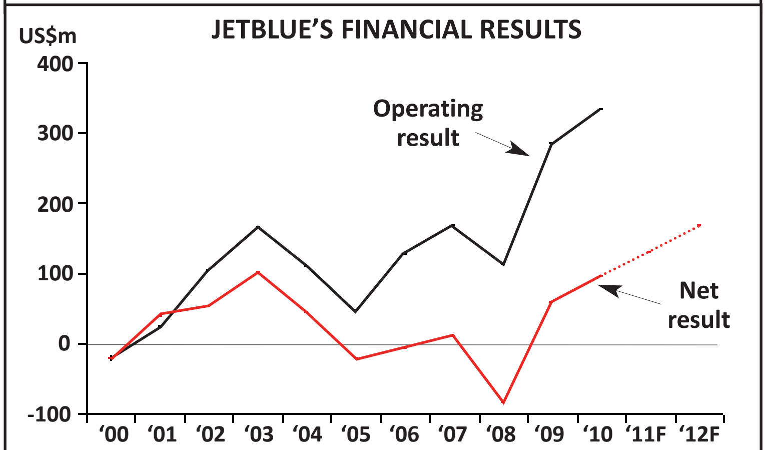
The February 2007 crisis also led to a leadership change, with president Dave Barger taking over as CEO from the visionary founder David Neeleman. In the subsequent two years the remaining slate of top officers also changed; while most were internal promotions, the August 2008 appointment of ex-BA executive Robin Hayes as chief commercial officer to provide the "global point of view" was an interesting development.

As a result, JetBlue returned to "mainstream" operating margins in 2007 and 2008 (6% and 3.3%, respectively). This was followed by an excellent 8.7% operating margin in 2009, when its legacy peers were hit hard by the global recession. In 2010, despite challenges associated with the Sabre transition and JFK runway work, JetBlue achieved an 8.8% operating margin and a $97m net profit on $3.8bn revenues.

JetBlue's fortunes in 2011 are likely to be driven by two conflicting trends: its continued strong revenue momentum, and escalated cost challenges, especially higher fuel prices.

JetBlue recorded robust 14.8% revenue growth last year, even though it did not suffer much in 2009 (when its revenues dipped by only 3%). In recent months it has been outperforming the industry in terms of RASM, which is expected to be up by 14-16% in the first quarter, reflecting its growing mix of business customers, as well as continued strong demand in the US domestic and Caribbean markets. The airline is benefiting from competitors' capacity reductions in some of its core markets. It has been participating in industry-wide domestic fare increases and recently also implemented a $45 one-way fuel surcharge in its Caribbean markets – measures that have helped offset some of the fuel price impact.





Note: Thomson/First Call consensus estimates as of March 17, 2011

Ancillary revenues, which in 2010 amounted to about $20 per passenger (compared to JetBlue's average fare of $141), are expected to grow by 20% this year. It will mainly reflect further product enhancements; currently JetBlue has no intention of introducing "first bag" fees (a lever that it can always pull if fuel prices continue climbing).

On the cost side, JetBlue does have fuel hedges in place to cover around 32% of its anticipated 2011 needs at prices similar to the current levels. Nevertheless, as an LCC it remains more exposed to fuel than the legacies (because it carries more price-sensitive leisure traffic and because fuel constitutes a larger percentage of its costs). Concerns about fuel prices are the main reason why most analysts currently have a “hold” recommendation on the stock (though some also worry about the growth rate).

Otherwise, JetBlue is committed to maintaining a competitive cost structure. Its ex-fuel CASM of 6.71 cents in 2010 was among the lowest in the US, thanks to its new and efficient fleet (average age 5.4 years), high aircraft utilisation (11.6 hours daily in 2010), low distribution costs and productive non-unionised workforce. There are significant cost pressures, particularly in the pay and benefits and maintenance categories, but some of those will ease up in the second half of 2011. Maintenance costs pressures will continue because to the gradual ageing of the fleet.

Despite the fuel outlook, JetBlue is expected to achieve healthy earnings growth in the next two years. The current consensus estimate is EPS of 38 cents in 2011 (up from last year’s 31 cents) and 49 cents in 2012. However, after two years of generating free cash flow (operating cash flow less capex), including $225m in 2010, JetBlue is now unlikely to achieve that goal this year.

Tapping the higher-yield segment

JetBlue has always been well-positioned to attract business traffic because of its unique value proposition, strong brand and great customer service. The basic value proposition is that “competitive fares and quality air travel need not be mutually exclusive”.

However, like Southwest, JetBlue realised five or six years ago that it needed to do more – namely upgrade systems, revamp revenue management and introduce specific products - in order to effectively tap the higher-yield segment. The result was increased flexibility in yield management and revenue generation and initiatives such as “Even More Legroom” (“EML”, a new “front cabin” product introduced on the A320s in March 2008 that now costs up to $65), offering refundable fares and listing fares in all four major GDSs.

EML, which offers a generous 38-inch pitch in the front rows of aircraft (four inches more than in other rows) generated over $85m in revenue in 2010. In September JetBlue began offering early boarding for EML customers – apparently also well received. Upcoming enhancements include a “priority security” offering at selected airports this spring.

The airline believes that it offers “the best coach product in the markets it serves with a strong core product and reasonably priced optional upgrades”. It is not interested in “nickel and diming” customers and even offers free DirecTV and XM Satellite radio.

Just over year ago JetBlue switched to a new reservations and customer service system, which has increased its capabilities to grow the current business, add more commercial partnerships and attract more business traffic. As a result of the transition to Sabre, business travellers can now benefit from real-time connectivity in the GDS channel. This and other new provisions, including the availability of more refundable fare types, have helped improve corporate travel penetration. While business traffic has traditionally been a steady 15-20% of JetBlue’s total passengers, now the airline is talking about it being somewhere “north of 20%”.

JetBlue’s enthusiastic participation in the four main GDSs (Sabre, Galileo, Worldspan and Amadeus) and the four major online travel agents is in interesting contrast with American’s and other legacies’ recent attempts to pull out of some of those channels because they impede their ability to unbundle products and achieve the lowest distribution costs. When quizzed recently about this by analysts, JetBlue’s Robin Hayes noted that bookings through the GDSs are a small slice of the pie and that most of JetBlue’s sales continue to be through its own web-site, which is by far its lowest-cost distribution channel. The GDS channels help JetBlue break into the corporate market, and the strong yield premiums more than cover the increased distribution costs. However, regarding online travel agents, the jury is still out at JetBlue on how many of those bookings are truly incremental.

Disciplined, focused growth

JetBlue's ASMs are expected to be up by only 1-3% in the current quarter because of some pilot training issues, but growth is due to accelerate sharply by the summer and amount to 7-9% in 2011 – well ahead of the industry rate. CEO Dave Barger said at the JP Morgan transportation conference on March 22 that he "feels good about the capacity plans in light of what is happening in our revenue environment". Of course, JetBlue will be keeping a close eye on fuel prices and market conditions and is prepared to revise plans if necessary.

JetBlue can get away with that kind of growth, in the first place, because it has profitable growth opportunities. Its expansion will again focus on Boston and the Caribbean – proven markets where it is also benefiting from competitors' capacity reductions. American has shifted capacity particularly from Boston and San Juan to its cornerstone markets. And last year JetBlue was able to grow its capacity by 6.7% - virtually all of it in Boston and the Caribbean - while still achieving 7.6% RASM growth.

Also, JetBlue has demonstrated repeatedly in the past five years its ability to manage growth and capital spending. It reduced its ASM growth from an annual average of 25% in 2003-2006 (when it was one of the fastest growing US LCCs) to 12% in 2007, 1.7% in 2008 and 0.4% in 2009.

Last year JetBlue continued to defer near-term A320 and E190 deliveries to reduce capex and smooth out the delivery schedule. The 40% reduction in Airbus deliveries in 2012-2013 meant a $500m reduction in aircraft purchase obligations through 2013. The management noted that "lowering capex is a key component of our goal to grow on a sustainable basis and consistently generate positive free cash flow."

This year JetBlue is scheduled to receive only four A320s and five E190s, and its aircraft capex will be only $390m, contrasting with the $1.1-1.3bn it spent annually in 2005-2006. However, to facilitate this year's growth, JetBlue has taken six A320s on six-year operating leases from GECAS.

Of course, JetBlue retains a significant aircraft order book that will facilitate growth in the longer term. At year-end 2010, when its operating fleet totalled 160 (115 A320s and 45 E190s), it had 109 aircraft on firm order – 55 A320s for delivery through 2016 and 54 E190s for delivery through 2018 – plus options for eight A320s (2014-2015) and 65 E190s (2012-2018).

That said, JetBlue has continued to work with the manufacturers to reduce capex in the later years. Although it now has only seven A320s arriving in each of 2012 and 2013, the Airbus deliveries currently pick up sharply in 2014 (12, followed by 15 in 2015 and 10 in 2016), while the E190s will be arriving at a rate of 7-8 each year through 2018.

JetBlue is focused on maintaining a strong balance sheet. It is highly leveraged but has manageable debt maturities and ample unrestricted cash reserves (around 25% of trailing 12-month revenues – a level it also intends to have at the end of 2011).

Network and alliance plans

JetBlue's current 64-point network covers 21 states, Puerto Rico and 11 countries in the Caribbean and Latin America. The 65th and 66th new cities, Anchorage (Alaska) and Martha's Vineyard (Massachusetts) will be added on a seasonal basis in May. While 55% of its daily flights are to or from the New York City area, the airline has also developed Boston, Ft. Lauderdale, Orlando and Los

THE TRANSCON-TO-THE-CARIBBEAN SHIFT JETBLUE'S ASMS BY REGION	Year-end 2010	Year-end 2008	Year-end 2005
E. Coast - W. Coast	34.5%	41.5%	55.1%
Northeast - Florida	31.4%	33.9%	33.5%
Medium-haul	3.3%	3.0%	1.1%
Short-haul	7.6%	7.6%	6.6%
Caribbean (Incl. Puerto Rico)	23.2%	14.0%	6.4%

Angeles/Long Beach as focus cities.

The most notable recent addition was Washington Reagan National in November – possible because JetBlue was able to acquire coveted slots there through a swap with American. The strategy in Washington DC is the same as in the other large metropolitan areas: to serve all the airports (National, Dulles and Baltimore/Washington) and to quickly acquire a leading position in key markets (JetBlue immediately became the largest carrier in the Boston-Baltimore/Washington market, with 18 daily flights).

But otherwise in the past couple of years JetBlue's efforts have focused on two areas: expanding its Caribbean network and building a formidable market position in Boston.

The Caribbean, which JetBlue has called "a natural out of New York" and where it added its 16th destination (Providenciales in the Turks & Caicos Islands) in February, has been a brilliant move for the carrier. The markets have year-round demand, have matured quickly, generally require minimal up-front capital, generate higher revenue than domestic flights of comparable distance and, in spite of limited daily frequencies, are relatively low cost.

Those markets saw strong RASM improvements even during the recession (many have high volumes of VFR traffic, which tends to be more recession-resistant) and despite significant capacity addition. In fact, Caribbean operations accounted for all of JetBlue's revenue growth in the past two years; between 2008 and 2010, revenues in those markets expanded from $511m to $879m, while the airline's domestic revenues remained unchanged at $2.9bn. And those markets continue to outperform: in the fourth quarter, Caribbean/Latin America recorded the strongest RASM growth in the airline's network.

Growth in that region has also helped JetBlue achieve a more balanced network. In the past five years, East-West's share of ASMs has declined from 55.1% to 34.5%, while Caribbean's share has surged from 6.4% to 23.2%. By the end of this year JetBlue expects 25% of its ASMs to be in the Caribbean/Latin America region.

JetBlue is now the largest carrier in terms of ASMs in the Dominican Republic, having added its fourth destination there (Punta Cana) last year. This summer it also expects to be the largest carrier in Puerto Rico, where it plans to boost departures by 30% with new services from San Juan to Jacksonville and Tampa in May. The airline's summer schedule will have over 30 daily flights from three airports in Puerto Rico to five mainland cities and intra-Caribbean to Santo Domingo.

JetBlue has been in Puerto Rico since 2002 and has expanded steadily, but it can now take advantage of American's planned 35% contraction in San Juan in the second quarter. San Juan has been a strong market and JetBlue planned to grow there anyway, but American's moves have certainly helped speed things up.

JetBlue still sees plenty of growth opportunities in the Caribbean and Latin America that it can tap into. Of course, it is not the only LCC growing in the Caribbean. The region has been a major focus for the likes of WestJet and Spirit, as well as AirTran, which will be an even more formidable competitor if Southwest's plans to acquire it go through.

The other area where JetBlue has been capitalising on gaps left by competitors is Boston. Last year the airline grew its daily departures there by 30% and added six new destinations. JetBlue is already the city's leading carrier in terms of departures and destinations served. This year will see another 30%-plus increase in Boston departures to around 100 per day. New services to Newark, Portland and the Dominican

Republic will increase JetBlue's nonstop destinations from Logan to 42 - more than double the next largest carrier's.

What makes Boston extra special for JetBlue is the opportunity to capture significant business traffic share, including corporate contracts. There are many obvious reasons: the network that already spans the nation and the Caribbean, the large number of destinations served, the high frequencies offered in key business markets, attractive schedules, availability of more refundable fares, real-time connectivity to the GDSs, EML priority boarding, the revamped FFP, etc. But it also seems that JetBlue and Boston are simply a really good fit. All aspects of the airline's service and strategy, including the brand, product, aircraft-mix and style, are just ideally suited to the Boston market.

In the past five years, JetBlue's share of Boston seats has increased from 10% to around 22%, while American's share has fallen from 17% to 11%, US Airways' from 16% to 14% and Delta's from 18% to 17%. In the fourth quarter, competitive capacity in Boston was down about 2.5%.

Of course, JetBlue's greatest strength is its dominant position in New York, the nation's largest air travel market. The airline intends to continue to leverage its presence at JFK, where its operations account for more than 40% of the airport's domestic passengers and where it moved to its new 26-gate, state-of-the-art Terminal 5 in October 2008.

The JFK base makes JetBlue perfectly positioned to develop partnerships with international carriers. The past year or so has seen much progress on that front as JetBlue has expanded the original roster of three, made up of regional carrier Cape Air, Aer Lingus and Lufthansa (also its largest shareholder), to include American, South African Airways, El Al, Emirates, LAN and Virgin Atlantic (the latter was announced on March 22). JetBlue has said that it could announce another 5-6 partnerships in 2011.

The aim is to connect customers into the core focus city markets. Most of the partnerships connect at JFK and Boston, but SAA and Virgin also connect with JetBlue at Washington Dulles, and Virgin is a much-appreciated first partner at Orlando (which it serves with up to five daily flights from three UK airports). JetBlue has indicated that it hopes to secure a partner at Los Angeles.

JetBlue's strategy is somewhat unusual in that these are primarily interline agreements, which are so common that airlines do not usually announce them or describe them as alliances. The deals merely allow passengers to book flights involving two airlines on a single ticket; they are not incremental to the earnings power of the airlines. So why announce them? Or, as one analyst asked at the JP Morgan event, are the interline relationships like "getting to first base"?

JetBlue executives explained that interline is indeed looked at as "first base", though only some of the relationships progress to "second base", which is typically one-way codeshares (foreign carriers placing their codes on JetBlue flights; currently with Lufthansa and SAA) or reciprocal FFPs (American). The technology is apparently in place for full codesharing, but JetBlue executives indicated last year that they wanted to proceed thoughtfully and for now preferred the less complex interline deals. JetBlue began interline sales on its web site only this year and currently only covers Cape Air, Aer Lingus and American.

Like other LCCs such as GOL and WestJet, JetBlue looks at alliances a bit differently. Since it does not operate globally, it does not need feed at distant locations and therefore does not need to be part of a global alliance. It clearly has the most to gain from the "open architecture" strategy that allows it to freely partner with multiple airlines, whoever can feed its network.

Some eyebrows have been raised at the link with Virgin Atlantic, as JetBlue competes fiercely with Virgin America particularly for transcon traffic. But JetBlue executives point out that those two are different entities, in different geographies. In any case, one of JetBlue's most important partners (American) is also one of its key competitors.

By Heini Nuutinen
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		Group revenue US$m	Group costs US$m	Group op. profit US$m	Group net profit US$m	Operating margin	Net margin	Total ASK m	Total RPK m	Load factor	Total pax. 000s	Group emp.
Air France/	Oct-Dec 08	7,880	8,136	-256	-666	-3.2%	-8.5%	64,457	51,255	79.5%	17,934	106,773
KLM Group	Jan-Mar 09	6,560	7,310	-751	-661	-11.4%	-10.1%	61,235	46,214	75.5%	15,727	106,895
YE 31/03	**Year 2008/09**	**34,152**	**34,335**	**-184**	**-1,160**	**-0.5%**	**-3.4%**	**262,359**	**209,060**	**79.7%**	**73,844**	**106,933**
	Apr-Jun 09	7,042	7,717	-676	-580	-9.6%	-8.2%	63,578	50,467	79.4%	18,703	106,800
	Jul-Sep 09	8,015	8,082	-67	-210	-0.8%	-2.6%	66,862	56,141	84.0%	19,668	105,444
	Oct-Dec 09	7,679	8,041	-362	-436	-4.7%	-5.7%	61,407	49,220	80.2%	17,264	105,925
	Year 2009/10	**29,096**	**31,357**	**-2,261**	**-2,162**	**-7.8%**	**-7.4%**	**251,012**	**202,453**	**80.7%**	**71,394**	**104,721**
	Apr-Jun 10	7,301	7,469	-168	939	-2.3%	12.9%	60,345	49,283	81.7%	17,623	102,918
	Jul-Sep 10	8,579	7,835	743	374	8.7%	4.4%	66,558	56,457	84.8%	19,704	
British Airways	Oct-Dec 08	3,612	3,692	-80	-134	-2.2%	-3.7%	36,300	31,335	86.3%	8,835	
YE 31/03	Jan-Mar 09	2,689	3,257	-568	-402	-21.1%	-14.9%	35,478	25,774	72.6%	7,124	
	Year 2008/09	**15,481**	**15,860**	**-379**	**-616**	**-2.4%**	**-4.0%**	**148,504**	**114,346**	**77.0%**	**33,117**	**41,473**
	Apr-Jun 09	3,070	3,216	-146	-164	-4.7%	-5.3%	36,645	28,446	77.6%	8,446	
	Jul-Sep 09	3,479	3,507	-28	-167	-0.8%	-4.8%	37,767	31,552	83.5%	9,297	38,704
	Oct-Dec 09	3,328	3,287	41	-60	1.2%	-1.8%	34,248	26,667	77.9%	7,502	
	Year 2009/10	**12,761**	**13,130**	**-369**	**-678**	**-2.9%**	**-5.3%**	**141,178**	**110,851**	**78.5%**	**31,825**	**37,595**
	Apr-Jun 10	3,092	3,207	-115	-195	-3.7%	-6.3%	32,496	24,192	74.4%	7,013	
	Jul-Sep 10	3,908	3,332	576	365	14.7%	9.3%	37,163	31,066	83.6%	9,339	
Iberia	**Year 2008**	**8,019**	**8,135**	**-116**	**47**	**-1.4%**	**0.6%**	**66,098**	**52,885**	**80.0%**		**21,578**
YE 31/12	Jan-Mar 09	1,436	1,629	-193	-121	-13.4%	-8.4%	15,369	11,752	76.5%		20,715
	Apr-Jun 09	1,455	1,632	-177	-99	-12.1%	-6.8%	15,668	12,733	81.3%		20,760
	Jul-Sep 09	1,667	1,744	-77	-23	-4.6%	-1.4%	16,275	13,369	82.1%		21,113
	Oct-Dec 09	1,589	1,784	-195	-134	-12.3%	-8.5%	14,846	11,759	79.2%		20,096
	Year 2009	**6,149**	**6,796**	**-647**	**-381**	**-10.5%**	**-6.2%**	**62,158**	**49,612**	**79.8%**		**20,671**
	Jan-Mar 10	1,453	1,552	-98	-72	-6.8%	-5.0%	14,360	11,605	80.8%		19,643
	Apr-Jun 10	1,502	1,498	27	40	1.8%	2.6%	15,324	12,648	82.5%		20,045
	Jul-Sep 10	1,730	1,637	93	95	5.4%	5.5%	16,834	14,404	85.6%		20,668
Lufthansa	**Year 2008**	**36,551**	**34,625**	**1,926**	**812**	**5.3%**	**2.2%**	**195,431**	**154,155**	**78.9%**	**70,543**	**108,123**
YE 31/12	Jan-Mar 09	6,560	6,617	-58	-335	-0.9%	-5.1%	44,179	32,681	74.0%	15,033	106,840
	Apr-Jun 09	7,098	7,027	71	54	1.0%	0.8%	49,939	38,076	76.2%	18,142	105,499
	Jul-Sep 09	8,484	8,061	423	272	5.0%	3.2%	56,756	46,780	82.4%	22,164	118,945
	Oct-Dec 09	9,041	9,090	-49	-109	-0.5%	-1.2%	55,395	43,110	77.8%	21,204	117,521
	Year 2009	**31,077**	**30,699**	**378**	**-139**	**1.2%**	**-0.4%**	**206,269**	**160,647**	**77.9%**	**76,543**	**112,320**
	Jan-Mar 10	7,978	8,435	-457	-413	-5.7%	-5.2%	52,292	39,181	74.9%	19,031	117,732
	Apr-Jun 10	8,763	8,560	203	248	2.3%	2.8%	57,565	45,788	79.5%	22,713	116,844
	Jul-Sep 10	9,764	8,754	1,010	810	10.3%	8.3%	63,883	53,355	83.5%	26,089	116,838
SAS	Jul-Sep 08	2,114	2,085	30	-316	1.4%	-14.9%	10,984	8,180	74.5%	7,325	24,298
YE 31/12	Oct-Dec 08	1,652	1,689	-36	-359	-2.2%	-21.7%	9,750	6,559	67.3%	6,612	23,082
	Year 2008	**8,120**	**8,277**	**-107**	**-977**	**-1.3%**	**-12.0%**	**41,993**	**29,916**	**71.2%**	**29,000**	**24,635**
	Jan-Mar 09	1,352	1,469	-118	-90	-8.7%	-6.6%	8,870	5,541	62.5%	5,748	22,133
	Apr-Jun 09	1,546	1,665	-119	-132	-7.7%	-8.6%	9,584	7,055	73.6%	6,850	18,676
	Jul-Sep 09	1,522	1,486	36	21	2.3%	1.4%	8,958	6,868	76.7%	6,245	17,825
	Oct-Dec 09	1,474	1,676	-202	-186	-13.7%	-12.6%	8,160	5,764	70.6%	6,055	16,510
	Year 2009	**5,914**	**6,320**	**-406**	**-388**	**-6.9%**	**-6.6%**	**35,571**	**25,228**	**70.9%**	**24,898**	**18,786**
	Jan-Mar 10	1,322	1,428	-106	-99	-8.0%	-7.5%	7,951	5,471	68.8%	5,735	15,835
	Apr-Jun 10	1,321	1,367	-46	-66	-3.5%	-5.0%	8,769	6,612	75.4%	6,282	15,709
	Jul-Sep 10	1,471	1,538	-67	-145	-4.6%	-9.8%	9,180	7,239	78.9%	6,655	15,570
Ryanair	Oct-Dec 08	798	942	-144	-157	-18.0%	-19.7%			71.3%	14,029	6,298
YE 31/03	Jan-Mar 09	623	592	31	-223	5.0%	-35.8%			74.6%	12,902	
	Year 2008/09	**4,191**	**3,986**	**205**	**-241**	**4.9%**	**-5.7%**			**81.0%**	**58,559**	
	Apr-Jun 09	1,055	844	211	168	20.0%	15.9%			83.0%	16,600	
	Jul-Sep 09	1,418	992	426	358	30.0%	25.2%			88.0%	19,800	
	Oct-Dec 09	904	902	2	-16	0.2%	-1.8%			82.0%	16,021	
	Year 2009/10	**4,244**	**3,656**	**568**	**431**	**13.5%**	**10.2%**			**82.0%**	**66,500**	
	Apr-Jun 10	1,145	992	152	120	13.3%	10.5%			83.0%	18,000	7,828
	Jul-Sep 10	1,658	1,150	508	426	30.7%	25.7%			85.0%	22,000	8,100
	Oct-Dec 10	1,015	1,016	-1	-14	-0.1%	-1.3%			85.0%	17,060	8,045
easyJet	Apr-Sep 08	2,867	2,710	157	251	5.5%	8.7%	32,245	28,390	88.0%	24,800	
YE 30/09	**Year 2007/08**	**4,662**	**4,483**	**180**	**164**	**3.9%**	**3.5%**	**55,687**	**47,690**	**85.6%**	**43,700**	**6,107**
	Oct 08-Mar 09	1,557	1,731	-174	-130	-11.2%	-8.3%	24,754	21,017	84.9%	19,400	
	Apr-Sep 09	2,607	2,063	280	251	10.7%	9.6%	33,411	29,549	88.4%	25,800	
	Year 2008/09	**4,138**	**3,789**	**93**	**110**	**2.3%**	**2.7%**	**58,165**	**50,566**	**86.9%**	**45,200**	
	Oct 09-Mar10	1,871	1,995	-106	-94	-5.6%	-5.0	27,077	23,633	87.3%	21,500	
	Year 2009/10	**4,635**	**4,364**	**271**	**240**	**5.9%**	**5.2%**	**62,945**	**56,128**	**87.0%**	**48,800**	

Note: Annual figures may not add up to sum of interim results due to adjustments and consolidation.

		Group revenue US$m	Group costs US$m	Group op. profit US$m	Group net profit US$m	Operating margin	Net margin	Total ASK m	Total RPK m	Load factor	Total pax. 000s	Group emp.
Alaska	Jul-Sep 09	967	807	160	88	16.5%	9.1%	9,812	8,079	82.3%	4,240	9,002
	Oct-Dec 09	846	793	53	24	6.3%	2.8%	9,133	7,322	80.2%	3,765	8,701
	Year 2009	**3,399**	**3,132**	**267**	**122**	**7.9%**	**3.6%**	**37,246**	**29,550**	**79.3%**	**15,561**	**8,915**
	Jan-Mar 10	830	804	26	5	3.1%	0.6%	8,917	7,197	80.7%	3,641	8,537
	Apr-Jun 10	976	866	110	59	11.3%	6.0%	9,836	8,162	83.0%	4,170	8,621
	Jul - Sep 10	1,068	851	216	122	20.2%	11.4%	10,531	8,980	85.3%	4,562	8,737
	Oct-Dec 10	959	839	119	65	12.4%	6.8%	10,037	8,410	83.8%	4,141	8,711
	Year 2010	**3,832**	**3,361**	**472**	**251**	**12.3%**	**6.6%**	**39,322**	**32,749**	**83.3%**	**16,514**	**8,651**
American	Jul-Sep 09	5,126	5,320	-194	-359	-3.8%	-7.0%	62,026	52,064	83.9%	22,403	78,700
	Oct-Dec 09	5,063	5,453	-390	-344	-7.7%	-6.8%	59,356	48,131	81.1%	20,893	78,000
	Year 2009	**19,917**	**20,921**	**-1,004**	**-1,468**	**-5.0%**	**-7.4%**	**244,250**	**197,007**	**80.7%**	**85,719**	**78,900**
	Jan-Mar 10	5,068	5,366	-298	-505	-5.9%	-10.0%	59,296	46,187	77.9%	20,168	77,800
	Apr-Jun 10	5,674	5478	196	-11	3.5%	-0.2%	61,788	51,821	83.9%	22,166	78,300
	Jul-Sep 10	5,842	5,500	342	143	5.9%	2.4%	64,277	53,985	84.0%	22,468	78,600
	Oct-Dec 10	5,586	5,518	68	-97	1.2%	-1.7%	61,219	49,927	81.6%	21,299	78,300
	Year 2010	**22,170**	**21,862**	**308**	**-471**	**1.4%**	**-2.1%**	**246,611**	**201,945**	**81.9%**	**86,130**	**78,250**
Continental	Jul-Sep 09	3,317	3,256	61	-18	1.8%	-0.5%	46,562	39,616	85.1%	16,795	41,000
	Oct-Dec 09	3,182	3,181	1	85	0.0%	2.7%	42,308	34,700	82.0%	15,258	41,000
	Year 2009	**12,586**	**12,732**	**-146**	**-282**	**-1.2%**	**-2.2%**	**176,305**	**143,447**	**81.4%**	**62,809**	**41,000**
	Jan-Mar 10	3,169	3,220	-51	-146	-1.6%	-4.6%	42,350	33,665	79.5%	14,535	39,365
	Apr-Jun 10	3,708	3,380	328	233	8.8%	6.3%	39,893	33,910	85.0%	16,300	38,800
	Jul-Sep 10	3,953	3,512	441	354	11.2%	9.0%	46,844	40,257	85.9%	16,587	38,900
Delta	Jul-Sep 09	7,574	7,370	204	-161	2.7%	-2.1%	100,115	85,904	85.8%	43,742	81,740
	Oct-Dec 09	6,805	6,851	-46	-25	-0.7%	-0.4%	85,814	70,099	81.7%	37,947	81,106
	Year 2009	**28,063**	**28,387**	**-324**	**-1,237**	**-1.2%**	**-4.4%**	**370,672**	**304,066**	**82.0%**	**161,049**	**81,106**
	Jan-Mar 10	6,848	6,780	68	-256	1.0%	-3.7%	85,777	68,181	79.5%	36,553	81,096
	Apr-Jun 10	8,168	7,316	852	467	10.4%	5.7%	94,463	80,294	85.0%	42,207	81,916
	Jul-Sep 10	8,950	7,947	1,003	363	11.2%	4.1%	102,445	87,644	85.6%	44,165	79,005
	Oct-Dec 10	7,789	7,495	294	19	3.8%	0.2%	91,774	74,403	81.1%	39,695	79,684
	Year 2010	**31,755**	**29,538**	**2,217**	**593**	**7.0%**	**1.9%**	**374,458**	**310,867**	**83.0%**	**162,620**	**79,684**
Southwest	Jul-Sep 09	2,666	2,644	22	-16	0.8%	-0.6%	39,864	31,714	79.6%	26,396	34,806
	Oct-Dec 09	2,712	2,545	167	116	6.2%	4.3%	37,828	29,249	77.3%	25,386	34,726
	Year 2009	**10,350**	**10,088**	**262**	**99**	**2.5%**	**1.0%**	**157,714**	**119,823**	**76.0%**	**86,310**	**34,726**
	Jan-Mar 10	2,630	2,576	54	11	2.1%	0.4%	36,401	27,618	75.9%	23,694	34,637
	Apr-Jun 10	3,168	2,805	363	112	11.5%	3.5%	40,992	32,517	79.3%	22,883	34,636
	Jul-Sep 10	3,192	2,837	355	205	11.1%	6.4%	41,130	33,269	80.9%	22,879	34,836
	Oct-Dec 10	3,114	2,898	216	131	6.9%	4.2%	38,891	32,196	80.7%	22,452	34,901
	Year 2010	**12,104**	**11,116**	**988**	**459**	**8.2%**	**3.8%**	**158,415**	**125,601**	**79.3%**	**88,191**	**34,901**
United	Jul-Sep 09	4,433	4,345	88	-57	2.0%	-1.3%	59,599	50,572	84.9%	22,076	43,600
	Oct-Dec 09	4,193	4,267	-74	-240	-1.8%	-5.7%	54,121	44,273	81.8%	19,618	42,700
	Year 2009	**16,335**	**16,496**	**-161**	**-651**	**-1.0%**	**-4.0%**	**226,454**	**183,854**	**81.2%**	**81,246**	**43,600**
	Jan-Mar 10	4,241	4,172	69	-82	1.6%	-1.9%	53,023	42,614	80.4%	18,818	42,800
	Apr-Jun 10	5,161	4,727	434	273	8.4%	5.3%	58,522	49,319	84.3%	21,234	42,600
	Jul-Sep 10	5,394	4,859	535	387	9.9%	7.2%	61,134	52,534	85.9%	22,253	42,700
United/Continental	Oct-Dec 10	8,433	8,515	-82	-325	-1.0%	-3.9%	100,201	82,214	82.0%	35,733	80,800
Pro-forma FY 2010	**Year 2010**	**34,013**	**32,195**	**1,818**	**854**	**5.3%**	**2.5%**	**407,304**	**338,824**	**83.2%**	**145,550**	**81,500**
US Airways Group	Jul-Sep 09	2,719	2,713	6	-80	0.2%	-2.9%	36,214	29,920	82.6%	20,284	31,592
	Oct-Dec 09	2,626	2,612	14	-79	0.5%	-3.0%	32,456	25,509	78.6%	18,801	31,333
	Year 2009	**10,458**	**10.340**	**118**	**-205**	**1.1%**	**-2.0%**	**136,939**	**110,171**	**80.5%**	**77,965**	**31,333**
	Jan-Mar 10	2,651	2,661	-10	-45	-0.4%	-1.7%	31,957	24,659	77.2%	17,931	30,439
	Apr-Jun 10	3,171	2,800	371	279	11.7%	8.7%	35,517	29,461	82.9%	20,642	30,860
	Jul-Sep 10	3,179	2,864	315	240	9.9%	7.5%	36,808	30.604	83.1%	20,868	30,445
	Oct-Dec 10	2,907	2,802	105	28	3.6%	1.0%	33,823	27,271	80.6%	20,118	
	Year 2010	**11,908**	**11,127**	**781**	**502**	**6.6%**	**4.2%**	**138,107**	**111,996**	**81.1%**	**79,560**	
JetBlue	Jul-Sep 09	854	788	66	15	7.7%	1.8%	13,504	11,309	83.7%	6,011	10,246
	Oct-Dec 09	832	768	64	11	7.7%	1.3%	12,855	10,208	79.4%	5,457	10,704
	Year 2009	**3,286**	**3,007**	**279**	**58**	**8.5%**	**1.8%**	**52,396**	**41,769**	**79.7%**	**22,450**	**10,704**
	Jan-Mar 10	870	828	42	-1	4.8%	-0.1%	13,557	10,412	76.8%	5,528	11,084
	Apr-Jun 10	939	845	94	30	10.0%	3.2%	13,981	11,468	82.0%	6,114	10,906
	Jul-Sep 10	1,039	890	140	59	13.5%	5.7%	14,648	12,390	84.6%	6,573	10,669
	Oct-Dec 10	940	883	57	9	6.1%	1.0%	13,727	11,239	81.9%	6,039	11,121
	Year 2010	**3,779**	**3,446**	**333**	**97**	**8.8%**	**2.6%**	**55,914**	**45,509**	**81.4%**	**24,254**	**11,121**

Note: Annual figures may not add up to sum of interim results due to adjustments and consolidation. 1 ASM = 1.6093 ASK. All US airline financial year ends are December 31st.

		Group revenue US$m	Group costs US$m	Group op. profit US$m	Group net profit US$m	Operating margin	Net margin	Total ASK m	Total RPK m	Load factor	Total pax. 000s	Group emp.
ANA	Year 2005/06	12,040	11,259	781	235	6.5%	2.0%	86,933	58,949	67.8%	49,920	30,322
YE 31/03	Year 2006/07	12,763	11,973	790	280	6.2%	2.2%	85,728	58,456	68.2%	49,500	32,460
	Year 2007/08	13,063	12,322	740	563	5.7%	4.3%	90,936	61,219	67.3%	50,384	
	Year 2008/09	13,925	13,849	75	-42	0.5%	-0.3%	87,127	56,957	65.4%	47,185	
	Year 2009/10	13,238	13,831	-582	-614	-4.4%	-4.6%	83,827	55,617	66.3%	44,560	
Cathay Pacific	Jan-Jun 07	4,440	4,031	409	341	9.2%	7.7%	49,836	38,938	79.6%	8,474	19,207
YE 31/12	Year 2007	9,661	8,670	991	900	10.3%	9.3%	102,462	81,101	79.8%	23,250	19,840
	Jan-Jun 08	5,443	5,461	-18	-71	-0.3%	-1.3%	56,949	45,559	80.0%	12,463	
	Year 2008	11,119	12,138	-1,018	-1,070	-9.2%	-9.6%	115,478	90,975	78.8%	24,959	18,718
	Jan-Jun 09	3,988	3,725	263	119	6.6%	3.0%	55,750	43,758	78.5%	11,938	18,800
	Year 2009	8,640	7,901	740	627	8.6%	7.3%	111,167	96,382	86.7%	24,558	18,511
	Jan-Jun 10	5,320	4,681	917	892	17.2%	16.8%	55,681	46,784	84.0%	12,954	
JAL	Year 2004/05	19,905	19,381	524	281	2.6%	1.4%	151,902	102,354	67.4%	59,448	53,962
YE 31/03	Year 2005/06	19,346	19,582	-236	-416	-1.2%	-2.2%	148,591	100,345	67.5%	58,040	53,010
	Year 2006/07	19,723	19,527	196	-139	1.0%	-0.7%	139,851	95,786	68.5%	57,510	
	Year 2007/08	19,583	18,793	790	148	4.0%	0.8%	134,214	92,173	68.7%	55,273	
	Year 2008/09	19,512	20,020	-508	-632	-2.6%	-3.2%	128,744	83,487	64.8%	52,858	
Korean Air	Year 2005	7,439	7,016	423	198	5.7%	2.7%	66,658	49,046	73.6%	21,710	17,573
YE 31/12	Year 2006	8,498	7,975	523	363	6.2%	4.3%	71,895	52,178	72.6%	22,140	16,623
	Year 2007	9,496	8,809	687	12	7.2%	0.1%	76,181	55,354	72.7%	22,830	16,825
	Year 2008	9,498	9,590	-92	-1,806	-1.0%	-19.0%	77,139	55,054	71.4%	21,960	18,600
	Year 2009	7,421	7,316	105	-49	1.4%	-0.7%	80,139	55,138	68.8%	20,750	
Malaysian	Year 2004/05	3,141	3,555	-414	-421	-13.2%	-13.4%	64,115	44,226	69.0%		22,513
YE 31/03	Apr-Dec 05	2,428	2,760	-332	-331	-13.7%	-13.6%	49,786	35,597	71.5%		22,835
YE 31/12	Year2006	3,696	3,751	-55	-37	-1.5%	-1.0%	58,924	41,129	69.8%	15,466	19,596
	Year 2007	4,464	4,208	256	248	5.7%	5.6%	56,104	40,096	71.5%	13,962	19,423
	Year2008	4,671	4,579	92	74	2.0%	1.6%	52,868	35,868	67.8%	12,630	19,094
	Year 2009	3,296	3,475	-179	140	-5.4%	4.3%				12,000	
Qantas	Year 2006/07	11,975	11,106	869	568	7.3%	4.7%	122,119	97,622	79.9%	36,450	34,267
YE 30/6	Jul-Dec 07	7,061	6,323	738	537	10.5%	7.6%	63,627	52,261	82.1%	19,783	33,342
	Year 2007/08	14,515	13,283	1,232	869	8.5%	6.0%	127,019	102,466	80.7%	38,621	33,670
	Jul-Dec 08	6,755	6,521	234	184	3.5%	2.7%	63,853	50,889	79.7%	19,639	34,110
	Year 2008/09	10,855	10,733	152	92	1.4%	0.8%	124,595	99,176	79.6%	38,348	33,966
	Jul-Dec 09	6,014	5,889	124	52	2.1%	0.9%	62,476	51,494	82.4%	21,038	32,386
	Year 2009/10	12,150	11,926	223	102	1.8%	0.8%	124,717	100,727	80.8%	41,428	32,490
Singapore	Year 2005/06	6,201	5,809	392	449	6.3%	7.2%	109,484	82,742	75.6%	17,000	13,729
YE 31/03	Year 2006/07	9,555	8,688	866	1,403	9.1%	14.7%	112,544	89,149	79.2%	18,346	13,847
	Year 2007/08	10,831	9,390	1,441	1,449	13.3%	13.4%	113,919	91,485	80.3%	19,120	14,071
	Year 2008/09	11,135	10,506	629	798	5.6%	7.2%	117,789	90,128	76.5%	18,293	14,343
	Year 2009/10	8,908	8,864	44	196	0.5%	2.2%	105,674	82,882	78.4%	16,480	
Air China	Year 2005	4,681	4,232	449	294	9.6%	6.3%	70,670	52,453	74.2%	27,690	18,447
YE 31/12	Year 2006	5,647	5,331	316	338	5.6%	6.0%	79,383	60,276	75.9%	31,490	18,872
	Year 2007	6,770	6,264	506	558	7.5%	8.2%	85,257	66,986	78.6%	34,830	19,334
	Year 2008	7,627	7,902	-275	-1,350	-3.6%	-17.7%	88,078	66,013	74.9%	34,250	19,972
	Year 2009	7,523	6,718	805	710	10.7%	9.4%	95,489	73,374	76.8%	39,840	
China Southern	Year 2005	4,682	4,842	-160	-226	-3.4%	-4.8%	88,361	61,923	70.1%	44,120	34,417
YE 31/12	Year 2006	5,808	5,769	39	26	0.7%	0.4%	97,044	69,575	71.7%	49,200	45,575
	Year 2007	7,188	6,974	214	272	3.0%	3.8%	109,733	81,172	74.0%	56,910	45,474
	Year 2008	7,970	8,912	-942	-690	-11.8%	-8.7%	112,767	83,184	73.8%	58,240	46,209
	Year 2009	8,022	7,811	211	48	2.6%	0.6%	123,440	93,000	75.3%	66,280	
China Eastern	Year 2005	3,356	3,372	-16	-57	-0.5%	-1.7%	52,428	36,381	69.4%	24,290	29,301
YE 31/12	Year 2006	3,825	4,201	-376	-416	-9.8%	-10.9%	70,428	50,243	71.3%	35,020	38,392
	Year 2007	5,608	5,603	5	32	0.1%	0.6%	77,713	57,180	73.6%	39,160	40,477
	Year 2008	6,018	8,192	-2,174	-2,201	-36.1%	-36.6%	75,919	53,754	70.8%	37,220	44,153
	Year 2009	5,896	5,629	267	25	4.5%	0.4%	84,422	60,918	72.2%	44,030	
Air Asia	Jan-Mar 09	198	84	114	56	57.6%	28.4%	5,207	3,487	67.0%	3,147	
YE 31/12	Apr-Jun 09	186	94	91	39	49.1%	21.1%	5,520	4,056	73.5%	3,519	
	Jul-Sep 09	211	145	66	37	31.1%	17.6%	5,449	3,769	69.2%	3,591	
	Oct-Dec 09	263	169	95	23	35.9%	8.6%	5,863	4,410	75.2%	3,995	
	Year 2009	905	539	366	156	40.4%	17.3%	21,977	15,432	70.2%	14,253	
	Jan-Mar 10	260	159	89	66	34.2%	25.4%	5,929	4,090	68.9%	3,700	7,500

Note: Annual figures may not add up to sum of interim results due to adjustments and consolidation..

EUROPEAN SCHEDULED TRAFFIC

	Intra-Europe			North Atlantic			Europe-Far East			Total long-haul			Total International		
	ASK bn	RPK bn	LF %	ASK bn	RPK bn	LF %	ASK bn	RPK bn	LF %	ASK bn	RPK bn	LF %	ASK bn	RPK bn	LF %
1991	114.8	65.2	56.8	120.9	84.3	69.7	80.0	53.1	66.4	267.6	182.0	68.0	397.8	257.9	64.7
1992	129.6	73.5	56.7	134.5	95.0	70.6	89.4	61.6	68.9	296.8	207.1	69.8	445.8	293.4	65.8
1993	137.8	79.8	57.9	145.1	102.0	70.3	96.3	68.1	70.7	319.1	223.7	70.1	479.7	318.0	66.3
1994	144.7	87.7	60.6	150.3	108.8	72.4	102.8	76.1	74.0	334.0	243.6	72.9	503.7	346.7	68.8
1995	154.8	94.9	61.3	154.1	117.6	76.3	111.1	81.1	73.0	362.6	269.5	74.3	532.8	373.7	70.1
1996	165.1	100.8	61.1	163.9	126.4	77.1	121.1	88.8	73.3	391.9	292.8	74.7	583.5	410.9	70.4
1997	174.8	110.9	63.4	176.5	138.2	78.3	130.4	96.9	74.3	419.0	320.5	76.5	621.9	450.2	72.4
1998	188.3	120.3	63.9	194.2	149.7	77.1	135.4	100.6	74.3	453.6	344.2	75.9	673.2	484.8	72.0
1999	200.0	124.9	62.5	218.9	166.5	76.1	134.5	103.1	76.7	492.3	371.0	75.4	727.2	519.5	71.4
2000	208.2	132.8	63.8	229.9	179.4	78.1	137.8	108.0	78.3	508.9	396.5	77.9	755.0	555.2	73.5
2001	212.9	133.4	62.7	217.6	161.3	74.1	131.7	100.9	76.6	492.2	372.6	75.7	743.3	530.5	71.4
2002	197.2	129.3	65.6	181.0	144.4	79.8	129.1	104.4	80.9	447.8	355.1	79.3	679.2	507.7	74.7
2003	210.7	136.7	64.9	215.0	171.3	79.7	131.7	101.2	76.8	497.2	390.8	78.6	742.6	551.3	74.2
2004	220.6	144.2	65.4	224.0	182.9	81.6	153.6	119.9	78.0	535.2	428.7	80.1	795.7	600.7	75.5
2005	309.3	207.7	67.2	225.9	186.6	82.6	168.6	134.4	79.7	562.6	456.4	81.1	830.8	639.3	76.9
2006	329.9	226.6	68.7	230.5	188.0	81.5	182.7	147.5	80.7	588.2	478.4	81.3	874.6	677.3	77.4
2007	346.6	239.9	69.2	241.4	196.1	81.2	184.2	152.1	82.6	610.6	500.4	81.9	915.2	713.9	78.0
2008	354.8	241.5	68.1	244.8	199.2	81.4	191.1	153.8	80.5	634.7	512.4	80.7	955.7	735.0	76.9
2009	322.1	219.3	68.1	227.8	187.7	82.4	181.2	145.8	80.5	603.8	488.7	80.9	912.7	701.1	76.8
December 10	24.2	16.1	66.6	17.0	15.8	81.2	15.2	13.8	81.2	50.0	40.2	80.4	73.6	56.0	76.1
Ann. change	-1.4%	1.8%	2.1	3.4%	0.2%	-2.5	4.6%	2.2%	-1.9	4.0%	2.0%	-1.5	2.3%	1.8%	-0.3
Jan-Dec 10	332.3	232.6	70.0	224.2	188.1	83.9	180.2	150.0	83.2	604.1	500.4	82.8	922.7	752.8	78.7
Ann. change	-0.2%	2.7%	2.0	-1.6%	0.3%	1.5	-0.9%	2.6%	2.8	0.0%	2.4%	1.9	0.1%	2.7%	2.0

Source: AEA.

JET ORDERS

	Date	Buyer	Order	Delivery/other information
Boeing	18 Feb	LAN Chile	3 x 767-300ER	
	28 Feb	TAM Linhas Aereas	2 x 777-300ER	plus 2 purchase rights
	08 Mar	ILFC	33 x 737-800	
	09 Mar	Aeroflot	6 x 777-300ER, 2 x 777-200ER	
	10 Mar	Cathay Pacific	10 x 777-300ER	
	18 Mar	Korean Air	2 x 747-8F	
	23 Mar	EL AL	4 x 737-900ER	
Airbus	17 Feb	Skymark Airlines	4 x A380	
	28 Feb	AirAsia X	3 x A330-200	
	08 Mar	Turkish Airlines	10 x A321, 3 x A330-200F	
	09 Mar	Cathay Pacific	15 x A330-300	
	16 Mar	Lufthansa	25 x A320neo, 5 x A321neo	

Note: Only firm orders from identifiable airlines/lessors are included. **Source:** Manufacturers.