Issue No: 182

Aviation Strategy

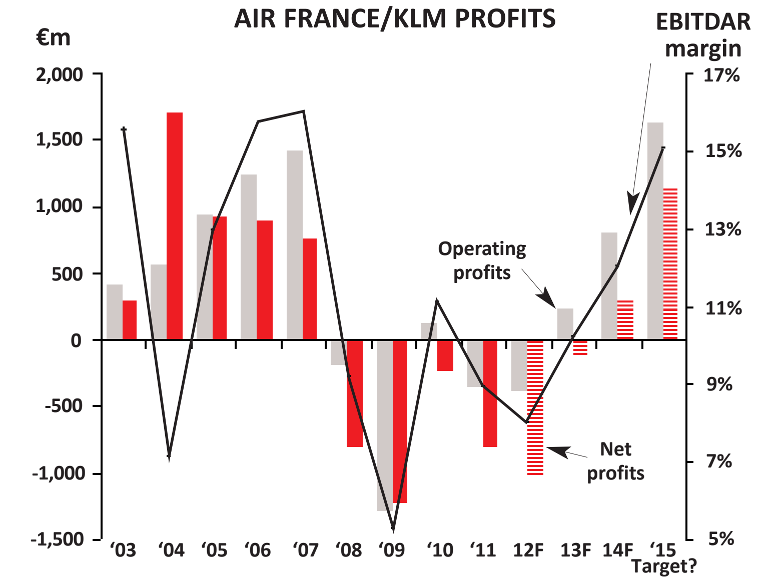
December 2012

Air France-KLM: Transforming 2015?

Early in December Air France-KLM hosted an Investor Day - its first such in two years. During the day's presentations the management reinforced its strategic aims to return to a reasonable level of profitability by 2015; and taking a leaf out of current right wing politics emphasised its own “austerity” measures to reduce outstanding debt, enforce improvements in productivity, and counter the structural changes in the industry. The restructuring plan imaginatively is called “Transform 2015”.

Recognising that it is the most highly geared of the European major carriers, one of the prime designs of the restructuring plan are to reduce net debt by €2bn by 2015 (from €6.5bn to €4.5bn, against equity at the end of 2011 of €4.8bn net of goodwill and intangibles) and return operating margins (currently negative) to a positive 6-8%. This appears very similar to the targets suggested by the restructuring plans at IAG and Lufthansa - at least according to Air France-KLM's own calculations for adjusted operating margins for itself and its peers - except that Air France-KLM has a lot further to climb.

In the past five years the Air France-KLM group has managed to lose a magnificent net €4.1bn - slightly short of the profits it had achieved in the previous five years. This roughly equates to the shareholders of the group having paid €11 for each of the passengers it has flown in the period. Last year it announced that it had lost some €700m at the operating level on medium-haul operations in 2011; this



Note: 2003-2010 Years ending March in following year. 2011 on, years ending December. ***Source:*** *Company reports, Consensus forecasts*

www.aviationeconomics.com

CONTENTS

PUBLISHER

Aviation Economics

James House, 1st Floor
22/24, Corsham Street
London N1 6DR

Tel: +44 (0)20 7490 5215
Fax: +44 (0)20 7490 5218

email: info@aviationeconomics.com

year it clarified that the Air France group accounted for €500m of the losses and KLM the remaining €200m. The short-medium haul losses in 2011 may have represented an operating margin loss of 4.3%; long-haul operations in the same year achieved an operating profit margin of 4.5%. Neither of these ratios can be said to be satisfactory.

In the anticipation of sluggish economic growth in Europe, the group hopes that it will achieve its "Transformation 2015" plan by a limitation on capacity growth, reduction in capital expenditure, modest improvements in yields and significant additional cost savings. In all, the group has given itself the target to reduce non-fuel operating costs by an aggressive 10% (or nearly 15% reduction in manageable non-fuel unit costs) over the three years to end 2014 (a pretty staggering €1.8bn at 2011 activity levels). Given the industrial position (at Air France in particular) this has meant the renegotiation of collective agreements with all unions - so far achieved at Air France with all save cabin crew.

Faced with these losses on short-medium haul operations, the group (in common with competitors IAG and LHG) is planning significant restructuring of its operations within Europe. Along with a hoped-for cargo turnaround, improvements in MRO profitability, and an attention on improving long-haul results it is targeting to get to the point of improving EBITDA returns by 2015 back over the €3bn it achieved at the peak of the last cycle in 2007/8 (against the €1.3bn it returned in 2011). The plans assume an effective break even on short-medium haul operations by 2014 - a €700m turnaround dwarfing the plans at IAG to restructure Iberia (see *Aviation Strategy* November 2012).

Overall the group plans to cut staffing levels by 8% - 6,300 full time equivalent positions are to go at Air France (-9%) and 2,100 from KLM (-6%) from the 2011 levels by 2014. This it is estimated will save some €400m from the total wage bill (5.5% at Air France and 4.3% at KLM). Implicit in the presentations was a suggestion that capacity will still grow over the planned period by 6% - just short of 2% a year - but that this will provide an improvement in employee productivity (in terms of capacity per employee) of 15% at Air France and 12% at KLM.

In negotiations with the unions the group has been pushing for acceptance for salary freezes, a halt to automatic promotions and increments and further increases in working times - and concentrating on productivity. Air France has successfully negotiated with all but the cabin crew unions (while KLM is still in negotiation with its pilots) - and the management was adamant that should an agreement not be reached with this group by the end of March, they will impose the new working conditions and withdraw any favourable redundancy/early retirement packages currently on the table.

On the fleet (see table, page 4) the main emphasis is on the short-medium haul. Air France plans to reduce its A320 fleet by 19 units from 146 in 2012 to 127 by the end of 2014 (it made no mention of the long-haul plans). It is also redesigning its network structure planning to improve turnaround times and aircraft utilisation; with the aim to increase typical daily flight hours by 60 minutes to nearly 10 hours a day. It seems from the presentations that this is primarily aimed at the operations at Orly and regional bases; with a planned 9% reduction in medium-haul capacity at Roissy CDG, an 8% increase at Orly and a 36% growth at non-hub bases (most of which came in 2012).

Two years ago Air France announced the idea of transforming its non-hub flying to counter the encroachment of the LCCs into its home market. Its idea was to increase utilisation initially at Toulouse, Marseilles and Nice by basing crew at the outstations and using off-peak aircraft downtime to boost utilisation, gain non-hub based market share and maintain FFP market presence. The group has not quite admitted that this project has failed - although the results can hardly be inspiring: it is withdrawing four aircraft (out of a total 29 operated in Summer 2012) from the programme and stated that it will be reviewing the whole idea in 2013.

For the Air France loss-making regional operations there are significant restructuring plans. It aims to combine the domestic Brit Air, Régional and Airlinair operations under a single regional "brand" while maintaining the disparate company structures; Cityjet (reputed to be up for sale) will be kept separate. The plans suggest a reduction in overall regional fleet from 123 units to 102 (including 26 at CityJet) with a change in inter-company charging: a 15% reduction in wet lease charges, a shift to wet lease on all but what they term "smaller

Aviation Strategy
is published 10 times a year by
Aviation Economics

Publisher:
Keith McMullan
kgm@aviationeconomics.com

Contributing Editor:
Heini Nuutinen

Production Editor:
Julian Longin
jil@aviationeconomics.com

Subscriptions:
jil@aviationeconomics.com

Tel: +44 (0)20 7490 5215

Copyright:
Aviation Economics
All rights reserved

Aviation Economics
Registered No: 2967706
(England)

Registered Office:
James House, 1st Floor
22/24 Corsham St
London N1 6DR
VAT No: 701780947

ISSN 2041-4021 (Online)

The opinions expressed in this publication do not necessarily reflect the opinions of the editors, publisher or contributors. Every effort is made to ensure that the information contained in this publication is accurate, but no legal reponsibility is accepted for any errors or omissions.

The contents of this publication, either in whole or in part, may not be copied, stored or reproduced in any format, printed or electronic, without the written consent of the publisher.

flow business routes”. Implicitly Air France appears to be pushing the regional operations also to provide a 15% unit cost saving.

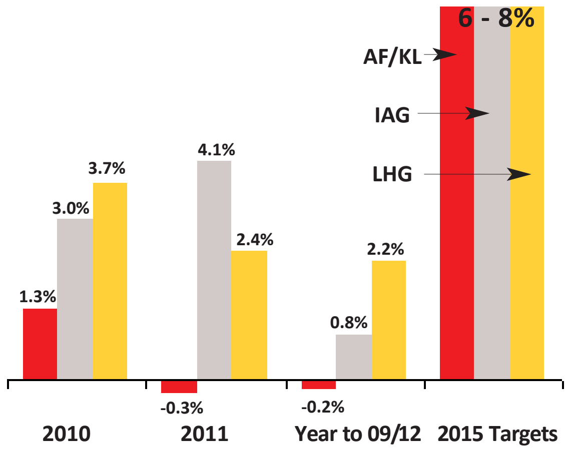
At KLM there may be less available to do. It is planning a stable fleet structure over the next few years at a total of around 162 units. It has already phased out the 767s and is in process of phasing out the MD11 passenger and combi fleet bringing in A330s and 777s. On medium-haul it has got rid of the 737 classics with 737NG replacements. On the regional fleet it has disposed of its last F100s, and is in the process of replacing the F50s with E190s. However, it is making some major changes to medium-haul configuration to increase seat density - removing the coat cupboard on its 737 fleet and replacing with an extra row of three seats; and will be adding a further row of seats to the NGs progressively over the next two years. (Incidentally this will automatically add some 6% in short-haul capacity in 2013 and a further 2% in 2014). In addition KLM says it has managed to reduce turnaround times on its E190 fleet by 15 minutes; while the introduction of a 7 1/2th wave at Schiphol in 2011 was designed apparently further to improve aircraft utilisation.

At the same time KLM pointed out that it saw itself in a slightly better position than its big brother Air France, in that it had a greater focus on the north west European markets which at the moment are showing moderate economic outlook (against AF's greater focus on Italy and southern Europe). In addition it highlighted that it was emphasising growth into secondary and tertiary airports in the search for feed - on the assumption that destinations such as Manston or Norwich in the UK, Stavanger and Aalesund in Norway, would be so under the radar that they would not attract competition from the LCCs nor the Middle East 3. It was a bit of a surprise to find in KLM's presentation that in 2011 half of KLM's short-haul destinations were to the primary cities in Europe and together provided €1.5bn of feed revenue but returned a negative 15% margin; whereas the other half were to secondary destinations generating €900m of feed but with “only” 6% negative margins.

For Transavia France the group continues to push growth - as a stand-alone point-to-point operator in the “price-sensitive” segment. It will be increasing the fleet from eight 737 aircraft to 20 by 2015 - with four coming in 2013. It has not yet quite got to the point of considering using Transavia as a substitute for its mainline non-hub operations in the way that Lufthansa has with its own germanwings. In contrast KLM's Transavia operations at Amsterdam are increasingly providing feed and infill to the KLM mainline operations - with interline code shares currently on 12 unique Transavia destinations apparently providing up to 8,000 bookings a month.

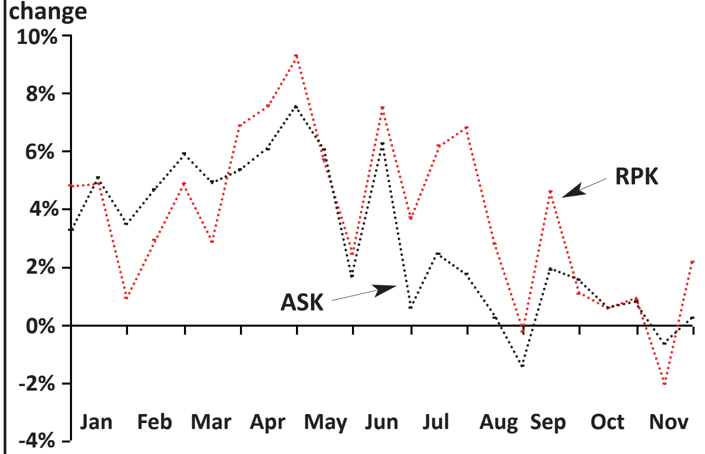
It is the dilemma of the network carrier in Europe; is it possible to maintain profitable short-haul feed to ensure profitable long-haul operations? For Air France 38% of total revenues come from short-medium haul operations and half of these revenues relate to connecting traffic, whereas 52% of its long-haul revenues are connecting. The position at KLM,

EUROPEAN MAJORS' ADJUSTED OPERATING MARGINS



Source: Air France/KLM

AIR FRANCE/KLM'S TRAFFIC



Note: April 2011 Interpolated to exclude impact of Eyafjallasjökul

AIR FRANCE/KLM GROUP FLEET

Operator	Aircraft Type	In Service	Order	Option	LoI	Storage	Total
Air France	747	9				2	**11**
	777	64	4	10			**78**
	A380	8	4	2			**14**
	A330	15		2			**17**
	A340	13					**13**
	A320 family	143	6	10	6	1	**166**
KLM	747	22					**22**
	777	22		2	1		**25**
	MD-11	6				2	**8**
	A330	14	2	18			**34**
	737 (CFMI)					3	**3**
	737 (NG)	46		8			**54**
Martinair	747	5					**5**
	MD-11	6				1	**7**
Transavia Airlines	737 (NG)	28		3			**31**
Transavia France	737 (NG)	6					**6**
Airlinair	ATR42/72	23				2	**25**
Brit Air	CRJ	38	1	2		3	**44**
Cityjet	RJ Avroliner	19				2	**21**
Regional	E170	16		5			**21**
	E190	10		4			**14**
	ERJ-134/145	24				1	**25**
KLM cityhopper	F100					3	**3**
	E190	22		9			**31**
	F70	26					**26**
TOTAL		**585**	**17**	**75**	**7**	**20**	**704**

Source: *Ascend*

lacking the strong real O&D demand of the Paris catchment area, is more severe; short-haul accounts for 31% of total revenues and 60% of its short-haul revenues connect to 70% of its long-haul revenues. Both carriers are implementing tariff changes to try to improve the attractiveness of their short-haul offering: the new Air France European product to be introduced in the New Year. In this they are moving the short-haul product closer to the LCC model - and it appears that AF and KL will be following the unbundling route while at the same time increasing business pricing points: the aim professed to be to "capture the growth in the price sensitive segment" and "increase revenue in the business segment".

At the investor day there were also some presentations on the product, brand and marketing - which were frankly unimpressive. Neither Air France nor KLM have ever really been market leaders in product development; and most of the developments they are introducing are for the purpose of catching up with the competition (such as lie flat J-class seats or using the FFP to encourage upselling and ancillary sales). Sadly missing, however, was any mention of the performance of the North Atlantic joint venture with Delta, any real discussion of the plans of the link with Etihad and Air Berlin, or indeed anything on the Delta/Virgin link up.

More intriguingly the AF-KL group is restructuring its corporate structure more towards the lines operated by IAG. The Group management structure will be divorced from the day-to-day running of the individual airlines: individual airline CEOs and CFOs for each airline; group corporate responsibility to deal with group strategy, joint functions and optimising group results. Through this Group Chairman & CEO Spinetta hopes to be able to install a new corporate culture "to remain nimble and be able to adapt on a permanent basis".

By James Halstead
jch@aviationeconomics.com

AviancaTaca and Avianca Brazil: Synergy's investments

Brazil's Synergy Group, the majority owner of AviancaTaca Holdings and Avianca Brazil, has made what is believed to be a €1.5bn ($1.9bn) binding offer for all or most of Portugal's TAP. Two months ago the Portuguese government named Synergy the sole bidder in the flag carrier's privatisation, which it hoped to complete by year-end. The offer reportedly consists of assumption of €1.2bn of debt and a €300m capital injection. As required, Synergy would maintain TAP's flag carrier status, Lisbon hub and independent operations and finances.

It is obviously not certain that the Portuguese government will accept the offer, but if it does, the proposed deal is interesting in many respects. It would be the Brazilian conglomerate's first foray into the European market. To qualify for a larger than 49% stake in an EU airline, the offer was made through a Luxembourg-based entity and the key executives - Synergy's founder, owner and CEO German Efromovich, and his younger brother Jose Efromovich, Synergy's chairman and Avianca Brazil's CEO - added Polish citizenship to their roster of nationalities. Poland was the country of origin of their parents. Avianca's website describes German Efromovich as "Bolivian by birth, educated in Brazil and Colombian by conviction".

It would mark the first time a Latin American company invests in a European flag carrier. It would represent an interesting shift in the balance of power between Europe, which is in severe economic doldrums, and Latin America, where GDP growth has slowed but is still projected to average 3.5-4% this year and in 2013.

But most importantly, if the Synergy Group's accomplishments with its airline investments in Latin America are anything to go by, TAP would be in safe and capable hands. It would gain an owner with a strong track record of investing heavily in the airlines that it acquires and turning them around financially (or at least doggedly pursuing that goal).

AviancaTaca, Synergy's Colombia-based flagship carrier, has emerged rapidly as one of the most powerful and solidly profitable airline groups in Latin America. This is a result of the thorough revamp and substantial investment in fleet and route expansion made by Synergy after it bought Avianca out of bankruptcy in 2004. Synergy merged Avianca with El Salvador's TACA in 2009 and took the combine public in a $281m IPO on the Colombian stock exchange in April 2011. AviancaTaca has entered the Star alliance, has a solid aircraft orderbook and is headed for a US stock listing (though Synergy has stressed that there is no urgency to accomplish that).

When affirming AviancaTaca's ratings in July 2011, Fitch praised Synergy/Avianca for the "high grade of control and integration that exists between the parent company administration and its subsidiaries".

Synergy's original airline acquisition Oceanair, now known as Avianca Brazil, has found the going somewhat tougher in the Brazilian domestic market, which is dominated by Gol and TAM, has significant competition from new-entrant carriers, periodically sees fierce fare wars and is now seeing slower demand growth. But there, too, Synergy has invested heavily to re-fleet and grow the airline and is believed to be on the verge of making it profitable.

In the past two years Synergy has also made a major effort to restructure Ecuador's Aerogal, which has been part of AviancaTaca Holdings since Synergy exercised an option to fully acquire the lossmaking carrier in 2010. Aerogal was pulled out of the US markets, had its workforce reduced by 10% and had most of its fleet replaced.

In addition to re-fleeting, the efforts at Avianca Brazil and Aerogal have included investment to upgrade systems. Among other things, these small carriers are being prepared for Star membership.

So, even though the jury is still out on Avianca Brazil, Synergy Group clearly takes its duties seriously, adopting a hands-on approach at the struggling airlines it purchases, being willing to invest heavily and retaining the majority ownership stakes in the long term. TAP could do a lot worse than secure an owner like that.

Of course, the TAP acquisition is attractive to Synergy because it provides a “European entry point” and potential synergies with the Avianca brand airlines, particularly Avianca Brazil. TAP’s number one position in the Europe-Brazil market, operations to as many as 10 cities in Brazil and its 46 European routes, plus a modest African network, make it an ideal partner to help Avianca Brazil consolidate and expand its market position in Brazil.

Rio de Janeiro-based Synergy Group is a diversified business conglomerate (oil and natural gas exploration, hydroelectric power plants, telecommunications, shipbuilding, pharmaceuticals, etc.) that originally got into aviation when it started flying oil companies’ workers to oil fields. Subsequently it began to spot opportunities to rescue and turn around carriers in the region that still struggled with old fleets and questionable management practices and strategies.

AviancaTaca’s transformation

Tracing its roots back to 1919, Avianca is the oldest airline in the Americas. The company lost its NYSE listing when it filed for Chapter 11 in 2003, but it was able to emerge from bankruptcy the following year thanks to Synergy’s investment (reportedly $63m in cash and assumption of $220m in debt).

Synergy turned Avianca around quickly, improving efficiency and customer service, renewing its fleet and expanding its network. In 2008 Synergy also acquired Colombian carrier Tampa Cargo.

In October 2009 Synergy announced plans to merge Avianca with El Salvador’s old-established Grupo TACA - an early pioneer of the multi-country, multi-airline strategy in Latin America. The merger, which was completed in February 2010, created a holding company for (currently) 11 airlines from nine countries Avianca Brazil remains a sister company, directly owned by Synergy.

After five years of solid profits with annual operating margins in the 7-13% range, Synergy took AviancaTaca public in Colombia in April 2011. The offering was more than five times oversubscribed, though it represented only 11.1% of the company’s stock (as of June 30, the free float was 13.7% and Synergy held 58.6%).

Since then AviancaTaca Holdings has been integrating, expanding the network and consolidating its position as the second largest airline group in Latin America. It has simplified the combined fleet from 11 to four aircraft families, moved to a single technological platform for customer service, adopted a single FFP and make strides towards integrated freight operations. In the past three years, the combine has grown capacity by 37% and launched 45 new routes. Synergies from the merger have vastly exceeded the original estimate of $200m annually.

As the last major step in merger integration, the combine is moving to a single brand in the first half of 2013. The seven main carriers (Avianca, Tampa Cargo, Aerogal, TACA, Lacsa, TACA Peru and Aviateca) will adopt “Avianca” as their commercial name, while maintaining their separate legal and labour structures.

With the branding, associated product improvements and network expansion, the new Avianca is striving for an upmarket image, aiming to be “the leading airline in Latin America” and “renowned for the superior quality of service”.

Still, AviancaTaca is much smaller than Latam, earning $3.8bn of revenues in 2011, compared to LAN’s and TAM’s combined $13.5bn. AviancaTaca airlines have a combined fleet of around 150 aircraft, but a third of those are regional aircraft. The airlines operate through hubs in Bogotá, San Salvador, San Jose and Lima, serving 100-plus destinations in 25 countries.

But AviancaTaca continues to achieve strong financial results and has promising growth potential. Last year its revenues surged by 25% - double the IPO business plan’s projection - and its operating margin was an excellent 12.8%. As a result, the company paid a dividend for the first time in 28 years. Operating margin in the latest (September) quarter was 14%.

Growth opportunities abound throughout the region. AviancaTaca’s current focus is on expanding domestic operations in Ecuador and Peru, boosting domestic services in Colombia to maintain market share in the face of competition from new LCC VivaColombia, and further strengthening its position in Latin America's international markets. Avianca will also be looking to take advantage of the full US-Colombia open skies regime that will become effective at year-end, though that will also mean more competition from the US legacies and LCCs from both countries. AviancaTaca will also be relying heavily on its new Star partners in the international arena. AviancaTaca's main challenges are the new competitive scene domestically in Colombia and infrastructure constraints at key hubs.

The combine is essentially maintaining the fleet renovation plans started independently by Avianca and Taca. This has meant a rapid streamlining of the passenger fleet on the A330, the A320-family, the E190 and the Fokker 50. In January 2012 the group placed a new order for 51 A320s, including 33 A320neos. Last month Avianca ordered three additional 787-8s, bringing the total firm orders for that type to 15, for delivery from 2014.

Even though AviancaTaca is in no hurry to return to the US stock market, it is preparing for that by strengthening the organisation, corporate governance and accounting practices. Among other things, it is in the process of moving its financial statements to international IFRS standards.

Avianca Brazil's progress

Synergy's wholly-owned Brazilian airline has had a rough ride, reflecting a tumultuous decade in the Brazilian airline industry. Established in 1998 as an air taxi company, Oceanair began scheduled services in 2002. Synergy grew it rapidly in the wake of Varig's contraction in late 2007, even taking it to international markets with 767-300s. That was a mistake and led to a sharp contraction in 2008. Oceanair ended international flights and shed its 737s, 757s and 767s, leaving only a fleet of 14 Fokker 100s. There was no growth in 2008-2009. Curiously, though, in 2008 Synergy ordered ten A350s, saying that it would decide later which airline would operate them (the orders are firm, according to Airbus).

In early 2010 Oceanair was rebranded as Avianca Brazil and resumed expansion with the help of A318s, A319s and A320s (some from AviancaTaca, some used aircraft). Avianca Brazil more than doubled in size in less than two years. Its fleet has grown from 14 aircraft at year-end 2009 to 34 at present. Synergy's current plans envisage a $1.5bn investment in the fleet in 2011-2016 (A320 family aircraft).

But profitability has been elusive, so Avianca Brazil is trying to reign in growth in the short term. The plan is to keep the fleet roughly flat in 2013; however, with A320 family aircraft coming in to replace much smaller Fokker 100s, next year's capacity growth is still expected to exceed 30%.

Avianca Brazil's main challenge is its still-small size – revenues of $420m in 2011 - and weak market presence – only 24 domestic points and a 5%-something market share. Two recent airline mergers – Gol/Webjet and Azul/TRIP – have pushed Avianca Brazil to a distant fourth rank in terms of domestic market share. On the positive side, Avianca Brazil has a decent portfolio of slots at main hubs. Unlike Azul and TRIP, it focuses on Brazil's larger cities. Its executives have often said that returning to international markets, even long-haul, remains a possibility.

The business model is slightly unusual and not proven – though potentially well suited for cooperation with legacy carriers. Avianca Brazil offers full service, even on the shortest hauls. It operates single-class but offers the most generous domestic economy seat pitch. It consistently achieves higher than average load factors.

Cooperation with TAP and other Star partners seems like the obvious solution to Avianca Brazil's challenges. Currently it feeds only to its sister carriers, while TAP works closely with TAM. But TAM is expected to leave Star, and then Avianca Brazil would be the obvious candidate to ensure Star, including TAP, access to the huge Brazilian market. So Avianca Brazil is preparing for an anticipated entry to Star.

Having TAP as a sister airline would, of course, be much better. TAP could really help Avianca Brazil grow in the Brazilian market. According to Bloomberg, Synergy executives have called the two airlines potentially a "wonderful complement to each other".

By Heini Nuutinen
hnuutinen@nyct.net

Fastjet: First mover in sub-Saharan LCC market

Africa's new LCC start-up, Fastjet, began operations on November 29th. Flying two A319s from Dar es Salaam in Tanzania to the two domestic destinations of Mwanza and Kilimanjaro, Fastjet carried nearly 7,000 passengers with an average load factor of 85% in its first week of operations. Fastjet has emerged quickly from the sub-Saharan region of Africa as it has been transformed from a software company to operating airline in just over a year.

Rubicon Diversified Industries (RDI) was set-up as a software company in 2006. In 2011, it disposed of its software assets, changed its name to Fastjet plc, following an AGM vote and aligned the company strategy to become an intra-African LCC. At the same time, the Africa-oriented conglomerate Lonhro felt that the value of its airline, Fly540, had been lost in the group's diversified operations. In mid-2011 it began a process to realise Fly 540's potential.

On 18th November 2011, RDI, now a cash shell, undertook a placing of 40 million new shares at 1 pence. Simultaneously, Lonhro became a 50% shareholder in RDI. At the same time, RDI reached an agreement with Sir Stelios Haji-Ioannou, easyJet's founder, whereby he would be issued with 5% of RDI's share capital, a further 10% option and a royalty fee in return for a ten year licence agreement, the passing over of the FastJet brand in 2022 and the provision of ongoing consultancy service. RDI then undertook a £9m capital raise in December 2011 in order to provide working capital for development of the business proposition. Lonhro then injected its aviation assets (two aircraft plus accumulated Fly540 losses) into RDI at cost. Lonhro agreed to value the RDI shares at 4.8 pence, which effectively meant that RDI shareholders acquired the Lonhro aviation assets at a material discount. Sir Stelios is providing three elements to the new vehicle – the Fastjet name; his time as a non-Executive Director and some ongoing consultancy services. In return he will receive 0.5% of the revenues for the first ten years of operation, €50,000 per month for the provision of consultancy services, 5% of the equity and an option to acquire a further 10% of the equity, but at a 30% premium to the last price at which capital was raised.

Potential

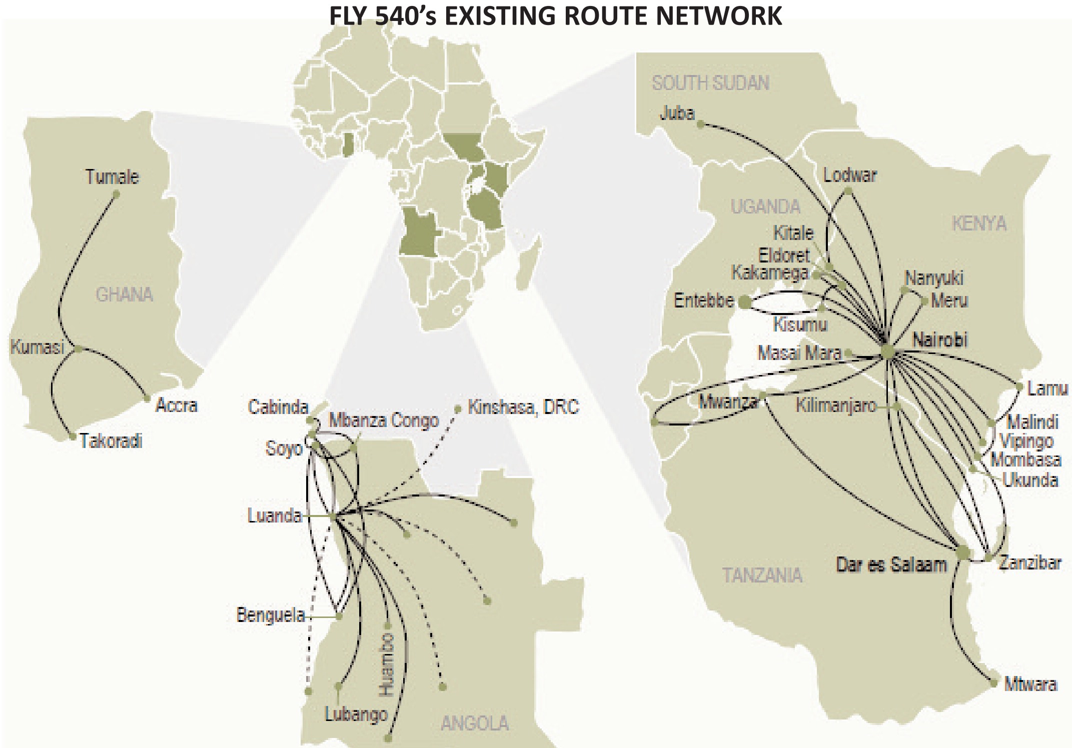
According to Daniel Stewart analyst Michael Campbell, "if the operator hits its target of having more than 10 A319s in operation in 2013 and is able to achieve a load factor rate of between 70% - 75% we expect the business should show a healthy profit for 2013." The growth strategy proposed by CEO, Ed Winter, is in the short-term to have all three A319s fully operational in the coming weeks to cater for an anticipated holiday surge. As of now, flights to Kenya and Uganda are advertised as "coming soon" but already bookings for the existing Tanzanian routes are being taken into March 2013.

Fastjet's ability to use Fly 540's existing AOCs in Kenya, Tanzania, Ghana and Angola, means it can launch "new" routes and grow much more quickly than would usually be the case for a start-up, (see route network map, page 9). The existing network and the use of African political and business contacts, which Lonhro has been maintaining in Africa for over a century, means access to important politicians and decision makers, no doubt smoothing bureaucratic and administrative processes for Fastjet.

There is experience and historic LCC knowledge with the presence of Sir Stelios, Ed Winter, Richard Bodin and Angus Saunders on the board, which together with Stelios' preference for return generation rather than market share gains should make Fastjet an attractive prospect for investors.

Fastjet should also be able to negotiate attractive supplier terms and conditions. The brand should enable Fastjet to achieve better terms and conditions with airports and employees; generate material free

FLY 540's EXISTING ROUTE NETWORK



marketing and ultimately to acquire aircraft cheaper.

The involvement and cooperation of Sir Stelios and easyGroup comes at a price, the NPV of his ten-year brand royalty payment is US$24m. The benefits of having Stelios on board though could be substantial – for example, a 5% "Stelios" discount on a future large aircraft order (say 200 units at a gross list price of $1bn) would deliver a further $50m of savings.

The African market

FastJet is launching into an area of huge market potential. The African air market is small, fragmented and under-developed, one seat per annum per 13,000 people compared to 2.5 seats per person per annum in the US. Demand ought to be driven by population growth, above global average GDP growth, an emerging middle class (350 million in 2011), air travel liberalisation and poor road and rail infrastructure. African countries have inefficient flag carriers or none at all. Departing seat capacity out of the Economic Community of West African States (ECOWAS) region is 100-times less per head of city population than daily departures out of London.

FastJet has early network optionality, it has AOCs and expansion opportunities in Ghana (an immature market), Kenya and Tanzania (where it will compete with Kenya Airways in a developed, competitive market) and Angola (a restricted market with Fly540 and a state-owned airline operating). FastJet believes that these existing markets are comfortably big enough to take at least 20 A319s.

Average fares are high in Kenya and Tanzania due to incumbent inefficiencies, high in Ghana due to lack of supply and high in Angola courtesy of its one state-owned carrier. Yields in these countries are usually over US$20 cents per kilometre and often over US$40 cents, a successful LCC will be aiming to emulate easyJet's 2011 yield of US$9 cents per kilometre.

FastJet will, at least initially, lease its fleet – keeping control over the rate of expansion with a flexible delivery schedule reflecting market demand – with an expected 24 A319s operating by December 2014, rising to 30 by December 2015.

FastJet's unit costs will initially be high going through the start-up phase but are expected to fall following the developmenttrend of successful LCCs. FastJet is estimated to incur ex-fuel unit costs of US$8.2-8.8 cents per kilometre (US$13.8 cents including fuel) in 2013, after which costs are expected to fall due to a fleet of low unit cost A319s, higher asset utilisation (5.5 rotations per aircraft per day), a drive for ancillary revenues and a shift towards internet booking.

A bonus for FastJet is the "first mover" effect, there are no established African LCCs and existing incumbents are either Government owned network carriers or operate small, high-cost regional aircraft. FastJet could effectively be the first "people's airline".

LCCs can generate good EBITDAR margins (easyJet's around 24% and Ryanair's at 36% from 1997-2001) by cherry picking high return routes (e.g. Ryanair's Dublin to London), fighting different business models (network carriers) and inefficient work practices (e.g. labour terms and conditions). Two added peculiarities to the region may well work in Fastjet's favour: there is a lack of seasonality, which should enhance margins and second, few airports have night curfews, which should enable better asset utilisation.

In December Fastjet announced it is currently in negotiations with the management, directors and provisional liquidator of 1time, the South Africa low cost airline that ceased trading last month. 1time's fleet includes MD-82s, MD-83s and MD-87s, but according to Ed Winter, restructuring plans would see a rapid re-fleeting with A319s. With Board, parent company, and Regulatory approval there is a possibility that 1time will be bought quickly, rebranded and the existing South African network prove a timely and complementary fit to Fastjet's pan-African strategy.

Striking further afield, Ed Winter has confirmed that Fastjet has been in preliminary talks with Emirates, to "potentially create a partnership". Emirates currently flies to 24 destinations in Africa and Jean-Luc Grillet, Emirates senior VP in charge of commercial operations for Africa, has said: "We are willing to work with Fastjet. It is an independent carrier and that makes our work easy." Stelios and fellow board members will welcome these talks.

Clearly, there are risks involved for Fastjet; airlines are risky and Africa is risky. Political instability and competitor reaction seem to top the list.

Aviation Economics

Our expertise is in strategic and financial consulting in Europe, the Americas, Asia, Africa and the Middle East, covering:

- Start-up business plans
- Expert witness
- Credit analysis
- Privatisation projects
- Slot valuations
- Turnaround strategies
- Merger/takeover proposals
- Corporate strategy reviews
- IPO prospectuses
- Market forecasts

For examples of our expertise go to: www.aviationeconomics.com
Or contact **Tim Coombs or Keith McMullan**
T: + 44 (0)20 7490 5215. F: +44 (0)20 7490 5218.
E: tdc@aviationeconomics.com kgm@aviationeconomics.com

Virgin America: Scaling back to attain profitability

In mid-November Virgin America finally did the sensible thing: reduced and deferred its substantial A320 order commitments, to drastically scale back growth and preserve its balance sheet. Because of continued financial losses, the award-winning San Francisco-based LCC, which has grown at a dizzying pace in the past two years, was in no position to start taking deliveries in mid-2013 of the $5.1bn, 60-aircraft A320/A320neo order placed in January 2011.

Under the revised agreement with Airbus, Virgin America's A320 orders have been reduced from 30 to 10 and deliveries rescheduled from 2013-2016 to 2015-2016. The 30 A320neo positions have been deferred by as much as four years, from 2016-2018 to 2020-2022.

The first concrete signs of capacity discipline at Virgin America came in mid-October, when CEO David Cush told employees that the airline would cut ASMs by 3% in 1Q13 and offer staff voluntary unpaid leaves.

After adding 24 aircraft since 1Q10 to bring its fleet to 52 A320s, Virgin America now plans to take just one additional leased A320 (in March 2013) until the rescheduled deliveries from Airbus start in the second half of 2015. Its ASM growth will decelerate from 28% annually in the past three years to a "mid single-digit" annual rate over the next several years.

Of course, Virgin America will still be able to undertake exciting new expansion. On that front, there was a major breakthrough in early December: the airline secured long-coveted access to Newark, which will now be added to the network in April 2013.

The order deferral announcement came as Virgin America reported a $12.6m net loss and a meagre $15.8m operating profit (4.3% of revenues) for the September quarter, the industry's seasonally most lucrative period. The January-September net loss was $120.4m, almost double the year-earlier loss. Virgin America has incurred net losses totalling $580m since the beginning of 2008, when it began reporting its results (operations launched in August 2007). It has seen operating profits in only four quarters (the past four 3Qs) and a net profit only once (3Q10).

Virgin America has benefited from deep-pocketed and patient investors, including Cyrus Capital, which recapitalised it in late 2009 and helped it raise $150m through a debt offering in December 2011. Of course, its survival is also important for the Virgin Group of the UK, which holds a 25% voting stake and a 49% economic interest (the maximum foreign investment level in airlines allowed by US law).

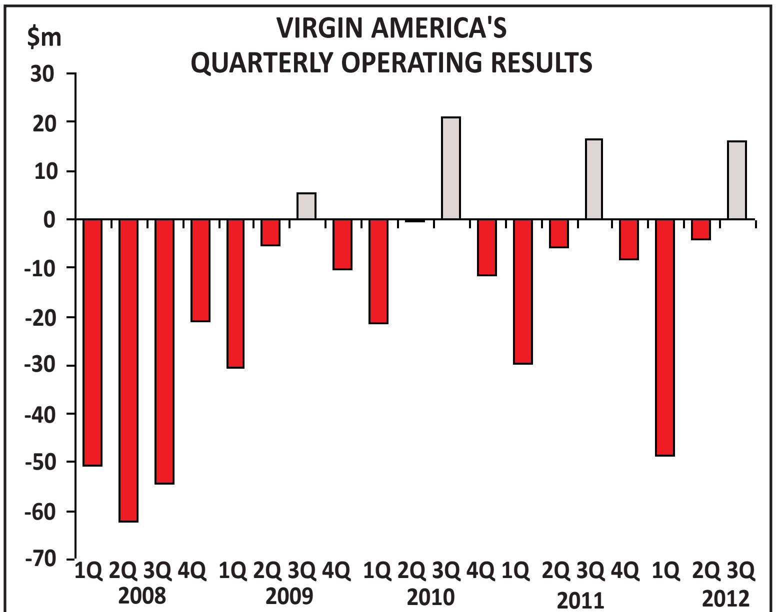
But Virgin America's cash reserves, which were boosted by the debt offering to a relatively healthy $160m at the end of 2011 (15.4% of annual revenues), have dwindled alarmingly this year. At the end of September the carrier had only $75m in unrestricted cash – just 6% of lagging 12-month revenues.

Further shareholder funds are probably not forthcoming as long as the losses continue; that was certainly the impression gained earlier this year when Virgin America's top management commented on longer-term funding plans. Nor is an IPO possible until the airline has a profitable year under its belt. Therefore Virgin America is under enormous pressure to become profitable.

It is perhaps not surprising that the naysayers have been out in force in recent weeks. "Why an airline that travellers love is failing", read a headline in *Time* magazine in late October. "Is Virgin America on the ropes?" asked one business travel blog last month.

Among the more informed critics, Wolfe Trahan's outspoken airline analyst Hunter Keay, in a note to clients in October, criticised various aspects of Virgin America's business model and growth strategy and questioned its ability to survive absent a "major restructuring".

As reported by Bloomberg, Keay criticised Virgin America, first, for what he called "network missteps into highly trafficked markets". Virgin America has competition on every one



Source: *Virgin America press releases.*

of its routes, while each of the 11 airlines Keay follows has a monopoly on at least 25% of their routes. Second, Keay argued that Virgin America got its product and pricing strategy wrong: "They had an assumption that consumers would choose product quality over price and convenience, and network carriers responded with force."

According to a late-November analysis by CAPA, even at its SFO home base Virgin America is a distant second to United with an 11% seat share, compared to United's 44% (November 19-25 data). At LAX, its second largest base, Virgin America's 5.5% seat share makes it fifth behind American, United, Delta and Southwest. Virgin America has a "commanding" seat share in only one of its top ten domestic markets (the leisure-oriented SFO-Ft. Lauderdale route), and in several markets it is ranked third or fourth.

CAPA argued that Virgin America faces "formidable challenges" in competing against the numerous and different types of operators in nearly all of its top markets. It is aggressively trying to capture passengers from the legacies, which offer convenience and powerful FFPs, while competing on price with other LCCs, some of which also have attractive products for business travellers.

Nor is CAPA impressed by Virgin America's Mexican strategy, which it felt reflected an "identity crisis". The article argued that the very limited presence in leisure-oriented markets (three destinations in Mexico and two in Florida) "does little to create a foundation to sufficiently grow revenues to create sustained profitability, and likely deflects time and resources away from the carrier's attempts to build up a more lucrative corporate base".

CAPA concluded that while slowing growth and reducing aircraft commitments were prudent moves, Virgin America "also needs to make structural network adjustments to attain long-term revenue benefits".

Mature versus new markets

If Virgin America does not stem the losses in the short-to-medium term, it would of course be likely to rethink its strategy. But it would probably have already, as a matter of course, suspended routes that were not meeting expectations. LCCs are nimble and usually get out of poorly performing markets quickly. When its first international route, San Francisco-Toronto, turned out not to have sufficient demand, Virgin America terminated it after just 10 months in April 2011.

Furthermore, there is currently no clear evidence that Virgin America is in the wrong markets; rather, the problem may simply be that it has too many new markets and not enough markets that are in the "mature" phase.

Rapid growth can put enormous pressure on airline profit margins, and Virgin America has grown extremely rapidly in the past two years. Between 3Q10 and 3Q12, its ASMs surged by 73%, compared to the US industry's essentially flat capacity in that period.

CEO Cush said in mid-November that Virgin America's core markets – those operated longer than 24 months – achieved an operating margin of 8% in the third quarter and were profitable year-to-date. "This strong performance in mature markets was offset by weaker performance in newer destinations added during the rapid two-year growth phase". Back in the summer, Virgin America executives said that the SFO hub and mature markets out of LAX were "solidly profitable".

"Percentage of new markets" and "percentage of mature markets" may sound like wishy-washy metrics or excuses, but they can be important determinants of profitability for LCCs and growth airlines generally.

JetBlue's experience is illustrative. Ceasing growth and allowing the percentage of "mature" markets to increase has certainly made a big difference to its profits in recent years. Back in 2005 and 2006, JetBlue saw its net results turn negative due to over-aggressive expansion. But JetBlue acted quickly to curtail capacity growth and brought capital spending to relatively modest levels. In 2008-2009 its ASMs remained relatively flat and it returned to healthy (high-single digit) operating margins. JetBlue has since then stepped up growth a little, but it is now outperforming its peers financially and is committed to "sustainable" growth. At its analyst day in February 2012, JetBlue disclosed that 86% of its ASMs are now in markets where it has been for three years or more, compared to 55% in 2007. And only 5% of its ASMs are now in "new" markets (which it defines as "less than one year"), compared to 17% in 2007.

The other interesting point JetBlue has made is that its business markets in Boston (where it spotted a "once in a lifetime" type growth opportunity a few years ago as a result of legacy carrier withdrawal) take quite a bit longer to mature than its traditional leisure/VFR markets. In a typical Boston business market, the first year is lossmaking, the second year is roughly breakeven and the third year is profitable.

The fact that Virgin America's recent growth spurt has included some of the country's largest business markets, where it has aggressively courted business traffic with its upscale service, may have added to the delays in attaining profitability. The profit potential is there but it just takes longer. The major new markets have included Dallas Fort Worth (December 2010), Chicago O'Hare (May 2011), Philadelphia (April 2012), Portland (June 2012) and Washington DCA (August 2012).

Virgin America's five-year loss record is sometimes compared to the virtually immediate profits and subsequent 17% operating margins JetBlue achieved in its initial years. But that really isn't fair: in the early 2000s oil prices were in the $20-30 per-barrel range, compared to $80-90 currently.

Virgin America had little chance to earn profits in its initial years, because it had a uniquely slow and difficult start. Its launch was delayed by two years due to questions about its ownership and control structure, so it launched into the tough economic environment (the 2008 oil price surge, followed by the global recession). Then in 2009 one of its founding investors exercised an option to sell their stake back to the Virgin Group, which led to an almost year-long DOT enquiry about the airline's US citizenship status. Virgin America lost about a year of growth since it was unable to obtain any aircraft financing during the DOT enquiry.

After a successful recapitalisation and DOT clearance, Virgin America staged its second "take-off" in January 2010. The airline began rounding up aircraft and announcing network expansion. In the subsequent 12 months its network expanded from the previous transcon/West Coast focus (SFO, LAX, JFK, Washington Dulles, Boston, Ft. Lauderdale, Seattle, Las Vegas and San Diego) to include Orlando, Dallas Fort Worth, Toronto and two points in Mexico.

But difficulties in obtaining gates and slots at desirable airports continued to impede Virgin America's progress. It was not until the spring of 2011 that it gained access to Chicago O'Hare – a result of Delta and Northwest consolidating operations after their merger and being forced to renegotiate contracts with the airport. In April 2012 Virgin America added service to Philadelphia from both LAX and SFO. It was also able to begin daily flights to Washington DCA from SFO in August, thanks to a relaxation of a law from the 1960s.

Virgin America needs primary markets to become profitable, especially because of its desire to attract business traffic. Of course, in those markets it will clash mightily with the legacies. DFW is American's stronghold. O'Hare is a hub for both American and United. Philadelphia is a hub for US Airways. Virgin America was not even able to secure a monopoly on the new SFO-DCA route, because the second daily frequency it had sought was awarded to United.

The opportunity at slot-constrained Newark came because AMR needed to restructure its lease agreement to reduce costs, as part of its Chapter 11 reorganisation. AMR gave up three of its six gates, one of which will go to Virgin America (the airport will control the other two gates). Fares at Newark are quite high and the airport is keen to attract more competition.

Newark will be Virgin America's biggest-ever city launch: three daily flights from both SFO and LAX – all from day one. The flights will match the carrier's JFK services. This is an extremely important development because, in addition to being better able to tap into the huge New York local/business market, Virgin America will be able to connect with more of Virgin Atlantic's transatlantic services.

CEO Cush noted that, including Newark, Virgin America will be present in eight of the top 10 business markets from both SFO and LAX. The two major omissions are Atlanta and Houston.

Adding more north-south leisure-oriented routes might not be a bad idea either, because those markets peak in the winter when Virgin America's transcon routes often underperform. Other upmarket LCCs have found Caribbean and Mexican expansion to be highly profitable. Many of the markets have significant VFR traffic, which makes them more recession-resistant.

Superior product, aggressive tactics

Two things really differentiate Virgin America from other US LCCs. First, the Virgin brand has been a huge hit in the marketplace. Second, Virgin America uses aggressive competitive tactics by US airline standards.

Calling itself "the airline that is reinventing domestic travel", Virgin America offers an upmarket product that features "mood-lit" cabins, superior in-flight entertainment systems and other amenities. It continues to win rave reviews from customers and sweep the "best airline" type awards.

Like JetBlue, Virgin America is popular enough to get away with not always having the lowest fares in the market. However, it is often the low-fare leader on transcon routes.

Virgin America has developed an attractive niche as SFO's hometown or business airline. The product has been keenly embraced by the typical younger Silicon Valley business travellers, as well as small and medium-sized businesses in the Bay Area generally.

Among LCCs, Virgin America has been closest to industry average RASM because of its full GDS participation right from the start, three-class service, upmarket product, extensive use of alliances and legacy-style revenue management.

One of Virgin America's main challenges in attracting business travellers is its inferior FFP (compared to legacy carriers' programmes). It has tried to tackle that problem head-on this year. First, in August it launched an upgraded FFP that, like typical legacy FFPs, includes elite tiers allowing members to enjoy priority check-in, boarding, upgrades and other perks. Second, in mid-November Virgin America began aggressively wooing American's and United's FFP members by offering them an elite status match programme.

In another move to enhance offerings to business travellers, this month Virgin America opened its first airport lounge, "Virgin America Loft", at LAX. FFP members will receive a select number of complimentary day passes to the lounge each year, and the passes can also be purchased for $40.

Virgin America's strategy of venturing into numerous legacy hubs and routes where the large carriers are entrenched contrasts with the more cautious approach adopted by other US LCCs. JetBlue, for example, is going after business traffic only in Boston; in New York, where the legacies are battling for premium market share, JetBlue remains firmly focused on leisure traffic.

Virgin America's tactics have been particularly aggressive in DFW, where it has found it tough to compete on AMR's home turf. The past year has seen intense fare wars and provocative marketing campaigns, such as one where DFW flyers were encouraged to "dump their old airline" and "make the switch to a younger, hotter ticket".

One positive development is that Virgin America is trying to strengthen its revenue management by bringing in an experienced (ex-Jetstar, ex-Delta) industry veteran to oversee that department from January.

Profits on the horizon?

Virgin America's management has said that the two-year growth spurt was necessary to "establish a core network and to achieve economies of scale". Now that growth has slowed, the airline can focus on "maximising the value of our network, instead of managing additional capacity". In a Wall Street Journal interview, Cush said that the airline expected to open just 2-4 new cities over the next several years.

As of mid-November, Virgin America was expecting an operating profit in the fourth quarter. Of course, with operating and net losses totalling $36.8m and $120.4m in the nine months ended September 30, it would be too late to rescue the 2012 results.

But Virgin America is targeting profits in 2013. It would seem to have a reasonable shot at achieving that, as long as the economic and demand environment does not deteriorate significantly. With only modest new expansion, the percentage of mature markets will rise. With the elimination of past years' heavy spending to facilitate growth, ex-fuel unit costs should fall at last. Also, the post-2009 operating losses have been relatively modest (1.7-3.7% of revenues).

While Virgin America has been quite successful on the revenue side, its cost performance has been dismal. Shockingly, its ex-fuel CASM has not improved at all in the past four years, remaining at the 6.5-cent level, despite significant fleet and ASM growth.

This year's financial results deteriorated in part because of a difficult transition to the Sabre reservations platform in 1Q12. Similar to the experience of other US airlines, the move caused website issues and revenue management challenges. But Virgin America is likely to start reaping the full benefits of Sabre in the next year or two. The move ensured that it will have a stable and resilient platform for long-term growth.

The Sabre platform is important because it will facilitate more interline partnerships, full codesharing and other types of deeper cooperation with other airlines. Because even though it is now likely to turn profitable, Virgin America is not well-positioned in the US market with a mere 20-city network and a 50-something fleet. To be truly attractive to the business traveller, it needs to build a bigger network, covering all the key business destinations, and a competitive schedule throughout the day. It probably also needs to be bigger to achieve decent economies of scale.

Alliances will help fill some of those gaps. One immediate benefit of Sabre has been the tightening of links between the Virgin Group carriers. In the spring of 2012 Virgin America, Virgin Atlantic and Virgin Australia linked their FFPs, allowing each airline's loyalty programme members to earn and redeem points across the combined network. In May they launched a joint "Virgin Skies" advertising campaign. In July Virgin America began limited codesharing with Virgin Australia via LAX.

In recent months Virgin America has signed similar deals with Hawaiian and SIA. Hawaiian has also become the airline's first non-Virgin family FFP partner; the ability to offer travel rewards to Hawaii makes Virgin America's FFP significantly more attractive. The SIA codeshares, which begin this month, entail SIA placing its code on select VA flights.

Delta's acquisition of SIA's 49% stake in Virgin Atlantic and the subsequent plans announced by Delta and Virgin Atlantic for an immunised New York-London JV are probably good news for Virgin America. The stronger transatlantic operation would lead to increased feed to Virgin America's transcon services, even if most of the traffic will connect to Delta's US network. The Virgin brand is apparently not threatened. There may even be opportunities for Delta and Virgin America to cooperate.

Like JetBlue, WestJet and Gol, Virgin America probably has the most to gain from the "open architecture" strategy that allows it to freely partner with multiple airlines. It has so far secured 19 interline partners.

The Airbus order deferrals removed pressure to complete an IPO in 2013, but given that it is already in its sixth year, having achieved "major carrier" status with over $1bn revenues in 2011, and with a fleet plan to fund from 2015, Virgin America will be looking to go public at the earliest opportunity. If it becomes profitable in 2013, it could potentially enter the public markets in 2014.

By Heini Nuutinen
hnuutinen@nyct.net

Freighter values and lease rates

The following tables reflect the current values (not "fair market") and lease rates for freight aircraft. Figures are provided by The Aircraft Value Analysis Company (see below for contact details) and are not based exclusively on recent market transactions but more reflect AVAC's opinion of the worth of the aircraft. These figures are not solely based on market averages. In assessing current values, AVAC bases its calculations on many factors such as number of type in service, number on order and backlog, projected life span, build standard, specification etc. Lease rates are calculated independently of values and are all market based.

FREIGHTER VALUES (US$m)

	New	5 years old	10 years old	20 years old
A300-F4-600R			32.2	
A330-200F	97.9			
737-300QC				6.4
747-400M			44.6	24.0
747-400F (CF6)		81.8	66.7	
747-400ERF		83.3	69.1	
757-200PF				13.8
767-300F	55.0	45.3	35.6	
777-200LRF	159.4			
MD-11C				15.5
MD-11F				20.2 (1993 build)

FREIGHTER LEASE RATES (US$000s per month)

	New	5 years old	10 years old	20 years old
A300-F4-600R			269	
A330-200F	777			
737-300QC				112
747-400M			417	305
747-400F (CF6)		812	681	
747-400ERF		821	703	
757-200PF				159
767-300F	398	368	322	
777-200LRF	1,334			
MD-11C				198
MD-11F				252 (1993 build)

Source: *AVAC*
Note: As assessed at end-October 2012; mid-range values for all types

AIRCRAFT AND ASSET VALUATIONS
Contact Paul Leighton at AVAC
(Aircraft Value Analysis Company)

• Website: www.aircraftvalues.net
• Email: pleighton@aircraftvalues.net
• Tel: +44 (0) 20 7477 6563
• Fax:+44 (0) 20 7477 6564

		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/	**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**
KLM Group	Apr-Jun 10	7,301	7,469	-168	939	-2.3%	12.9%	60,345	49,283	81.7%	17,623	102,918
YE 31/03	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
	Year 2010/11	**31,219**	**19,236**	**1,171**	**810**	**3.8%**	**2.6%**	**250,836**	**204,737**	**81.6%**	**71,320**	**102,012**
	Apr-Jun 11	8,947	9,153	-206	-283	-2.3%	-3.2%	66,531	53,931	81.1%	19,653	
Note: FY 31/12	Apr -Sep 11	18,600	18,240	360	-257	1.9%	-1.4%	137,282	114,846	83.7%	40,605	102,516
Proforma	**Year 2011**	**34,109**	**34,602**	**-493**	**-1,131**	**-1.4%**	**-3.3%**	**264,895**	**217,169**	**81.8%**		**102,012**
	Jan - Mar 12	7,400	8,058	-658	-482	-8.9%	-6.5%	63,391	51,733	81.6%	17,463	101,222
	Apr - Jun 12	8,351	8,920	-569	-1,150	-6.8%	-13.8%	67,456	55,820	82.8%	19,980	
	Jul - Sep 12	8,989	8,356	633	383	7.0%	4.3%	72,246	62,098	86.0%	21,279	
IAG Group	Oct-Dec 10	5,124	5,116	8	121	0.2%	2.4%	50,417	39,305	78.0%		56,243
YE 31/12	Jan-Mar 11	4,969	5,109	-139	45	-2.8%	0.9%	51,118	37,768	73.9%	11,527	56,159
	Apr-Jun 11	5,951	5,678	273	135	4.6%	2.3%	53,425	42,635	79.8%	13,288	56,649
	Jul - Sep 11	6,356	5,842	514	401	8.1%	6.3%	55,661	47,022	84.5%	14,553	57,575
	Year 2011	**22,781**	**22,105**	**676**	**735**	**3.0%**	**3.2%**	**213,193**	**168,617**	**79.1%**	**51,687**	**56,791**
	Jan - Mar 12	5,136	5,463	-326	-240	-6.4%	-4.7%	51,425	39,140	76.1%	11,384	56,532
	Apr - Jun 12	5,926	5,931	-5	-72	-0.1%	-1.2%	55,851	45,421	81.3%	14,347	60,418
	Jul - Sep 12	6,326	5,988	338	304	5.3%	4.8%	58,260	49,343	84.7%	15,760	61,340
Lufthansa	**Year 2009**	**31,077**	**30,699**	**378**	**-139**	**1.2%**	**-0.4%**	**206,269**	**160,647**	**77.9%**	**76,543**	**112,320**
YE 31/12	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**
	Jan-Mar 11	8,792	9,031	-239	-692	-2.7%	-7.9%	60,326	43,726	72.5%	22,078	117,000
	Apr-Jun 11	10,967	10,636	331	433	3.0%	3.9%	68,763	53,603	78.0%	28,147	118,766
	Jul- Sep 11	11,430	10,616	814	699	7.1%	6.1%	73,674	60,216	81.7%	30,408	120,110
	Year 2011	**40,064**	**38,920**	**1,143**	**-18**	**2.9%**	**0.0%**	**268,939**	**207,536**	**77.2%**	**106,335**	**120,055**
	Jan - Mar 12	8,675	9,174	-499	-520	-5.8%	-6.0%	59,648	44,242	74.2%	21,867	120,898
	Apr - Jun 12	10,136	9,673	464	294	4.6%	2.9%	69,228	53,384	77.1%	27,483	117,416
	Jul - Sep 12	10,400	9,538	862	803	8.3%	7.7%	71,197	59,410	83.4%	29,433	114,022
SAS	**Year 2010**	**5,660**	**5,930**	**-270**	**-308**	**-4.8%**	**-5.4%**	**34,660**	**25,711**	**74.2%**	**25,228**	**15,559**
YE 31/12	Jan-Mar 11	1,336	1,395	-59	-54	-4.4%	-4.0%	8,528	5,655	66.3%	6,093	14,972
	Apr-Jun 11	1,793	1,648	145	88	8.1%	4.9%	9,848	7,494	76.1%	7,397	15,264
	Jul-Sep 11	1,642	1,565	77	33	4.7%	2.0%	9,609	7,579	78.9%	6,928	15,375
	Oct-Dec 11	1,507	1,559	-51	-308	-3.4%	-20.5%	9,019	6,446	71.5%	6,788	14,958
	Year 2011	**6,386**	**6,286**	**100**	**-260**	**1.6%**	**-4.1%**	**37,003**	**27,174**	**73.4%**	**27,206**	**15,142**
	Jan - Mar 12	1,419	1,548	-128	-108	-9.0%	-7.6%	8,701	5,943	68.3%	6,416	14,836
	Apr - Jun 12	1,642	1,551	91	46	5.5%	2.8%	10,300	7,936	77.0%	7,625	14,985
	Jul - Sep 12	1,644	1,517	128	64	7.8%	3.9%	10,154	8,158	80.3%	7,243	14,969
Ryanair	**Year 2009/10**	**4,244**	**3,656**	**568**	**431**	**13.5%**	**10.2%**			**82.0%**	**66,500**	
YE 31/03	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
	Year 2010/11	**4,797**	**4,114**	**682**	**530**	**14.2%**	**11.0%**			**83.0%**	**72,100**	
	Apr-Jun 11	1,661	1,418	245	201	14.7%	12.1%			83.0%	21,300	
	Jul-Sep 11	2,204	1,523	681	572	30.9%	25.9%			87.0%	23,000	
	Oct - Dec 11	1,139	1,099	39	20	3.4%	1.8%			81.0%		
	Year 2011/12	**6,053**	**5,112**	**942**	**772**	**15.6%**	**12.8%**			**82.0%**	**75,800**	
	Apr - Jun 12	1,648	1,480	170	127	10.3%	7.7%			82.0%	22,500	
	Jul - Sep 12	2,280	1,554	727	622	31.9%	23.7%			87.0%	25,460	
easyJet	**Year 2007/08**	**4,662**	**4,483**	**180**	**164**	**3.9%**	**3.5%**	**55,687**	**47,690**	**85.6%**	**43,700**	**6,107**
YE 30/09	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	
	Year 2010/11	**5,548**	**5,115**	**432**	**362**	**7.8%**	**6.5%**	**69,318**	**61,347**	**88.5%**	**54,500**	
	Oct 11 - Mar 12	2,302	2,458	-156	-141	-6.8%	-6.1%	30,785	27,329	88.8%	25,200	
	Year 2011/12	**6,076**	**5,554**	**522**	**402**	**8.6%**	**6.6%**	**72,182**	**65,227**	**88.7%**	**58,400**	

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	**Year 2010**	**3,832**	**3,361**	**472**	**251**	**12.3%**	**6.6%**	**44,636**	**36,758**	**82.4%**	**23,334**	**11,696**
	Jan - Mar 11	965	831	134	74	13.9%	7.7%	11,445	9,419	82.3%	5,752	11,884
	Apr - Jun 11	1,110	1,052	58	29	5.2%	2.6%	12,020	10,127	84.3%	6,246	11,907
	Jul - Sep 11	1,198	1,055	143	77	11.9%	6.4%	12,469	10,787	86.5%	6,709	11,859
	Oct - Dec 11	1,044	930	114	64	10.9%	6.1%	11,745	9,950	84.7%	6,083	11,807
	Year 2011	**4,318**	**3,869**	**449**	**245**	**10.4%**	**5.7%**	**47,679**	**40,284**	**84.5%**	**24,790**	**11,840**
	Jan - Mar 12	1,039	967	72	41	6.9%	3.9%	11,819	10,029	84.9%	5,995	11,832
	Apr- Jun 12	1,213	1,087	116	68	9.6%	5.6%	12,776	11,054	86.5%	6,565	11,965
	Jul - Sep 12	1,272	1,003	269	163	21.1%	12.8%	13,315	11,654	87.5%	6,950	12,035
American	**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
	Apr-Jun 11	6,114	6,192	-78	-286	-1.3%	-4.7%	63,130	52,766	83.6%	22,188	80,500
	Jul- Sep 11	6,376	6,337	39	-162	0.6%	-2.5%	64,269	54,552	84.9%	22,674	80,600
Chapt. 11 from Nov 29	**Year 2011**	**23,957**	**25,127**	**-1,170**	**-1,965**	**-4.9%**	**-8.2%**	**248,349**	**203,562**	**83.9%**		
	Jan - Mar 12	6,037	6,126	-89	-1,660	-1.5%	-27.5%	61,021	50,722	83.1%		
	Apr - Jun 12	6,452	6,310	142	-241	2.2%	-3.7%	61,618	52,441	85.1%		78,100
	Jul - Sep 12	6,429	6,378	51	-238	0.8%	-3.7%	62,690	53,593	85.5%		77,900
Delta	**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
	Apr-Jun 11	9,153	8,672	481	198	5.3%	2.2%	96,785	81,054	83.7%	42,918	82,347
	Jul - Sep 11	9,816	8,956	860	549	8.8%	5.6%	101,807	87,702	86.1%	44,713	79,709
	Year 2011	**35,115**	**33,140**	**1,975**	**854**	**5.6%**	**2.4%**	**377,642**	**310,228**	**82.1%**	**163,838**	**78,392**
	Jan - Mar 12	8,413	8,031	382	124	4.5%	1.5%	87,559	69,765	79.7%	37,557	78,761
	Apr - Jun 12	9,732	9,598	134	-164	1.4%	-1.7%	95,563	80,497	84.2%		80,646
	Jul - Sep 12	9,923	8,615	1,308	1,047	13.2%	10.6%	100,232	86,625	86.4%		76,626
Southwest	**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
	Apr- Jun 11	4,136	3,929	207	161	5.0%	3.9%	50,624	41,654	82.3%	27,114	43,805
	Jul - Sep 11	4,311	4,086	225	-140	5.2%	-3.2%	53,619	43,969	82.0%	28,208	45,112
	Oct - Dec 11	4,108	3,961	147	152	3.6%	3.7%	50,368	40,524	80.5%	27,536	45,392
	Year 2011	**15,658**	**14,965**	**693**	**178**	**4.4%**	**1.1%**	**194,048**	**157,040**	**80.9%**	**103,974**	**45,392**
	Jan - Mar 12	3,991	3,969	22	98	0.6%	2.5%	49,298	38,116	77.3%	25,561	46,227
	Apr - Jun 12	4,616	4,156	460	228	10.0%	4.9%	53,623	43,783	81.6%	28,859	46,128
	Jul - Sep 12	4,309	4,258	51	16	1.2%	0.4%	53,237	43,713	82.1%	28,319	46,048
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
	Apr-Jun 11	9,809	9,001	808	538	8.2%	5.5%	104,614	87,296	83.4%	37,000	81,100
	Jul - Sep 11	10,171	9,236	935	653	9.2%	6.4%	107,236	91,494	85.3%	38,019	80,500
	Oct - Dec 11	8,928	8,883	45	-138	0.5%	-1.5%	97,707	79,610	81.5%	34,191	82,700
	Year 2011	**37,110**	**35,288**	**1,822**	**840**	**4.9%**	**2.3%**	**406,393**	**333,977**	**82.2%**	**141,799**	**81,600**
	Jan - Mar 12	8,602	8,873	-271	-448	-3.2%	-5.2%	97,112	75,809	78.1%	32,527	83,700
	Apr - Jun 12	9,939	9,364	575	339	5.8%	3.4%	103,986	87,692	84.3%	37,071	84,500
	Jul - Sep 12	9,909	9,709	200	6	2.0%	0.1%	105,786	90,155	85.2%	37,588	85,400
US Airways Group	**Year 2010**	**11,908**	**11,127**	**781**	**502**	**6.6%**	**4.2%**	**138,107**	**111,996**	**81.1%**	**79,560**	**30,871**
	Jan - Mar 11	2,961	3,000	-39	-114	-1.3%	-3.9%	33,034	25,762	78.0%	18,851	30,621
	Apr-Jun 11	3,503	3,326	177	92	5.1%	2.6%	36,698	30,754	83.8%	21,209	31,321
	Jul - Sep 11	3,436	3,256	180	76	5.2%	2.2%	36,357	30,911	85.0%	20,655	31,327
	Oct - Dec 11	3,155	3,047	108	18	3.4%	0.6%	33,393	27,352	81.9%	19,857	31,548
	Year 2011	**13,055**	**12,629**	**426**	**71**	**3.3%**	**0.5%**	**139,483**	**114,777**	**82.3%**	**80,572**	**31,548**
	Jan - Mar 12	3,266	3,207	59	48	1.8%	1.5%	34,032	26,970	79.2%	19,822	31,186
	Apr - Jun 12	3,754	3,350	404	306	10.8%	8.2%	37,072	30,908	83.4%	21,206	31,467
	Jul - Sep 12	3,533	3,265	268	245	7.6%	6.9%	37,342	31,719	84.9%	21,065	30,845
JetBlue	**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
	Apr - Jun 11	1,151	1,065	86	25	7.5%	2.2%	15,193	12,379	81.5%	6,622	11,609
	Jul - Sep 11	1,195	1,087	108	35	9.0%	2.9%	15,856	13,409	84.6%	7,016	11,443
	Oct - Dec 11	1,146	1,063	83	23	7.2%	2.0%	15,168	12,472	82.2%	6,693	11,733
	Year 2011	**4,504**	**4,182**	**322**	**86**	**7.1%**	**1.9%**	**59,917**	**49,402**	**82.5%**	**26,370**	**11,733**
	Jan - Mar 12	1,203	1,114	89	30	7.4%	2.5%	15,346	12,726	82.9%	6,853	11,965
	Apr - Jun 12	1,277	1,147	130	52	10.2%	4.1%	16,030	13,674	85.3%	7,338	12,308
	Jul - Sep 12	1,308	1,195	113	45	8.6%	3.4%	17,226	14,604	84.8%	7,747	11,797

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 2007/08	13,063	12,322	740	563	5.7%	4.3%	90,936	61,219	67.3%	50,384	
YE 31/03	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
	Year 2011/12	16,008	14,887	1,121	347	7.0%	2.2%	91,162	59,940	65.8%	44,903	
Cathay Pacific	Year 2008	11,119	12,138	-1,018	-1,070	-9.2%	-9.6%	115,478	90,975	78.8%	24,959	18,718
YE 31/12	Year 2009	8,640	7,901	740	627	8.6%	7.3%	111,167	96,382	86.7%	24,558	18,511
	Year 2010	11,522	10,099	1,813	1,790	15.7%	15.5%	115,748	96,548	84.0%	26,796	21,592
	Year 2011	12,635	11,929	706	706	5.6%	5.6%	126,340	101,535	79.3%	27,581	
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	
	Year 2010/11	16,018	13,802	2,216		13.8%		86,690	59,740	68.9%	34,795	
	Year 2011/12	14,166	12,117	2,049	2,194	14.5%	15.5%	71,202	48,217	67.7%	25,441	32,000
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	
	Year 2011	11,094	10,678	416	-89	3.7%	-0.8%	84,285	64,483	76.9%	22,934	
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	
	Year 2011	4,549	5,300	-751	-825	-16.5%	-18.1%	52,998	39,731	75.0%	13,301	
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	Year 2008/09	10,855	10,733	152	92	1.4%	0.8%	124,595	99,176	79.6%	38,348	33,966
	Year 2009/10	12,150	11,926	223	102	1.8%	0.8%	124,717	100,727	80.8%	41,428	32,490
	Year 2010/11	14,842	14,200	642	249	4.3%	1.7%	133,281	106,759	80.1%	44,456	32,629
	Year 2011/12	16,232	16,410	-179	-252	-1.1%	-1.6%	139,423	111,692	80.1%	46,707	33,584
Singapore	Year 2006/07	9,555	8,688	866	1,403	9.1%	14.7%	112,544	89,149	79.2%	18,346	13,847
YE 31/03	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	
	Year 2010/11	10,911	9,956	955	863	8.8%	7.9%	108,060	81,801	75.7%	16,647	
	Year 2011/12	9,664	9,519	145	270	1.5%	2.8%	113,410	87,824	77.4%	17,155	13,893
Air China	Year 2007	6,770	6,264	506	558	7.5%	8.2%	85,257	66,986	78.6%	34,830	19,334
YE 31/12	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	
	Year 2011	15,260	14,289	971	1,095	6.4%	7.2%	113,987	93,185	81.8%	48,671	
China Southern	Year 2007	7,188	6,974	214	272	3.0%	3.8%	109,733	81,172	74.0%	56,910	45,474
YE 31/12	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	
	Year 2011	14,017	13,342	675	944	4.8%	6.7%	151,074	122,342	81.0%	80,674	
China Eastern	Year 2007	5,608	5,603	5	32	0.1%	0.6%	77,713	57,180	73.6%	39,160	40,477
YE 31/12	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	
	Year 2011	12,943	12,296	647	689	5.0%	5.3%	127,700	100,744	78.9%	68,681	57,096
Air Asia (Malaysia)	Year 2008	796	592	203	-142	25.5%	-17.9%	14,353	10,515	73.3%	9,183	4,593
YE 31/12	Year 2009	905	539	366	156	40.4%	17.3%	21,977	15,432	70.2%	14,253	
	Year 2010	1,245	887	358	333	28.8%	26.7%	24,362	18,499	75.9%	16,050	
	Year 2011	1,464	1,072	392	185	26.8%	12.6%	26,074	21,307	81.7%	17,986	

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

	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 %
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
2011	349.6	248.8	71.2	248.5	205.4	82.7	204.9	163.3	79.7	670.3	544.9	81.3	1,006.8	785.0	78.0
Oct '12	31.3	23.2	74.1	21.6	18.5	85.9	18.4	14.9	81.1	58.6	48.6	82.8	88.7	71.0	80.1
Ann. change	0.9%	2.4%	1.1	-0.9%	-0.6%	0.2	1.3%	1.3%	0.0	0.1%	0.5%	0.4	0.5%	1.5%	0.8
Jan - Oct '12	298.4	219.4	73.5	213.1	181.5	85.2	177.2	144.9	81.7	577.6	480.8	83.2	865.7	694.2	80.2
Ann. change	1.3%	3.7%	1.7	1.2%	3.8%	2.2	3.7%	5.6%	1.5	3.1%	5.0%	1.5	2.7%	4.9%	1.7

JET ORDERS

	Date	Buyer	Order	Delivery/other information
Boeing	19 Dec	Fedex Express	4 x 767F	
	10 Dec	Turkish Airlines	15 x 777-300ER	plus 5 options
Airbus	18 Dec	Pegasus Airlines	57 x A320neo, 18 x A321neo	
	13 Dec	AirAsia	64 x A320neo, 36 x A320ceo	

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

Aviation Strategy Online

Aviation Strategy is distributed electronically –
via email and by downloading from our website: www.aviationeconomics.com
Please email your e-delivery details to Julian Longin: jil@aviationeconomics.com

Aviation Economics

The Principals and Associates of *Aviation Economics* apply a problem-solving, creative and pragmatic approach to commercial aviation projects.

Our expertise is in strategic and financial consulting in Europe, the Americas, Asia, Africa and the Middle East, covering:

- Start-up business plans
- Due diligence
- Antitrust investigations
- Credit analysis
- IPO prospectuses
- Turnaround strategies
- Privatisation projects
- Merger/takeover proposals
- Corporate strategy reviews
- Antitrust investigations
- State aid applications
- Asset valuations
- Competitor analyses
- Market analyses
- Traffic/revenue forecasts

For further information please contact:

Tim Coombs or Keith McMullan
Aviation Economics
James House, 1st Floor, 22/24 Corsham Street, London N1 6DR
Tel: + 44 (0)20 7490 5215 Fax: +44 (0)20 7490 5218. e-mail: kgm@aviationeconomics.com

SUBSCRIPTION FORM

Enter my Aviation Strategy subscription for:

☐ **1 year (10 issues - January/February and July/August are combined)**
- **UK: £450 + VAT @20% (Fully reclaimable if VAT-registered)**
- **EU: €550 (Tax-free, intra-Community supply, but VAT Registration No. needed)**
- **US and RoW: US$750 (Tax free)**

starting with the ________ **issue**

Delivery address

Name ________

Position ________

Company ________

e-mail ________

VAT No. ________

DATA PROTECTION ACT
The information you provide will be held on our database and may be used to keep you informed of our products and services or for selected third party mailings

☐ **I enclose a Sterling, Euro or US Dollar cheque, made payable to: Aviation Economics**

☐ **Please invoice me**

☐ **Please charge my AMEX/Mastercard/Visa credit card the relevant sum as per VAT rules**

Card number ________
Name on card ________ Expiry date ________

☐ **I am sending a direct bank transfer of the relevant sum, net of all charges to Aviation Economics' account:** HSBC Bank,
IBAN: GB33MIDL40043791256904
Sort code: 40 04 37 Account no: 91256904

Invoice address (if different from delivery address)

Name ________
Position ________
Company ________
Address ________

Country ________ Postcode ________

PLEASE RETURN THIS FORM TO:
Aviation Economics Ltd.
James House, 22/24 Corsham Street
London N1 6DR
Fax: +44 (0)20 7490 5218
VAT Registration No. 701 7809 47