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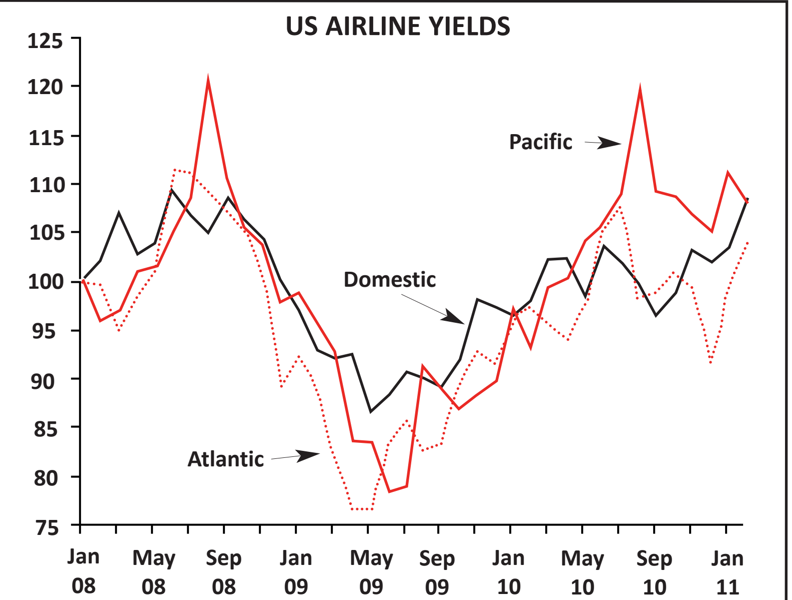
The revenue recovery

One of the main elements of the industry recession and recovery over the past two years has been the remarkable revenue and yield performance. In the recessionary year of 2009 total industry revenues fell by an estimated 14%, with passenger demand down by just over 2% and yields down by an unprecedented estimated 14%. The 2010 recovery has seen a significant bounce back with traffic volumes overall expected to have grown by over 7%, yields up by a possible 6% and total industry revenues up by 14% - not still not quite back to the peak year of 2008.

Admittedly in this period the revenue performance has been a little confused by the volatility in fuel costs – the average price per gallon of jet fuel paid by the US industry rose by 18% to $2.24/gal in 2010 after a 38% decline in 2009, and total fuel costs account once again for almost 30% of the US industry's total costs (having reached an all time peak of 37% for the US industry in 2008) - although only an estimated 26% of total world industry costs, down from the 33% peak in 2008. On a global basis, excluding fuel from the revenue equation suggests that there may have been an underlying 4% yield weakness in 2009 but a near 10% strengthening in 2010 as demand (and premium demand especially) recovered.

Meanwhile in the last two years industry consolidation has accelerated. It is not just consolidation of capital in local or regional markets (such as the mergers between Delta and Northwest,



Note: Jan 2008 = 100

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United and Continental, BA and Iberia or LAN-TAM). In these cases the potential benefits of the combination of carriers should become clear through analysis of the published accounting statements (see briefing on United, page 6). The less tangible element of this consolidation phase is the development of inter-regional joint ventures; as pointed out in the March edition of *Aviation Strategy*, the Atlantic in particular is now dominated by the three effective virtual mergers in the form of "metal neutral" joint ventures of the main branded global alliances.

In these cases, the results, performance and benefits of the joint ventures are hidden from public view – as indeed are the terms of the joint ventures themselves, being shrouded in commercial secrecy; and the underlying benefits to each individual carrier perhaps only being analysable from anecdotal comments from senior management. For example, Air France being amazed, but without specifying, to find how much higher an operating margin KLM and Northwest had been achieving on the Atlantic through their joint venture; or Lufthansa management recently suggesting a "strong" improvement in joint Atlantic operations as a direct result of the introduction of the revenue sharing agreement with fellow Star members; or indeed United management stating at their Q1 results that they were "very comfortable with how the Joint Ventures are developing".

Indeed the only element that may occasionally be required to be published is the balancing cash transfer between the respective partners – and United's statement of a $100m transfer liability seemed to have confused some in the investment community suggesting an understandable lack of understanding of the workings of the metal neutral joint venture.

Any underlying benefits should surely turn up in the published unit revenues and yield performance. Whereas the industry as a whole is estimated to have achieved a 6% increase in underlying yields in 2010, the performance of the US industry has been far more positive. In the domestic markets – where the players last year showed extraordinary capacity constraint – average yields grew by 9%, but international yields jumped by 13% year on year – and within international routes the Atlantic was up by 18%, Latin America by 9% but the Pacific by over 20% - with the Pacific itself showing yields above the peak achieved in 2008.

The monthly performance has been even more dramatic – with a near 30-40% year on year growth in yields on the Atlantic and Pacific in selected summer months. At the same time the performance of Delta and United/Continental in particular seems to have been superior to the industry average – each showing a dramatic unit revenue increase on the Atlantic of over 20% in 2010 - compared with American's more lacklustre 16% growth.

Numbers for the European partners may not be strictly comparable (apart from the exchange rate element, each has a slightly different definition of their route analysis from the DoT standard) but suggest at least for Lufthansa that a similar performance had been achieved. However, this strong performance throughout 2010 has not really been carried through on the Atlantic into 2011, possibly because of prior year comparisons and the weak nature of the first quarter.

It is however debatable whether yield benefits all derive from the joint ventures themselves. In the cases of Delta and United the strong unit revenue and yield performance on Atlantic and Domestic route networks could well be explained by other factors. Indeed the performance on the Pacific was far stronger in percentage terms; perhaps more to do with the bankruptcy at JAL and opening of Haneda than any joint venture agreement – and in fact the joint ventures on the Pacific between American and JAL, and United and ANA, only started in April this year following the signing of the US-Japan open skies agreement last October. It could indeed just be that as demand has recovered from the depths of the recession it has been strong enough for the major players to be able to recover the increases in fuel costs suffered through the last year as well as some of the ground lost from the cyclical utter loss of demand in 2009. Interestingly, on the publication of the Q1 results there seemed to be an agreement that the higher fuel sur-

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JV PARTNERS - YIELD AND UNIT REVENUE
YEAR-ON-YEAR PERCENTAGE CHANGE

	SYSTEM				ATLANTIC			
	Q1 2011		FY 2010		1Q 2011		FY 2010	
	Yield	Unit revenues	Yield	Unit revenues	Yield	Unit revenues	Yield	Unit revenues
IAG	8.8%	5.2%	13.3%	13.9%	n/a	5.6%	n/a	n/a
American	6.2%	5.0%	8.7%	10.4%	3.4%	-2.4%	12.1%	15.9%
Lufthansa	5.1%	1.5%	8.4%	10.2%	7.3%	3.1%	17.9%	18.4%
United	12.7%	9.9%	15.2%	17.9%	8.5%	1.3%	19.4%	22.6%
Air France/KLM	n/a	n/a	13.1%	15.1%	n/a	n/a	18.7%	20.5%
Delta	12.0%	7.0%	13.0%	12.0%	8.0%	-1.0%	18.0%	21.0%

Notes: Local currencies. AF-KL nine months ended Dec 2010. ***Source:*** *Company reports*

charges are not (at least yet) having any dampening impact on the underlying level of demand.

The US DoT's insistence on the creation of binding “metal neutral” joint ventures as well as an open skies agreement as prerequisites of granting anti-trust immunity may be a pragmatic way of encouraging a de-facto globalisation of airline brand, product and service while being hampered by the US's own nationalistic adherence to the local capital ownership rules. Of course these immunised joint ventures can create problems: the partners are allowed to collude on capacity and pricing as part of their ATI and are in effect required not to compete with each other, but at the same time they can be prohibited from discussions with each partner's partners not included in the joint venture with whom each is required to compete fully.

It is hardly surprising that Lufthansa has signalled a wish to create an immune joint venture partner with United's new joint venture partner ANA; BA may not be far behind in wanting to link formally with AA's joint venture partner JAL. Air France KLM is even looking to foster a joint venture agreement with a partner in China (while it and Delta already have an agreement with Korean) even without an open skies agreement in place.

By James Halstead
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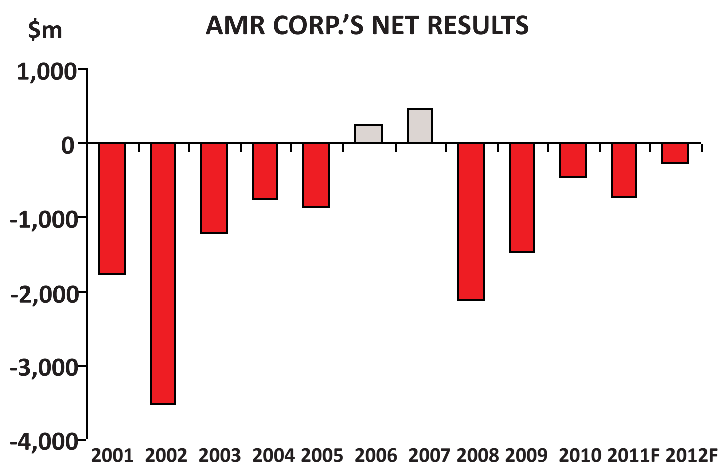
AMR: Loner likely to post more losses

American is the only one of the US legacy carriers likely to post a loss for 2011 (and for 2012), amid signs that it is losing corporate market share to Delta and United, which are benefiting from broader networks following their recent mergers. Analysts and investors are becoming a little impatient and asking: will AMR be able to reverse that trend and when?

AMR has had only two profitable years in the last decade (2006 and 2007). It incurred net losses totalling $12.2bn in 2001-2010 and is expected to lose another $1bn in the next two years (according to Thomson/First Call consensus estimates).

The airline may not even break even on an operating basis this year. In an April 29 research note, JP Morgan projected that it would have a negative 0.1% operating margin in 2011, followed by a slightly positive 2% margin in 2012. By comparison, in the next two years Delta and United are forecast to achieve operating margins in the 7-9% range.

The reasons for AMR’s financial underperformance are well known. It never had the benefit of Chapter 11. It did well to secure $1.8bn of voluntary annual labour concessions in 2003, but four of its key competitors (UAL, US Airways, Delta and Northwest) achieved much greater savings in bankruptcy in 2002-2007, and AMR ended up with a significant labour cost disadvantage. Then all of the concessionary labour contracts became amendable in May 2008 and the workers



Note: 2010 and 2011 are analysts' consensus estimates (May 12)

began to demand substantial pay increases. The talks have gone nowhere. The unions have now worked under the old contracts for three years and their patience is running thin. To add to the woes, American had long delays in its global alliances efforts; notably, it waited a decade to secure transatlantic ATI with BA. And, in recent years, its key competitors have gained scale and strength through mergers, while AMR has been left out in the cold.

While the overall cost gap has narrowed significantly (largely because of success in reducing non-labour costs), recent trends on the revenue side have not been so encouraging. According to BofA Merrill Lynch, AMR has underperformed the industry in PRASM by five points in the last two years. Its 5.5% PRASM gain in the first quarter was two points below industry gains, and American underperformed in all regions.

There were some special factors in the latest period. AMR estimated that it took a $100m revenue hit from weather cancellations, the Japan crisis, a Miami airport fuel fire and its distribution battle with Orbitz et al. American's own moves to shift capacity to its largest markets may also have temporarily diluted its domestic unit revenues. But there are also signs of competitive factors being at play. As BofA Merrill Lynch analysts put it, "increased scale by merged competitors may be shifting corporate share away from AMR".

AMR's intended remedies are also well known. On the cost side, while continuing to negotiate with its unions for contracts that must be both fair and cost-effective, AMR is counting on there being a convergence of labour costs over time, as competitors will not be able to sustain the labour rates and benefits secured in bankruptcy. CEO Gerard Arpey noted that by year-end 19 of the 30 major labour contracts in the US industry will be amendable. Of the 11 remaining contracts that extend into 2012 and beyond, nine are at carriers currently involved in mergers. So those airlines will also be looking to sign new integrated agreements in the near term. "So, simply put, almost the entire industry is either in negotiations or will be very soon."

On the revenue side, over the past year or so AMR has been engaged in an all-out effort to compensate for its network disadvantage and bolster its global and domestic presence particularly in business markets through alliances/JVs and by switching capacity to five "cornerstone" markets in the US.

To summarise, AMR has, first of all, implemented a joint business (JB) with BA and Iberia. The venture was officially launched in October 2010, and the airlines made an immediate grab for business traffic share by putting in place a very attractive New York-London "express" service that now includes 15 flights a day. They have just implemented their first fully coordinated Atlantic summer schedule, making it easy for passengers to make connections in London to 50 cities in Europe.

This spring AMR has also been boosting its US East Coast-Europe service with the help of oneworld partners. It has added the JFK-Budapest route (to connect with Malev), expanded its JFK-Barcelona and Miami-Madrid operations, and is adding Chicago-Helsinki this month (to connect with Finnair).

The transpacific JV with JAL was launched on April 1, with AMR and JAL codesharing in 120 markets and revenue sharing following later. The Japan crisis has meant very tough market conditions, but AMR's leadership believes that overall the partnership puts it in a much better position to manage through the near-term and achieve long-term success as Japan rebuilds.

The strategy of focusing on five "cornerstone" markets (New York, Chicago, Los

Angeles, Dallas-Ft. Worth and Miami) was launched a year ago. It has meant AMR redeploying aircraft from Boston, the Caribbean and elsewhere to the five cornerstones. This spring's focus has been on strengthening Los Angeles, where American and Eagle have added 10 new destinations, including Shanghai. Total daily departures at LAX have increased by 28% to over 150. American believes that it has an unmatched set of partners there to attract premium traffic (Cathay, Qantas, JAL, BA, Iberia and Alaska).

American and Qantas have just announced that they are seeking regulatory approval for a JBA for the Australia/New Zealand-US market and beyond to third countries. This is timed to maximise the benefits of Qantas' new Sydney-Dallas service that begins in mid-May. The airlines will codeshare on that route and on beyond-sectors in the US and Australia.

AMR is also building on its industry-leading franchise in Miami and Latin America. The best opportunity currently is in Brazil, thanks to a new US-Brazil open skies ASA that is being introduced in stages. American has asked for 10 additional US-Brazil frequencies from Miami.

In the past year AMR has also been active in forging codeshare alliances with smaller carriers (including JetBlue and WestJet). And, as might be expected, it is "aggressively pursuing" corporate contracts, both individually and with new partners.

There is not a lot that can be done about the pace or outcome of labour negotiations, but investors certainly want to know when the revenue initiatives start producing some tangible benefits. With all that progress and exciting new activity, why financial losses for another two years?

Last year American said that it anticipated over $500m in annual revenue benefits from the transatlantic and transpacific JVs and the cornerstone initiatives. A large portion of the benefits were expected to be realised in 2011, with the full value to be achieved by the end of 2012.

But now the management is effectively saying that it will take more time for the revenue benefits to ramp up. For example, in the transatlantic JV, the airlines initiated joint sales efforts and began signing combined agreements with corporate accounts only in early April. Because of the cycle of contract renewals, it will be some time before the full benefits are seen. But AMR still expects the full run rate of the $500m benefits to be in place by year-end 2012.

Arpey predicts that as industry labour costs begin to converge and the benefits from the revenue initiatives ramp up, AMR's RASM performance and margins will begin to improve relative to the industry. The other point emphasised by the management is that the strategic initiatives are really for the long term.

After long leading the industry in taking a disciplined approach to capacity, American is now under some pressure to grow to maintain a competitive network. In April its international ASMs grew at a brisk 11.6% rate. However, in response to fuel, like its peers American has now sharply curtailed growth in the autumn months. It now intends to retire at least 25 MD-80s and grow its mainline capacity by only 2.2% in 2011, consisting of a 0.5% domestic decline and 6.2% international growth.

American recently converted two 777-300ER options and now has five of those aircraft scheduled for delivery in 2012-2013. It has taken some stick from analysts for ordering aircraft while continuing to report losses, but with an average fleet age of 15 years, it cannot defer fleet modernisation. It continues to take 737-800s to replace MD-80s.

AMR has a relatively weak balance sheet, with a high level of lease-adjusted debt ($17.4bn). It has a significant $2.5bn of scheduled debt and capital lease payments and capex of around $1.7bn in 2011, though some of the maturities are likely to be refinanced. On the positive side, over $1bn of Section 1110 aircraft are becoming unencumbered this year. Also, after raising $1bn in a private note offering in March (which was secured by various international route rights and airport slots), AMR now has strong liquidity: total cash of $6.5bn at the end of March, or over 25% of annual revenues - something that gives it much financial flexibility.

By Heini Nuutinen
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United Continental: Power of the combined networks

Even though synergies from the October 2010 merger have not yet kicked in, the new United is already financially outperforming its peers. But there are challenges on the horizon: achieving successful labour and systems integration and deleveraging the company to facilitate post-2012 fleet growth and modernisation.

The first quarter results of United Continental Holdings (UAL) confirmed what was already evident in January: with the ink barely dry on the merger documents, the combined entity is already outperforming its peers in terms of profit margins and unit revenues.

UAL was the only one of the top three US legacies to post an operating profit for the March quarter: a modest $111m before special charges, or 1.4% of revenues. By comparison, Delta and AMR had operating losses of $85m and $232m, respectively. Furthermore, United's operating profit improved from the year-earlier pro forma result despite this year's headwinds, namely the Japan crisis, severe weather and sharply higher fuel prices. UAL also escaped with a lower net loss than its peers - $213m, compared to Delta's $318m and AMR's $436m.

UAL has also been outperforming the industry in terms of unit revenues. In late April BofA Merrill Lynch calculated that its consolidated first-quarter PRASM gain of 9.9% was 1.4 points above the industry average. Also, for the second quarter running, United's PRASM gains exceeded the industry gains in all regions, led by Latin America (up 15.4%) and the Pacific (up 13.4%).

Of course, in the short term United's relatively high exposure to Japan (5% of its total seats, second only to Delta's 7%) may have temporarily eliminated its PRASM lead. BofA ML estimated that the Japan crisis has reduced United's PRASM growth by 2-3 points, essentially bringing it in line with sector gains in March-April.

The first quarter results included "less than $30m" of actual merger synergies, which will start accelerating in the second half of this year. United still expects to harvest 25% of the total projected $1-1.2bn of annual net synergies in 2011.

So what is driving United's margin and RASM gains at this point in time? First, it is clear that the powerful combined network is really paying off in terms of attracting extra business traffic. Calling the combined network a "potent asset", CEO Jeff Smisek noted in UAL's 1Q earnings call on April 25 that the network is "not only global but globally diverse, with broad presence in the Atlantic, Pacific and Latin America, allowing us to optimise our aircraft to best fit the current and expected demand in each market."

It obviously helped that both United and Continental had strong networks that were performing well individually from the revenue perspective. When the merger closed, the two were quick to introduce reciprocal FFP and preferred seating benefits and to begin optimising the network and schedules, to offer customers more travel options.

Second, all the evidence suggests that the pricing, sales and revenue management teams from the two airlines have worked well together and that many "best practice" initiatives are paying dividends. The fact that United and Continental had been alliance and JV partners for two years has obviously helped.

Third, despite all the upheaval, so far at least the airlines have maintained high operational reliability – a key factor for retaining business traffic. The new United had the highest DOT ranking in terms of both on-time arrival and completion factor among the four US global carriers in 2010 (US Airways ranked second, American third and Delta last).

Fourth, the new United offers an attractive, innovative product range and has an all-out focus on the business traveller. As Smisek put it, "We run our airline with the business traveller in mind".

The merger is obviously giving UAL added flexibility to maintain capacity discipline. Since January the combined entity has trimmed its 2011 system capacity forecast from 1.5% to roughly flat.

All of that positions UAL well for the recovery of the global economy and travel demand, which is led by bookings from large corporations, as well as the high fuel cost environment. As Smisek noted, the business travel mix provides "more stable demand even in times of rising fares".

Add to that the accelerating merger synergies and the current growth and capital spending hiatus, and UAL should be able to generate significant free cash flow in the next year or two. BofA Merrill Lynch expects UAL's free cash flow to exceed $2bn in both 2011 and 2012 (after last year's $2.5bn).

But UAL also has significant near-term debt obligations, as well as increasing aircraft spending commitments from next year. It has a staggering $2.6bn of scheduled debt and capital lease payments in 2011. Aircraft spending will rise as the 787 deliveries begin in the first half of 2012 and as United focuses on modernising its fleet, which has an average age of 12 years.

However, the combine had an unprecedented $8.9bn in unrestricted cash, or about 25% of trailing 12-month revenues, at the end of March. Carrying such an amount of cash gives UAL flexibility as it integrates and manages its debt maturities.

The new United will be the first North American airline to operate the 787. The management believes that the "multi-year head-start over others" with that aircraft will give UAL a true competitive advantage.

With those considerations in mind, UAL's top executives indicated that they are very focused on deleveraging the company at the same time as the merger integration takes place.

Of course, the biggest challenge for the combine will be to successfully integrate labour groups and technology platforms. Those have traditionally been the riskiest aspects of airline mergers, though the Delta/Northwest experience offered much hope, as well as a useful blueprint for avoiding problems, for new-generation mergers (see Delta briefing, *Aviation Strategy* Jan/Feb 2010).

US AIRLINES' FIRST-QUARTER 2011 FINANCIAL RESULTS

	1Q11 Operating revenue $ (m)	% change vs 1Q10	1Q11 Operating result $ (m)	Operating margin %	1Q11 Reported Net result $ (m)	Net margin %
United Continental	8,202	10.8	111	1.4%	(213)	(2.6%)
Delta	7,747	13.1	(85)	(1.1%)	(318)	(4.1%)
AMR Corp.	5,533	9.2	(232)	(4.2%)	(436)	(7.9%)
Southwest	3,103	18.0	110	3.5%	5	0.2%
US Airways Group	2,961	11.7	(36)	(1.2%)	(114)	(3.9%)
JetBlue	1,012	16.3	45	4.4%	3	0.3%
Alaska Air Group	965	16.3	144	14.9%	74	7.7%
AirTran	667	10.2	(30)	(4.5%)	(9)	(1.3%)
Hawaiian	366	22.5	(4.9)	(1.4%)	1	0.2%
Allegiant	193	13.9	28	14.4%	17	8.9%
Total	**30,749**	**12.3**	**50**	**0.2%**	**(990)**	**(3.2%)**

Source: *Individual airlines*

Merger integration

The integration efforts are proceeding as planned. To start with, the aim is to harmonise policies affecting the customer experience this year. From mid-May customers will begin to see more airport, process and branding harmonisation, starting at the hubs. But achieving truly seamless service requires integration of IT platforms and cross-training many employees – processes that take considerable time. A key milestone will be switching to a single reservations system, which is expected to take place in the spring of 2012.

Co-locating at airports and repainting the fleet will also take time. As of late April, check-in, ticket counter and gate facilities had been co-located at 36 airports, but the process is expected to continue through 2013. Some 30% of the fleet (460 aircraft) have so far been repainted in the United livery. The combine expects to announce details of its new loyalty programme in the third quarter, for implementation in 2012.

UAL continues to expect to secure a single operating certificate by the end of

2011. Network optimisation is under way and the early stages of cross-fleeting began in the first quarter. By late April some 900 cross-fleeted mainline departures had been completed domestically and on the Houston-Lima route. The management noted that cross-fleeting is a valuable tool, allowing right-sized aircraft to be used to better match supply and demand across the networks.

Labour integration will be a long and arduous process because of the high degree of unionisation, the large number of unions and the fact that in many cases the same work groups at the two airlines are represented by different unions. But the process is under way and recent months have seen a steady stream of announcements of tentative or ratified agreements covering the earlier stages, including one with the flight attendants. Progress is apparently also being made in negotiations with the pilots. Smisek originally set a rather ambitious goal of obtaining all of the joint collective bargaining agreements by the time a single operating certificate is secured.

In a recent Forbes video interview, Smisek spoke of his determination to develop a new culture at UAL, one in which people take pride in their work and respect each other and the management. In such a culture the workforce would be more likely to deliver a good product to customers. Smisek noted the risk in any integration that one ends up with mediocrity and that ideally the new culture would take the best of both companies.

In reality, United has a history of extremely poor labour relations while Continental's have been among the industry's best. However, much of the strife at United was directed at what the unions considered successive poor-quality managements. With the Smisek team being highly regarded in the industry, there would seem to be a fair chance of achieving a good culture at the new United.

The revenue synergies from the merger will ramp up much more significantly in 2012 after United has obtained its single operating certificate and moved to a single reservations system. The airline expects to achieve 75% of the total $1-1.2bn of net revenues synergies by the end of 2012, with the remainder following in 2013. The bulk of the estimated $1.2bn in one-time costs will be incurred this year and in early 2012.

Product considerations

With the strong customer focus at both United and Continental, the management regards determining the right product offering for the combine as one of their key early tasks. The main themes are to provide "best-in-class" products, to "decommoditise" air travel, and to continue to be the leader in innovation and ancillary revenue generation.

In the first place, to cater for business travellers (which account for 65% of passenger revenues), UAL has continued to invest in its premium cabins. To match United's policy, Continental's international 757 fleet has already been fitted with lie-flat seats in BusinessFirst, meaning that the new United now offers more lie-flat premium seats than any other US airline.

Notably, after much consideration, the management recently decided to keep United's "Economy Plus" seating and extend it to the Continental network. Economy Plus offers up to five extra inches of legroom in the front rows of the economy cabin (65-plus seats on widebody aircraft). Those seats are occupied by FFP members or can be purchased for $9-$109 one-way or $425 annually. Introduced in 1999, Economy Plus is popular with passengers, especially on longer-haul, and drives loyalty to United.

Interestingly, however, only United has been able to make that type of product work on a larger scale. AMR tried adding legroom to economy cabins by removing seats in 2000, but the revenue impact was negative and the move was reversed in 2005. This summer Delta is adding a premium economy section similar to United's but only to its long-haul international aircraft.

Continental never made such as move. So why did the ex-Continental leadership in charge at UAL decide to do it now? Smisek said that it was really the improved ability to merchandise Economy Plus. Continental had looked at it in the days before more sophisticated web-based merchandising. Smisek said that he was confident of the product's success "given the performance of Economy Plus historically at United, coupled with the breath of the fleet and other product offerings and merchandising".

So the new United will be the only US global carrier to have extra legroom in economy across the network. The multi-year process of converting Continental's 350 mainline aircraft will begin in 2012. It appears that the company has not yet decided whether to adopt United's 3-cabin or Continental's 2-cabin layout on international aircraft.

In recent years United has led the way among the US legacies in "decommoditising" air travel - a strategy that the ex-Continental leadership has wholeheartedly adopted. The management notes that customers have shown time and time again that they are willing to pay for products and services that customise the travel experience.

In the first quarter, ancillary revenue per passenger at UAL was over $16, up 15% on the previous year. Growth was due in part to innovative new products such as "Fare Lock", which allows customers to purchase the option to lock in a fare before ticketing, and in part due to refinements in the way mature products such as Economy Plus are offered.

Even as the airlines integrate, the management is very focused on growing the portfolio of ancillary products. There are "many exciting products on the drawing board". Smisek said that there would be more offerings targeted at specific customer types, facilitated by advances in technology and better customer relations management. The new United expects to generate more than $2bn in ancillary revenue in 2011.

Fleet and funding plans

As the two airlines are integrated, UAL expects to be able to operate the combined network with fewer aircraft. The combine has just four 737-800/900 deliveries scheduled for 2011. Four 737-500s were sold in the first quarter, and the company is in discussions to sell more aircraft later this year and continues to evaluate additional retirements and sales as it completes the joint fleet plan.

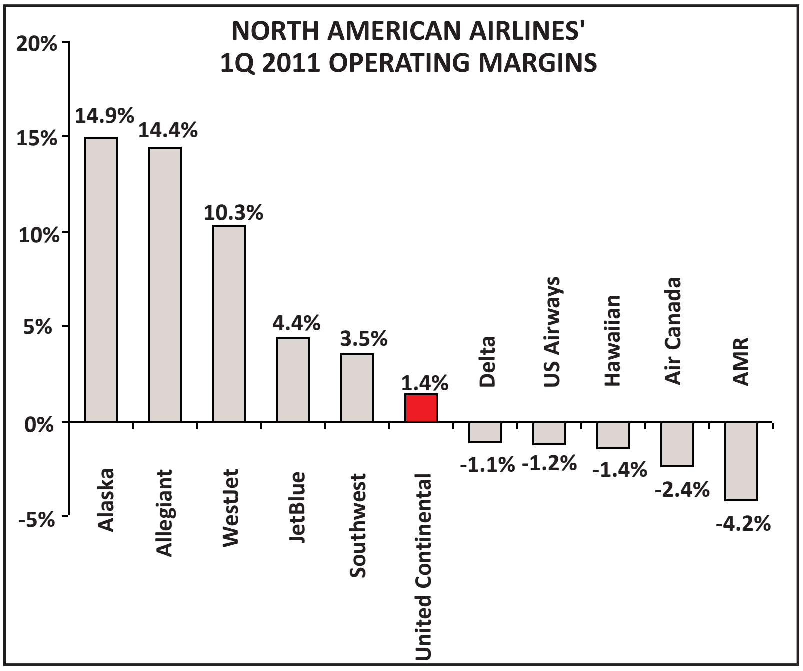
However, the new United has an industry-leading orderbook, which includes firm orders for 50 787s and 25 A350s. Under Boeing's revised delivery schedule, UAL expects to introduce the 787 Dreamliner into service in the first half of 2012 – several years ahead of its North American competitors - and receive a total of six 787s next year. In addition to being substantially more fuel-efficient and customer-pleasing than current models, the 787 offers much flexibility in that it can be used as replacement aircraft, to up-gauge or down-gauge certain markets or to pursue new market opportunities.

Nearly half of UAL's mainline aircraft (some 325) either have leases expiring or will become unencumbered by 2015. So, overall, UAL will have much flexibility to resize its fleet, up or down, to match the operating environment.

JP Morgan suggested in a late-April research note that UAL is likely to issue an EETC by the year-end to refinance some maturing aircraft, as well as pre-finance 2012 deliveries, including the 787-800s.

Network and JV plans

The new United has one of the world's most formidable and well-balanced global networks. It has hubs at Chicago, Cleveland, Denver, Houston, Los Angeles, Newark, San Francisco, Washington DC, Guam and Tokyo. That line-up includes the four largest US cities and the headquarters of over 35% of Fortune 500 companies. The combine is the number one carrier in the US/Canada and across the Pacific, and number two across the Atlantic (after Delta) and to Latin America (after American). It has the largest shares of local traffic in key cities such as New York, Los Angeles and Chicago and



boasts the most combined departures to key countries such as the UK and Germany and emerging growth markets such as China and India.

UAL also belongs to what is currently arguably the world's leading global alliance. According to a recent presentation by the airline, Star is the number one alliance in seven of the top ten markets with the most premium traffic (Mumbai, Narita, Delhi, New York, Singapore, Frankfurt and Dubai). (Of the remaining three, oneworld leads at Heathrow and Hong Kong and SkyTeam at Paris).

Consequently, UAL is under no pressure to grow and can respond appropriately to the current fuel environment. Its latest (March) capacity plan trimmed one and four points from previously anticipated ASM growth rates effective with the May and September schedules, respectively. Currently, the combine's domestic capacity is slated to decline by 2-3% while international ASMs will increase by 3-4% in 2011.

However, Delta and American are trimming their growth rates at least as sharply, while many US LCCs have also cut back their growth plans, so industry capacity is now expected to fall modestly in this year's fourth quarter and in the first quarter of 2012.

The latest rounds of cuts by US airlines typically focus on international service. UAL indicated that it would be reducing frequencies, eliminating less profitable routes and indefinitely postponing the start of flying in some markets. The first casualty was Continental's planned Newark-Cairo service, which was due to start this month but had seen demand collapse due to the MENA uprisings. The management indicated that this autumn's cuts would focus on the transatlantic market, where unit revenue performance has been disappointing due to a significant industry capacity surge last year (UAL's Atlantic PRASM rose by only 1.3% in the first quarter). UAL is likely to reduce frequencies, day of week operations and suchlike, similar to its strategy back in 2009.

UAL's management warned that the capacity shrinkage will probably require some resizing of the business. Delta recently launched a new round of voluntary staff cuts associated with the four-point reduction in its planned growth rate after Labor Day. (Notably, Delta's announcement came after the recent significant oil price correction; CEO Richard Anderson noted that the prices were still high and that airlines must think of the level as a "permanent reality of our business".)

But UAL will continue to grow "when and where it makes sense". In the first place, this has meant new routes to the Caribbean and Mexico. Continental linked Newark with the popular tourist destination Providenciales (Turks & Caicos) in February and will add a Port-au-Prince (Haiti) connection in June. Continental also began serving Guadalajara (Mexico's second largest city) from Los Angeles this month and will add San Francisco-Guadalajara in June; these services take advantage of Mexicana's demise and strengthen UAL's position as the number one US carrier in the US-Mexico market, both in terms of destinations and departures.

Notably, United is also going ahead with its planned daily nonstop Los Angeles-Shanghai 777 service on May 20 (for a confrontation with American, which entered that market in April). Continental will launch daily Newark-Stuttgart 757-200 flights on June 9.

Interestingly, UAL launched a somewhat tasteless bid for Tokyo Haneda slots in early April. When Delta temporarily suspended its new Haneda flights after the Japan crisis, UAL asked the DOT to be considered for access rights to Haneda in the event that Delta does not resume flights. Last year United and Continental failed to secure any Haneda slots, though UAL may well gain access there in future slot allocation rounds. It just shows that the airlines are thinking strategically for the longer term and that they expect the Japan market to recover.

As to where the six 787s arriving in 2012 might be deployed, UAL has said publicly that it would like to operate Houston-Auckland – described by the management as a "high-connect" route where a highly fuel-efficient aircraft is needed. Lagos has also been mentioned in the past. Otherwise the 787s will obviously be operated in international service from UAL's gateway hubs.

On the joint venture front, UAL implemented its immunised alliance and JV with ANA on US-Japan routes on April 1 – the same day AMR and JAL launched their similar alliance. The UAL/ANA venture connects 295 US and 43 Japanese cities and covers 11 transpacific routes with nearly 120 weekly flights. The airlines have also coordinated fares and schedules for travel to and from certain other points in Asia, Latin America and the Caribbean. Passengers enjoy improved FFP benefits. Like the transatlantic JV, the ANA JV is based on revenue sharing, which will begin later this year.

Although the transatlantic JV with Lufthansa and Air Canada is developing well, the revenue share structure only went in place in last year's fourth quarter (retroactive to January 1, 2010). Because of that delay and because United and Continental had strong transatlantic results in 2010, they ended up in the odd situation of having a $100m liability for revenue sharing payments to their JV partners. This has troubled some US-based analysts. In the 1Q call one analyst asked why UAL was compensating its JV partners for their underperformance and wondered if he had overestimated the value of the JVs. UAL executives were not able to give a very illuminating answer, because the JV agreements prohibit them from disclosing much financial detail about the workings of the alliances; the executives merely said that they were "very comfortable with how the JVs are developing".

Financial outlook

In many ways, the new United is currently in a sweet spot: being able to take maximum advantage of the recovery of business travel by capitalising on the increased scale of the combined network, and being able to harvest some early cost savings from the merger (in overheads and procurement, for example), but still having the tough and risky aspects of integration tucked away in the relatively distant future.

UAL is expected to remain profitable in 2011 and 2012, though its earnings, like those of its peers, will decline this year because of fuel. The current consensus estimates project its revenues to grow by 9% and EPS to fall by 15% in 2011, but EPS is forecast to recover by 33% in 2012.

In the next two years, UAL is likely to vastly outperform AMR (which is expected to continue to make losses) but probably not match Delta, which may be entering a period of strong profitability after its successful merger with Northwest.

Many analysts believe that UAL's stock is undervalued in light of the RASM trends and the potential to generate free cash flow. Furthermore, recent weeks have brought good news for the industry on several fronts. Cost outlook has improved because of the oil price correction. Japan demand is starting to come back. US economic data shows continued strength of the business sector. And, in contrast with IATA's data, US airline data shows little sign of higher fares starting to cool travel demand.

By Heini Nuutinen
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S7 Airlines: Aeroflot's domestic challenger

In the second of a series of articles on Russian airlines, *Aviation Strategy* takes a look at the two main challengers to Aeroflot: S7 Airlines, the second-largest domestic airline, and Transaero, the major Russian competitor to the flag carrier on international routes.

Based in Moscow, S7 Airlines originated back in the 1950s and was previously known as Sibir Airlines before changing its branding to S7 in 2005. After acquiring and absorbing Vnukovo Airlines in early 2001 the airline doubled in size, and today S7 has a larger domestic network than even Aeroflot, with 37 destinations served in Russia and another 14 in Commonwealth Independent States (CIS), countries. Routes are also operated to 14 destinations outside Russian and the CIS, within Europe, the Middle East and Asia, with foreign destinations that include Frankfurt, Antalya, Beijing, Seoul and Bangkok. In addition S7 owns Globus Airlines, which operates both scheduled services and international charter flights, and altogether the S7 group offers more than 150 services a day.

It is the domestic network, however, that is S7's main strength. S7 carried 5.9m passengers in 2010, of which 4.5m were transported domestically, and in 2009 (the last year for which comprehensive statistics are available) S7 had a 17.4% share of passengers carried in Russia, just three percentage points behind Aeroflot – see pie chart, opposite. That domestic operation is centred at Moscow's Domodedovo airport, with significant other hubs at Irkutsk and Tolmachevo airport in Novosibirsk.

Although S7's focus will continue to be on domestic routes, it would like to grow the handful of international services it operates, although many of Russia's bilaterals with European countries in effect crowd out S7. In most of the bigger European markets the existing bilaterals limit Russian airlines to Aeroflot and Transaero, which is a continuing source of frustration to S7 executives, who complain they have relatively little political pull with the Russian authorities compared with their rivals.

However, the current strategic focus for S7 is on consolidating, cost-cutting and improving its operations rather than expansion of even the domestic market, and that's partly because S7's management believes there is significant overcapacity in the Russian market, both domestically and internationally. The airline openly criticises Aeroflot's ambitious expansion targets (see *Aviation Strategy*, April 2011) and also says that Transaero will have problems filling the second-hand 747-400s and 777s that it will be receiving shortly. S7 believes Aeroflot and Transaero will be in fierce competition with each other over the next few years on international routes – and that's a battle that S7 wants to steer clear of.

S7's consolidation strategy was clearly signalled back in 2009 when the airline cancelled an order for 25 787s, which would have replaced Russian aircraft and made S7 the first airline in the country to operate the type. S7 openly admits the cancellation was due to financial reasons, thanks to 2008 results where although revenues rose by 35%, the rise in fuel prices resulted in the airline barely making a net profit (see charts, opposite). But 2009 was also a tough year for S7, with the winter at the start of that year being called a "disaster" by the airline thanks to overcapacity in the market. S7 reacted by cutting its flights back domestically, and ASKs were again trimmed in 2010. The reduction in capacity, however, helped yield to improve in 2010, and net profits are expected to be reported for the full year. The other problem for the airline in the late 2000s was debt; the debt level reached RB13bn ($0.4bn) in 2008, but this was managed down to RB8bn by 2009 and was believed to be lower still by the end of 2010, although figures have not yet been released.

For the next few years growth domestically and to some European countries will be in single percentage figures, which is a cautious expansion rate in a market where Aeroflot and Transaero are expanding much faster. Among new routes being launched this year are from Moscow to Stavropol and from Berlin Tegel to Tolmachevo, while there will be selected international expansion to Siberia, which S7 believes is still underserved. A Novosibirsk to Vienna route, via Moscow, was launched last summer using A319s, joining a Novosibirsk to Prague route launched earlier that year that had experienced very high demand.

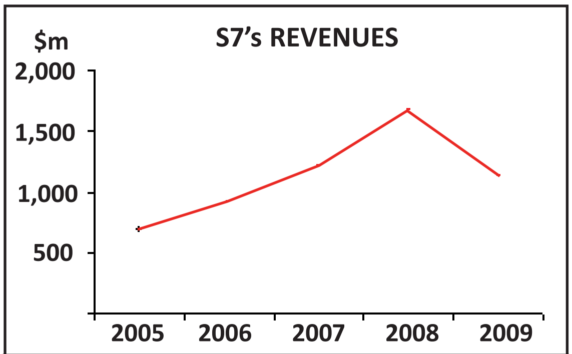
But for the next few years the prime focus will be on consolidation and cost-cutting. The workforce has been trimmed back to 2,600 over the last few years. Unit costs have already been reduced to under 7 US Cents per ASK, and the airline is targeting to push them down to under 6 Cents – although anything below that will impossible, it believes, as the conditions for low-cost operations simply don't exist in Russia, with long average sector lengths (Russia is the largest country in the world by landmass) and an absence of cheap secondary airports.

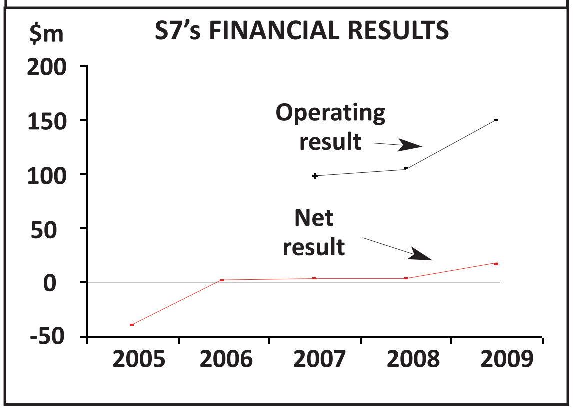
Another priority is utilisation. Although utilisation rates are relatively high for its A320s (between 11-13 hours per day) and its 737-800s (13-15 hours), its other aircraft are not exceeding 10 hours per day at present, which S7 is trying to improve.

Distribution is also getting attention. Last year 15% of revenue came from internet sales and this is a proportion that S7 is keen to drive upwards; in May this year S7 signed a distribution deal with US-based Travelocity, which added the Russian airlines' inventory to its series of websites. In 2008 S7 switched to e-tickets and in February this year it launched a mobile boarding pass service, initially at Domodedovo airport only, although the service will be rolled out across other airports through the year.

S7's "consolidation phase" is likely to last until 2013 or 2014, after which S7 may then embark on much more substantial expansion, though of course that will depends on market conditions – as well as merger opportunities and the price of new aircraft - at that time.

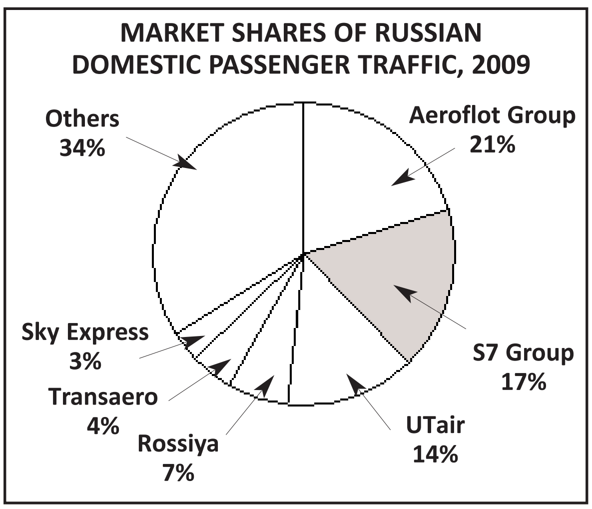
S7's fleet (including Globus) currently





numbers 42, with 20 A319s, nine A320s, two A310s, two 767-300s, four 737-400s and five 737-800s.The 767s are used mostly on long-haul services within Russia, and if S7 did ever undergo major international expansion it would need to buy suitable aircraft, given the current narrowbody focus.

The current fleet has an average age of just eight years, which is very young by typical Russian fleet standards, and this will reduce further as new orders are delivered and replace older models.



S7's FLEET

Model	In fleet	On order
A310-200	1	-
A310-300	1	-
A319-100	19	-
A319LR	1	-
A320-200	9	23
737-400	4	-
737-800	5	9
767-300ER	2	-
Tu-204-100	-	4
Total	**42**	**36**

Note*:* Fleet includes Globus
Source: *ACAS*

The first of 10 737-800s on order was delivered in April this year and was put into service by the Globus Airlines subsidiary in May on routes to Novosibirsk, Yakutsk, Ulan-Ude, Chita, Norilsk, Krasnodar and Sochi. One more aircraft from this order will be delivered later this year.

Also on order are 23 A320s and four Tu-204s, while late last year S7 indicated it may order up to eight more medium-haul aircraft in 2011, likely to be two 737-800s for Globus and six A320s for S7.

S7 does own Russian aircraft but they are in storage, and S7 is keen to use this as a point of differentiation with its rivals – although that may create political problems for the airline given prime minister Vladimir Putin's continuing attempt to force Russian airlines to buy new Russian aircraft models. The Russian state still owns a 25% stake in S7, held through an entity called Russian Federal Property. This body attempted to sell its stake 2007, but failed due to lack of interest. It's highly likely though that the government will make another attempt to sell its share in the not-too-distant future.

Once that is done it's likely that S7's battle with Aeroflot domestically will get even more intense, particularly given that S7 will face a renewed challenge from the flag carrier once it completes its integration with six Russian airlines (see *Aviation Strategy*, April 2011). This has led to much speculation by press and analysts that S7 will acquire other domestic airlines in a counter-attack on Aeroflot. The various airlines that S7 has or is being linked to are too speculative to list, but sources at S7 indicate that there is no imminent deal under consideration, given its immediate focus on consolidation and cost-cutting. Interestingly, in the late 2000s Aeroflot expressed an interest in taking a large share in S7, although that was a deal the Russian authorities indicated they would not allow due to monopoly fears, and any such possibility has long gone.

S7 formally joined oneworld in December 2010, which S7 expects will help its premium traffic rise by around 10% this year. An immediate benefit has been a code-sharing deal with British Airways that kicked off in February this year, both on BA's Domodedovo-Heathrow flights and on selected domestic S7 services.

The incorporation of S7 was also a key move for oneworld, given that Aeroflot is a member of SkyTeam and that S7 was long-touted as likely to join the Star alliance, building on S7's ties with Lufthansa that range from an interline agreement to technical consulting. However, Star's dalliance with Air Union - an alliance of Russian carriers - in the late 2000s encouraged S7 to open negotiations with oneworld, with the result that Star is now left as the odd one out of the three global alliances in terms of a Russian partner, with Air Union disbanding in 2008 once its key partners - Kras Air and Domodedovo Airlines – went bankrupt due to rising fuel prices. Although Transaero is the most likely membership candidate for Star in Russia, Transaero simply doesn't have a domestic network to match that of either S7 or Aeroflot. The S7/oneworld link has tripled the number of destinations served by oneworld in Russia and eastern Europe to more than 80 cities, while seven oneworld airlines serve Moscow.

Membership of oneworld is also key in what S7's management calls the "westernising" of the airline, particularly given the onerous standards required by oneworld before membership is granted. S7 overtly states it is trying to be "more international than Aeroflot" it its outlook, and although of course it operates far less routes internationally than the flag carrier, this internationalism is more about raising Russian standards of service and management expertise to that of western airlines.

This internationalism is expressed most clearly in S7's fleet strategy, but western consultancies and expertise (from Lufthansa Technik to Airbus and Boeing) have also been brought in to help with many other areas of operation within S7, and S7 Group Chief Executive Vladislav Filev believes this approach will help differentiate the airline against Aeroflot in its battle for the Russian domestic market.

Transaero Airlines: Aeroflot's international challenger

Transaero Airlines is a relatively new carrier, launching services in 1991 as the first privately-owned carrier in Russia after the demise of the Soviet Union. It was founded by Alexander Pleshakov and Grigory Gurtovoy and pioneered many key airline products and services in Russia, from the introduction of the first Boeing aircraft in 1993; the first FFP, in 1995; the launch of e-ticketing in Russia, in 2007; to today being the only airline in Russia, CIS and eastern Europe to operate both 747s and 777s.

Though based legally in St. Petersburg, Transaero's headquarters is in Moscow, where approximately 7,000 employees operate a fleet of 58 aircraft to more than 100 destinations in Russia, Europe, Africa, the Americas and the Asia/Pacific region.

Its domestic network is centred on 24 routes out of Moscow and eight out of St. Petersburg, while its international network includes 15 CIS cities and more than 40 other destinations, including the UK, Germany, Spain and Portugal in Europe; the US, Mexico, Canada and Cuba in the Americas; Egypt in Africa and China, Thailand Vietnam, Thailand, India and Indonesia in the Asia/Pacific region. Transaero also has a substantial amount of charter operations, with 25 leisure destinations served across the Mediterranean, including Greece, Spain, Italy, Portugal, Turkey and Egypt.

As can be seen in the pie chart (right), Transaero is now the second largest airline in terms of passengers carried to/from Russia, and is clearly a growing challenge to the might of Aeroflot. Approximately 80% of all Transaero passengers are carried on long-haul widebody aircraft, and expansion of the long-haul network is the airline's top strategic priority.

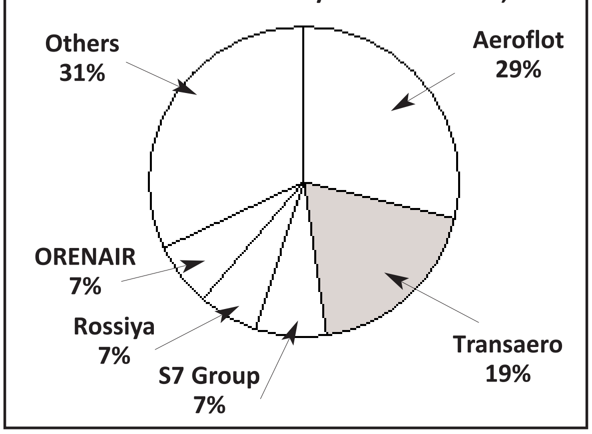
The domestic network provides feed into the international routes, although during 2010 domestic expansion was mostly on routes to Russia's far east, which in any case are subsidised by the Russian state.

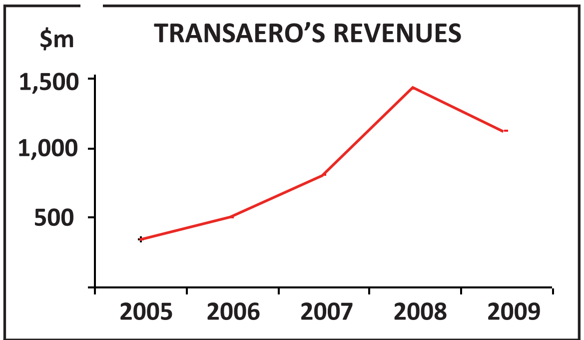
The strategic focus is on international expansion. 18 routes were added over the 2010/11 winter season, including to Varadero in Cuba, Rio de Janeiro, Mauritius and Salzburg. But the most important launch was routes from Moscow Domodedovo to New York in October, which now operates four times each week with 747-400s, while in the same month a service to Miami was started, with a twice weekly service using 777s.

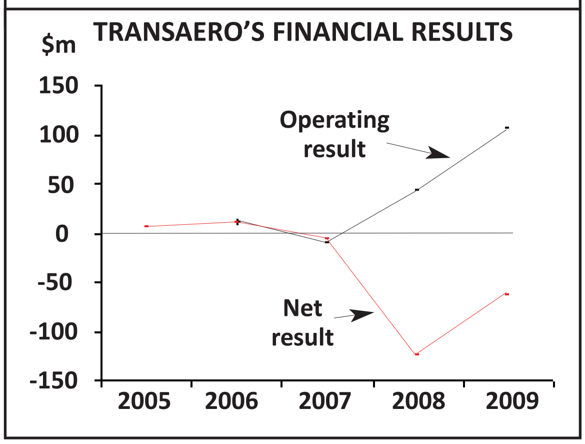
The routes mark a return to the US market after Transaero closed down a previous service between Moscow and Los Angeles. Building up the network to the US is now a top priority, and in March Transaero applied for permission to restart the service from Moscow to Los Angeles from July. The US moves were accompanied by the launch in March of a website in English (specifically for the American market), as well as a version in German (while further sites will be released for each of the UK, Ukrainian and Kazakhstani markets though 2011).

Another key long-haul route is the Beijing service, which started in June 2010 and uses 747-400s. The route attracts both business and leisure passengers, which is a

MARKET SHARES OF INTERNATIONAL PASSENGER TRAFFIC TO/FROM RUSSIA, 2009







typical feature of many of Transaero's international routes. Longer-term Transaero is considering more routes to the US west coast and to Australia, where Sydney and Cairns are being analysed as possible destinations.

Most of the international routes operate out of Moscow. Transaero was originally based out of Sheremetyevo airport but transferred its Moscow base to Domodedovo in 2001, although it still retained some services at the former. However, through 2010 some Domodedovo services were transferred to Sheremetyevo as part of plan to increase passengers carried through Sheremetyevo to 3.5m in 2015, compared with just 0.3m in 2009. That plan may now be accelerated given the serious disruption to airline operations experienced at Domodedovo in the period just after Christmas last year, which prompted Transaero to criticise fiercely the airport's management and for it to also consider the launch of its own ground handling operation at Domodedovo.

TRANSAERO'S FLEET

Model	In Fleet	On Order
737-300	2	-
737-400	5	-
737-500	13	-
737-800	2	-
747-200B	5	-
747-300	4	-
747-400	5	-
767-200ER	3	-
767-300ER	9	-
777-200	1	-
777-200ER	7	-
Tu-214	2	7
Total	**58**	**7**

Source: ACAS

The pace of Transaero's international expansion was underlined by a 40% rise in its workforce through 2011, when it added 2,000 employees. The airline has achieved substantial jumps in productivity in the last two years and when full 2010 results are released analysts will be keen to see if that momentum can be maintained, as well as whether load factor can remain above the 80% mark (see chart, right).

In terms of its fleet, Transaero owns or leases 58 aircraft (see table, below). It plans to add 12 aircraft to its fleet during 2011 - comprising three 737s, six 747-400s, two 777s and a 767 - and all of which will be leased or bought second-hand.

In December last year Transaero received the first of 12 747-400s that are/will be configured with ultra high density seating, with capacity for 521 passengers – of which 509 seats will be economy and just 12 business class seats. The aircraft will be used on high density leisure routes instead of older model 747s, and all of the aircraft will be delivered by the end of 2012 or early 2013 at the latest. Also in the fleet acquisition plan are four 777-300s, each with 373 seats, all which will also be delivered this year.

The only new aircraft formally on order direct from a manufacturer are seven twin-jet Tu-214s, but the delivery of these is in serious doubt after its manufacturer - KAPO - stopped construction, citing a lack of cash, after delivery of three aircraft to Transaero from an order of 10 placed back in 2004 (although one of these three aircraft is already in storage). Ilyushin Finance has stepped in to help the Kazan-based manufacturer but it's uncertain as to Transaero will ever receive the seven outstanding aircraft, and reports out of Russia suggest the airline may be offered the modernised Tu-204SM variant (built by Aviastar) instead of the Tu-214.

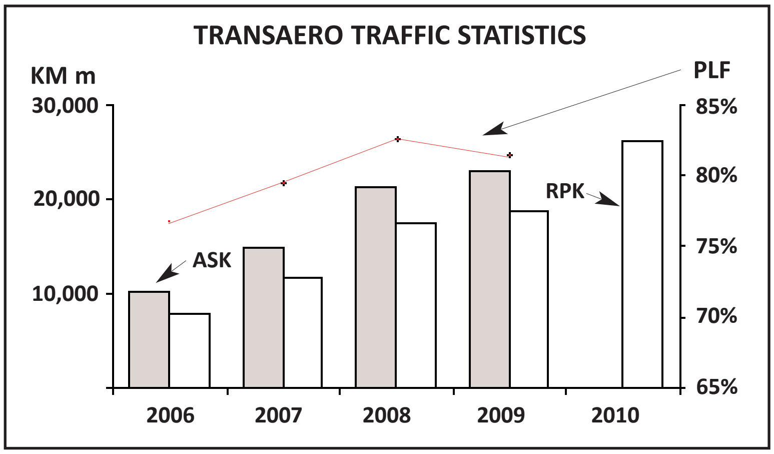
However, Transaero is a potential customer for the Sukhoi Superjet 100, although Olga Pleshakova, Transaero's general director (and who owns an 8.1% stake in the carrier), says that this would only happen if an order could be guaranteed for delivery by 2015-2016.

In terms of alliances, with oneworld and SkyTeam already having Russian partners the only option for Transaero is Star, although management appears to be in no rush to join and executives have stated that an alliance is not an essential part of the airline's strategy. Transaero only has a handful of codeshares deals, although two of these are with Star members bmi and Austrian Airlines.

The alliance question would have to be resolved prior to any IPO by Transaero. In late March 2011 Transaero listed its shares on Micex, the Moscow-based interbank currency exchange, in a move that some analysts see as a precursor to an IPO later in 2011. Transaero says the listing was solely to allow shares in the company to be traded on an exchange, although CFO Evgeniy Temyakov says that the move is part of the airline's strategic development and "doesn't contradict plans to hold an IPO later". Initial share trades implicitly valued the airline at $950m, and the close-to-$1bn valuation received much publicity in the Russian press.

The yes/no decision on an IPO in 2011 will be influenced on IFRS financial results for 2010, which are yet to be released. After three years of losses at the net level, all the airline has said so far about 2010 is that last year's results "significantly exceeded expectations", with – under Russian accounting standards – revenue up 60% (which would total $1.8bn in 2010 if the 60% rise is applied to the 2009 IFRS figure), thanks to a 32% rise in passengers carried to 6.6m. RPKs rose by more than 40% in 2010, to 26.2bn. The only other figure yet released is that cash and cash equivalents were Rb2bn (US$66m) as at the end of 2010.

If it happens, an IPO would not only give the original investors a return for their investment but would also provide funds for expansion. In April, when denying a rumour that it wanted to buy Russian carrier Orenburg Airlines, Transaero confirmed it is interested in acquiring stakes in foreign airlines, though that seems unlikely until it has much deeper financial resources at its disposal.



		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/ KLM Group 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	
	Oct-Dec 10	7,956	7,847	109	-62	1.4%	-0.8%	62,379	50,753	81.4%	17,551	101,946
British Airways YE 31/03	**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	
IAG Group	Oct-Dec 10	5,124	5,116	8	121	0.2%	2.4%	50,417	39,305	78.0%		56,243
	Jan-Mar 11	4,969	5,109	-139	45	-2.8%	0.9%	51,118	37,768	73.9%		56,159
Iberia YE 31/12	**Year 2008**	**8,019**	**8,135**	**-116**	**47**	**-1.4%**	**0.6%**	**66,098**	**52,885**	**80.0%**		**21,578**
	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 YE 31/12	**Year 2008**	**36,551**	**34,625**	**1,926**	**812**	**5.3%**	**2.2%**	**195,431**	**154,155**	**78.9%**	**70,543**	**108,123**
	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
	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
	Year 2010	**36,057**	**34,420**	**1,636**	**1,492**	**4.5%**	**4.1%**	**235,837**	**187,700**	**79.3%**	**91,157**	**117,019**
SAS YE 31/12	**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
	Oct-Dec 10	1,556	1,606	-51	7	-3.2%	0.4%	8,761	6,389	72.9%	6,557	15,123
	Year 2010	**5,660**	**5,930**	**-270**	**-308**	**-4.8%**	**-5.4%**	**34,660**	**25,711**	**74.2%**	**25,228**	**15,559**
Ryanair YE 31/03	**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 YE 30/09	Apr-Sep 08	2,867	2,710	157	251	5.5%	8.7%	32,245	28,390	88.0%	24,800	
	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	
	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**	
	Oct 10 - Mar 11	1,950	2,243	-229	-181	-11.7%	-9.3%	29,988	26,085	87.0%	23,900	

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	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**
	Jan - Mar 11	965	831	134	74	13.9%	7.7%	11,445	9,419	82.3%	5,752	11,884
American	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 -J un 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**
	Jan - Mar 11	5,533	5,765	-232	-436	-4.2%	-7.9%	60,912	46,935	77.1%	20,102	79,000
Continental	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	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**
	Jan - Mar 11	7,747	7,839	-92	-318	-1.2%	-4.1%	90,473	69,086	76.4%	36,764	81,563
Southwest	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**
	Jan - Mar 11	3,103	2,989	114	5	3.7%	0.2%	39,438	30,892	78.3%	25,599	35,452
United	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**
	Jan - Mar 11	8,202	8,168	34	-213	0.4%	-2.6%	96,835	75,579	78.0%	32,589	82,000
US Airways Group	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**	
	Jan - Mar 11	2,961	3,000	-39	-114	-1.3%	-3.9%	33,034	25,762	78.0%	18,851	30,621
JetBlue	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**
	Jan - Mar 11	1,012	967	45	3	4.4%	0.3%	13,696	11,143	81.4%	6,039	11,281

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 2006/07	12,763	11,973	790	280	6.2%	2.2%	85,728	58,456	68.2%	49,500	32,460
YE 31/03	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	
	Year 2010/11	15,889	15,093	796	269	5.0%	1.7%	85,562	59,458	69.5%	45,748	33,000
Cathay Pacific	Year 2007	9,661	8,670	991	900	10.3%	9.3%	102,462	81,101	79.8%	23,250	19,840
YE 31/12	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	
	Year 2010	11,522	10,099	1,813	1,790	15.7%	15.5%	115,748	96,548	84.0%	26,796	21,592
JAL	Year 2005/06	19,346	19,582	-236	-416	-1.2%	-2.2%	148,591	100,345	67.5%	58,040	53,010
YE 31/03	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 2006	8,498	7,975	523	363	6.2%	4.3%	71,895	52,178	72.6%	22,140	16,623
YE 31/12	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	19,178
	Year 2010	10,313	8,116	120	421	1.2%	4.1%	79,457	60,553	76.2%	22,930	
Malaysian	Year2006	3,696	3,751	-55	-37	-1.5%	-1.0%	58,924	41,129	69.8%	15,466	19,596
YE 31/12	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%	42,790	32,894	76.9%	11,950	19,147
	Year 2010	4,237	4,155	82	73	1.9%	1.7%	49,624	37,838	76.2%	13,110	
Qantas	Year 2007/08	14,515	13,283	1,232	869	8.5%	6.0%	127,019	102,466	80.7%	38,621	33,670
YE 30/6	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
	Jul - Dec 10	7,176	6,832	344	226	4.8%	3.1%	66,821	54,592	81.7%	22,948	32,369
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 2006	5,647	5,331	316	338	5.6%	6.0%	79,383	60,276	75.9%	31,490	18,872
YE 31/12	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	23,506
	Year 2010	12,203	10,587	1,616	1,825	13.2%	15.0%	107,404	86,193	80.3%	46,420	
China Southern	Year 2006	5,808	5,769	39	26	0.7%	0.4%	97,044	69,575	71.7%	49,200	45,575
YE 31/12	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	50,412
	Year 2010	11,317	10,387	930	857	8.2%	7.6%	140,498	111,328	79.2%	76,460	
China Eastern	Year 2006	3,825	4,201	-376	-416	-9.8%	-10.9%	70,428	50,243	71.3%	35,020	38,392
YE 31/12	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	45,938
	Year 2010	11,089	10,248	841	734	7.6%	6.6%	119,451	93,153	78.0%	64,930	
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 %
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
2010	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
March 11	27.9	18.6	66.6	18.8	14.5	76.9	16.8	13.0	77.4	53.7	41.6	77.3	80.5	59.4	73.9
Ann. change	4.1%	3.7%	-0.2	10.6%	3.3%	-5.5	13.0%	2.8%	-7.7	10.2%	3.4%	-5.1	8.2%	3.0%	-3.7
Jan-March 11	77.9	49.6	63.6	52.5	38.6	73.5	48.3	38.1	78.9	154.2	119.3	77.3	229.4	167.2	72.9
Ann. change	4.6%	5.3%	0.4	10.5%	4.2%	-4.4	12.5%	6.4%	-4.6	10.0%	5.1%	-3.6	8.4%	5.0%	-2.4

Source: AEA.

JET ORDERS

	Date	Buyer	Order	Delivery/other information
Boeing				
Airbus	03 May	Korean Air	5 x A330-200	
	27 Apr	ILFC	100 x A320neo	

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