Issue No: 186

Aviation Strategy

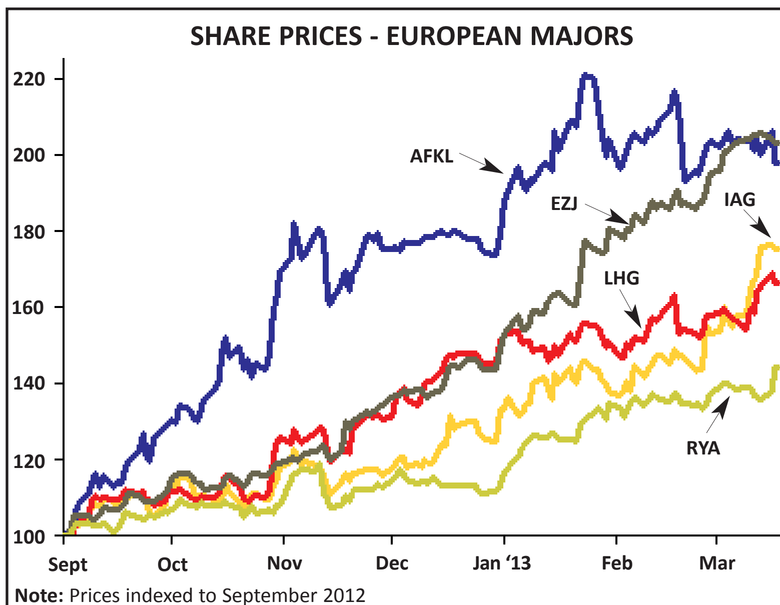
Mar/Apr 2013

Consolidation, rationalisation and profits

Since last September the stock markets appear to have re-rated the major carriers in Europe and the US. The shares of Delta, Air France and easyJet have all doubled in the past six months, while United Continental, IAG and Lufthansa have seen their shares rise by over 60%. In part this may be due to an increasing optimism in the markets for a long-awaited return to growth in the subdued western economies and a natural shift towards cyclical stocks in this stage of the market cycle. In part also it may reflect an increasing belief that the industry consolidation in the two largest aviation markets - and on the North Atlantic as the route connecting them - is about to allow real returns in a new oligarchic marketplace.

The three major European network carriers produced their annual results in the past six weeks - and each emphasised a return to rational behaviour in some of their major markets. In particular the North Atlantic generated strong increases in unit revenues against a drop in overall capacity. By the time Virgin joins in its JV alliance with Delta this year, the North Atlantic market will be effectively controlled by four (possibly three) joint venture groups: IAG, American; Air France-KLM, Delta, Alitalia; Delta, Virgin; Lufthansa, United Continental, Swiss, Austrian.

Lufthansa, meanwhile, highlighted that the fierce competition within Europe also appears to be abating. Market conditions it suggests are determined by the three major network carriers and the



Note: Prices indexed to September 2012

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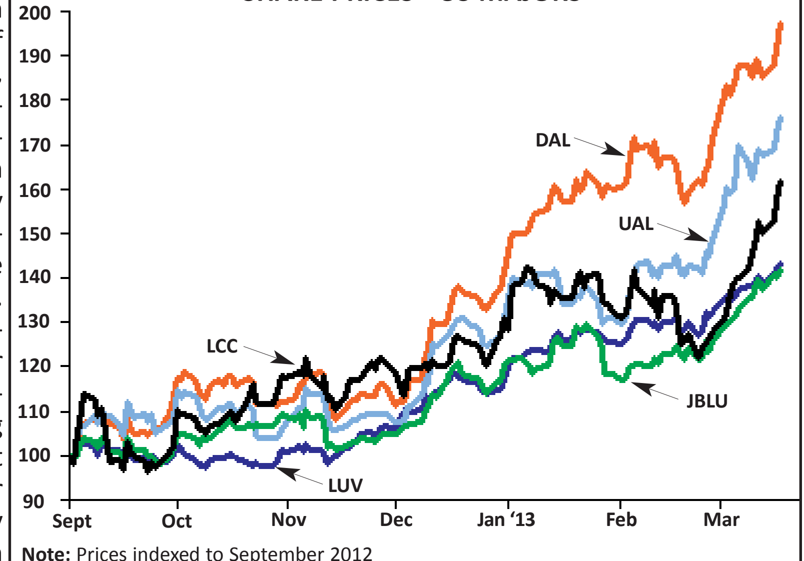
two main low cost players (easyJet and Ryanair). With the slowdown in the rate of expansion at both LCCs, cuts in capacity by the network carriers (and the failure of others), European capacity may possibly only grow by around 1% in summer 2013 - the lowest rate of growth since 2001. (Lufthansa's statement preceded the Ryanair announcement of its 175-unit order for 737s allowing it to continue growing at around 5% a year). Over the past five years it is only Lufthansa that has grown in seat capacity terms (by an average of 2.5% a year, albeit that this reflects acquisitions of SWISS and Austrian and acquisition and disposal of bmi), while IAG (and its precursors BA and Iberia) and Air France-KLM have flat-lined.



Although this may give a level of optimism in the short run, none of the three major European network carriers produced a stellar return in 2012; nor indeed a major improvement on 2011, despite the Euro weakness, all their restructuring, cost cutting (and in the case of IAG, synergy generating) programmes. However, although total fuel costs increased by a further 17% in Euro terms, both Air France-KLM and Lufthansa managed to achieve a small improvement in EBITDAR margins - although IAG troubled by the performance in the Spanish economy and the negative impact of the London Olympics saw its margins dip below the prior year and below its competitors for the first time since 2009.

IAG - Iberian woes

In 2012 IAG saw revenues grow by 11% with a year-on-year increase in seat capacity of 2.8% and a 9% improvement in unit revenues. At the underlying operating level (before exceptional items) the group returned a modest €23m loss down from the prior year's €485m operating profit. This admittedly included a trading loss of some €98m in the bmi operations which Lufthansa had in effect paid IAG to take over early last year. Total fuel costs were up by 20% year-on-year (3% of which due to bmi) and now account for 34% of revenues. On a constant currency basis unit revenues were up by 3.9%, roughly the same as non-fuel unit costs, but not sufficient to cover the 5.2% increase in fuel unit costs.

There was a significant difference in the operating performance of the two airlines. At British Airways revenues were up by 8% in sterling terms on capacity higher by 5% (mostly bmi) with unit revenues growing by 2.9%. Operating profits almost halved to £274m (again including the €98m trading losses at bmi) with a major portion of the shortfall from the prior year relating to the impact of the London Summer Olympics (during which time there was significant weakness in premium and non-premium unit revenues). At Iberia in contrast capacity fell by 3.4% while unit revenues grew by 2.8% and total revenues fell by 0.6% year on year. The operating losses widened to €351m (7.5% of revenues) down by €253m on the year before.

The group highlighted the regional performance only for the fourth quarter of the year. It stated that on its North Atlantic operations there was a 2% cut in capacity and a near 10% increase in unit revenues (in constant currency terms); on the Latin

Aviation Strategy
is published 10 times a year by
Aviation Economics

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ISSN 2041-4021 (Online)

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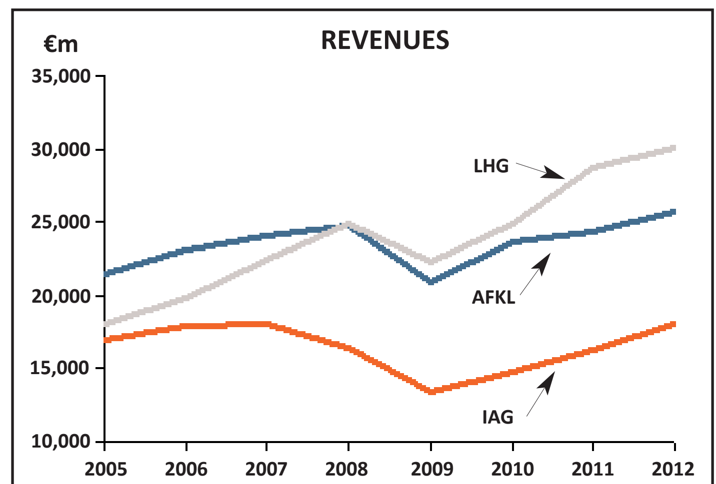
American routes capacity fell by 3.5% and unit revenues grew by 3.6% and in Europe capacity and unit revenues grew by 5%. The worst performing segments were the domestic operations (primarily Iberia's Spanish routes) where capacity was up by 13% but unit revenues down by 2% and routes to the Far East where capacity was flat but unit revenues also fell by 3%.

Net non-operating costs swung from a €13m credit in 2011 to a €457m charge primarily due to a reversal in non-cash net charges relating to pensions (although sweetened by €73m bad will on the purchase of bmi) and underlying pre-tax losses swung in at €480m reversing the previous year's €485m pre-tax profits. On top of this the group applied €590m exceptional charges: €87m for bmi restructuring, a provision of €202m for the restructuring of Iberia and €343m write-down of goodwill carried on Iberia. Net losses for the group touched €923m - a €1.5bn reversal from 2011's net profits.

On outlook the group is concentrating on the restructuring plan at Iberia (and at least now with an agreement with the unions through mediation this may go ahead albeit with slightly lower cuts in headcount and wages than originally envisaged, see *Aviation Strategy* December 2012). For the group as a whole it is looking to reduce capacity by 2% in 2013 (with 3.5-4% cuts in main summer season capacity) but would only so far as to say that it expected a better pre-exceptional operating profit in 2013 than it achieved in 2012.

AF-KL - Short haul dilemma

Last year Air France KLM achieved a 5% increase in revenues. In the passenger business the group also reined back capacity from its original plans for a growth of 2% and total ASKs grew by only 0.6%, unit revenues on a constant currency basis increased by just over 3%. The growth in unit revenues was skewed specifically to long haul operations where the increase was nearer 5% while short and medium haul operations declined by 1.3%. Cargo results mirrored the weak air freight markets with fall in capacity of 3.5% (and 8%

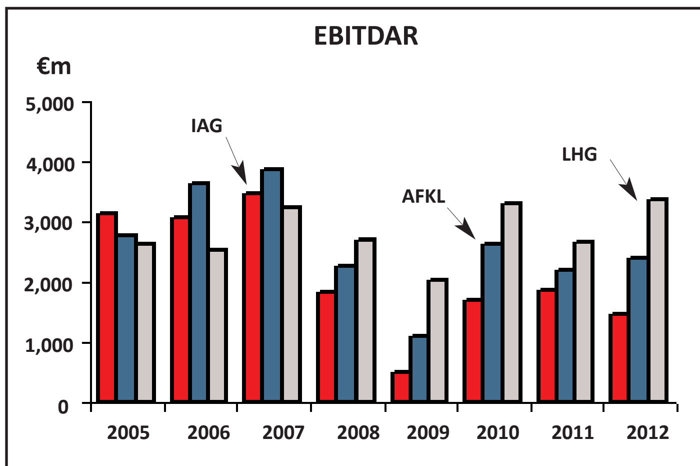


decline in full freighter capacity in the second half of the year) and a near 4% drop in unit revenues.

Fuel costs increased by 14% to €7.3bn, equivalent to 29% of group revenues but other costs increased by nearly 2% (or 0.5% in constant currency terms). Underlying operating losses improved from €353m in 2011 to €300m in 2012. On top of this the group threw into the results pot exceptional charges for restructuring and write-down of goodwill of €677m offset by a €97m gain from sale of shares in Amadeus. Group net income came in at a loss of €1.2bn compared with a loss of €809m in the prior year period. In each of the past five years Air France-KLM has lost serious amounts at the net level and has managed to rack up total net losses in the period of €4.2bn.

On a regional basis the North American routes also look to have performed well - Air France-KLM's capacity on the route fell by 6% while unit revenues jumped by 12% in constant currency terms. Strength also was seen in the group's natural markets - into francophone Africa and DomTom routes to the Caribbean and Indian Ocean - but domestic French routes, short haul European and long haul routes into the Far East continued to exhibit weakness.

The group is concentrating on its deep restructuring/cost saving plan (Transform 2015) designed in part to stem the significant short haul losses, bring its debt mountain down by €2bn over the next two years and (like the other major network carrier groups) to return to a “sustainable” level of



profits by 2015. In 2011 it had announced that its medium haul operations were losing €700m a year. It appears that in 2012 these losses increased by an additional €100m.

The management stated that the medium-haul losses at the main hubs had been "stable" but that the planned launch of regional bases (with the idea of tackling non-hub intra-European point-to-point flying in competition with the LCCs) had been "challenging". This is starting to suggest that the group is finally accepting that it was a stupid idea; and the management stated that they have reduced the schedules from these bases in 2013 and aim to re-evaluate the project at the end of the Summer season. Capacity on medium haul non-hub point-to-point services is set to fall by 6% in 2013, while capacity on medium haul feeder routes to the hubs is almost being maintained at 2012 levels. At the same time the group is consolidating its regional domestic operations (Britair, Regional and Airlinair) under a single umbrella brand (and trying to sell CityJet) while pushing more direct services into Transavia.

Meanwhile the new collective agreements come into force this April providing for improved employee productivity and flexibility. Along with hiring and wage freezes and voluntary redundancies at Air France, the group aims to reduce its staff costs by 5% by 2014 (which probably is not far enough). At the same time the group is introducing a new organisational management structure with group-wide common functions as an umbrella to the operating subsidiaries of Air France and KLM (similar to the structure that Lufthansa started putting in place from the time it acquired SWISS). This is being done to "capture all available synergies".

On the outlook for 2013 the management appeared more sanguine than its two big European competitors and would only say that it would benefit from the full roll out of the Transform 2015 programme, that there continued to be a weak operating environment and that the objective for the current year was to achieve further reductions in unit costs and net debt.

Lufthansa

In 2012, Lufthansa's total group revenues rose by 5% to over €30bn. The passenger airline group (encompassing Lufthansa, SWISS, Austrian and germanwings) - which accounts for 75% of group revenues - saw revenues grow by 5.7% on the back of a 0.6% growth in capacity and a 5.3% increase in unit revenues. Cash flow (EBITDA) at Lufthansa and SWISS saw little change year on year, but there was a substantial improvement at Austrian following the transfer of mainline operations to the lower cost Tyrolean AOC.

Consequently total airline group EBITDA improved by 11%. Operating results however (which nearly compare with the other major network carriers' pre-exceptional operating profits) fell by 26% to €258m - and while Austrian generated a positive operating result of around €65m (mostly from a one-off positive benefit from the transfer of operations), Lufthansa itself produced an operating loss of €45m. SWISS (the group's successful airline acquisition?) achieved an operating result of nearly €200m albeit 26% down on the prior year. The Logistics division - with the background of continued weakness in air freight markets - experienced a 9% decline in revenues and a halving of operating result to €104m. The other divisions - Maintenance, Catering and IT Services all saw strong improvements in operating results of 24%, 14% and 11% respectively and provided a strong improvement to total cash flow - total group EBITDA rose by 28% to €3.3bn.

The company highlighted that its capaci-

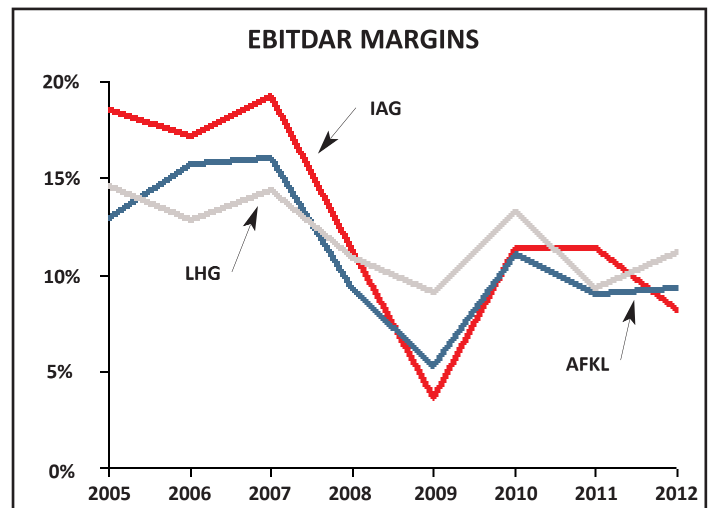
ty discipline in 2012 contributed positively. Overall capacity grew by 0.6% and unit revenues improved by 2.5% on constant currency terms. On the routes to the Americas (although the group does not split out the North Atlantic, it has a relatively small exposure to the South Atlantic) and to the Middle East and Africa, capacity declined by 0.4% and 1.8% respectively while unit revenues (in actual currency terms) increased by 9.5% and 4.5%. Even in Europe the group increased capacity by 2% during the year while unit revenues grew by 4.3%.

Total fuel costs meanwhile rose by 18% (excluding bmi from the prior year comparisons) to €7.4bn accounting for nearly 25% of total revenues (up from 14% five years ago).

The management averred that the first year of the SCORE cost cutting programme generated over €600m positive benefits (but not enough to cope with the €1.1bn increase in fuel). It re-emphasised its aim to achieve total profit improvements through this programme of €1.5bn by 2015 with a target to generate operating profits of €2.3bn by that year. The effects are likely to accelerate in 2013 as the group increasingly integrates its germanwings “low cost” subsidiary into the Lufthansa non-hub flight plans within Europe and the benefits of the Austrian transfer to the Tyrolean AOC accrue for a full year. It has a target to achieve €740m improvement in 2013 - and ideas that could increase this towards €900m annual benefit - and appears to want to achieve similar levels of improvement over the following two years.

Net income meanwhile improved by around €1bn - helped by a €623m gain of sale of a stake in Amadeus (3.26% sold and 4% transferred to the group pension fund) - to €990m. In the light of continuing deterioration in underlying operating profitability the group waived its dividend.

On outlook the management stated that it expected total capacity to rise by 1% in 2013 - mainly driven by larger aircraft and higher capacity back-of-the-bus cabins on long haul. Short haul capacity is envisaged to fall by 2.6% in the current year and long haul by 2.9%. However, it looks as if the group is increasing its attention to seasonal variation with planned summer capacity up



by 1.5% (4% on long haul and a 3% decline on short haul). The management, as usual, would not be drawn further than to say that they expect operating profits to be higher that the €524m achieved in 2012 and that the passenger airline division would generate more than half the profits.

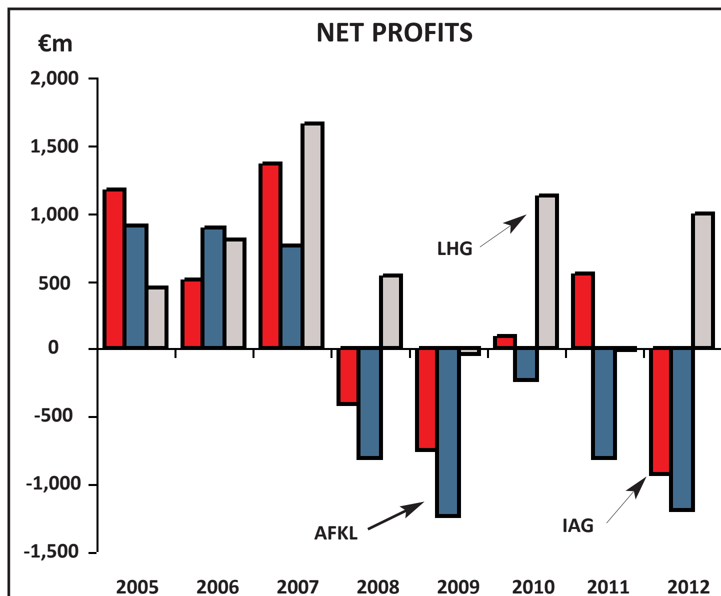
Benefits of consolidation?

The three major European network players all believe in consolidation and the ability to generate synergies through acquisitions and mergers.

Air France-KLM - as the initiator of the cross-border merger trend in Europe and the development of the trans-Atlantic joint venture - was adamant that its 2004 merger did create real synergies (as indeed Delta has done with its merger with Northwest) - although it has been difficult to provide proof.

Lufthansa was fortunate in its acquisition of SWISS and may have been beguiled into thinking that further mergers (Austrian, bmi and potentially Brussels) could also provide benefits (in the end bmi turned out to be exceedingly costly).

British Airways no doubt followed the thought that since the others were stating that they were creating synergies, they would be able to do the same in the creation of IAG and the merger with Iberia. If this had been the case one would expect that there would have been a distinct difference in the financial performance of the



three players.

However in the past five years the underlying "franchise" power of the three groups - reflected by their EBITDAR margins (see chart on page 5) - has shown no real disparity. (The net results all show wide variations depending on the capital structure and the vagaries of IFRS.) One of the two major changes in accounting standards coming into force from January 2013 is to require the disclosure of joint ventures on an equity accounting basis. This may at last allow us to see the real benefit of the transatlantic (and Europe - Far East) virtual mergers.

The past five years since the last peak of the cycle have been exceedingly difficult as fuel prices have risen sharply, and with high volatility, while the economies have been weak and yield improvements have lagged the resulting change in operating economics. The majors have all portrayed a reasonable restraint in capacity growth in the attempt to restrain the losses. They each entered this downturn in reasonable financial health - although both IAG and Air France-KLM have seen their equity bases eroded - and with continued strong cash balances. A second accounting standards change that came into force from January requires changes in the treatment of on balance sheet pensions. This will have the impact of reducing published balance sheet shareholders' equity even further (€2bn for IAG, €1.1bn for Air France-KLM and €3.5bn for Lufthansa) and increase to some extent the volatility in reported earnings - and incidentally reducing IFRS reported transparency and comprehensibility.

In time fares will catch up with the new fuel environment and as each of the three majors pursue their own latest cost saving and restructuring packages it is entirely possible that they will be able to achieve their (roughly) equivalent targets for profitability by 2015. Maybe even by then one of the three will provide proof that airline mergers provide real synergies.

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Europe's charter industry: Tour operators fight back

The structural decline of the All Inclusive Tour (AIT) market is continuing, but Europe's "Big Two" tour operators - TUI Travel and the Thomas Cook Group - are now attempting to cut costs and become differentiated in an effort to stay relevant to Europe's holidaymakers. But can they succeed?

Since 2002, *Aviation Strategy* has been analysing the slow death of the AIT market (see June 2012 issue for our last article), and year-after-year the pattern remains clear. As can be seen in the chart on page 8, UK charter passengers fell yet again in 2012 (for the 11th year in a row), by some 1.5m passengers, and the total has dipped below 20m for the first time in decades. In terms of the split of scheduled versus non-scheduled capacity offered by UK airlines (see chart, page 9), non-scheduled ASKs fell to 17% in the 12 month period ending November 2012, its lowest ever proportion.

The core underlying driver for holidays is the economy and clearly 2012 was a challenge for the whole of Europe - and in particular for the main outbound markets. In its latest quarterly report, the European Travel Commission (ETC) says that "tourism demand from the UK was mixed during 2012 with some large destinations, such as Spain, reporting robust growth, while other destinations saw lower arrivals. However it is hard to determine a clear trend for the year as a whole, as UK demand was disrupted in 2012 by the London Olympics which may have prompted some potential travellers to remain in the UK for the event instead of taking a trip abroad."

Out of Germany there was growth through much of 2012 according to the ETC, though this was most significant to smaller East European destinations, and it adds "there have been some reported falls in travel demand and notably for some large destinations".

Looking forward, though there are signs of economic improvements in some countries, in others the situation is still dire, and the Euro zone as a whole may well see a small contraction in GDP in 2013, before returning to growth in 2014.

Regardless of the economic backdrop, it shouldn't be forgotten that the decline in the AIT market remains structural, with increasing numbers of travellers not only having the means to put their own packages of flights and hotels together from LCCs and endless travel websites, but also being increasingly confident in doing this themselves rather than relying on what many see as the outdated concept of a high street travel agent.

That structural change was largely ignored for years by the last two giants of the European AIT industry – TUI Travel and the Thomas Cook Group – but under new management both have embarked on a race to transform their businesses, largely by ditching lower margin holidays in favour of more profitable "specialist" services and products.

TUI Travel

Of the Big Two, TUI Travel has been the fastest to react to the changing fundamentals of the AIT market. In its last full financial year – the 12 month period ending 30 September 2012 - TUI Travel reported revenue of £14.5bn (1.5% down year-on-year), operating profit of £301m (18% up) and a net profit of £137m (compared with a £87m net profit in FY 10/11).

In its first quarter results for FY 12/13 (covering the period October to December 2012), TUI Travel reported a revenue fall of 4.4%, to £2.7bn, with operating losses increasing from a £131m loss in Q1 11/12 to a £149m loss in October to December 2012. The net loss similarly increased, from £103m to £118m.

However, most western tour operators post losses in the first-half of their financial

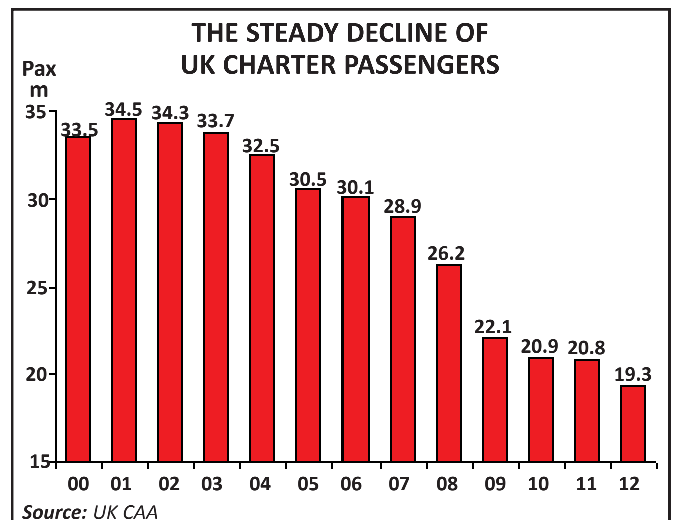
years as the period includes many costs and relatively little revenue. TUI says the revenue fall in Q1 was due to exchange rates, and that worsening of the operating loss is a result of a change on how TUI accounts for "empty legs" – the cost of unfilled seats on return legs of charter flights at the start and end of holiday seasons), which hit the bottom line by £23m in the quarter but evens itself out across the full financial year.

The turnaround at TUI Travel since it was formed by the merger of the UK-based First Choice Holidays and the tour operating division of TUI AG in 2007 has essentially been based on a strategy of building up differentiated, flexible and higher margin product, though the journey from 2007 to the TUI Travel of 2013 has not been easy, and there is still much to do.

As to the key summer holiday season, as can be seen in the table, page 10, efforts to increase prices of mainstream holidays appear to be working, and total mainstream booking revenue for the summer is up 6% as of February compared with sales for summer 2012 (as of February 2012).

In the key UK market revenue is up an impressive 13% year-on-year, and this is undoubtedly the biggest success story for the group. This is partly thanks to an aggressive drive to direct distribution, which reached 87% in the quarter, and with online bookings accounting for 44% of all bookings in the three month period, two percentage points up year-on-year. Another factor is the economy as ironically TUI is benefitting to some extent from the recession, as with fluctuating exchange rates more people are booking all-inclusive holidays, which TUI specialises in through its First Choice brand. Peter Long, chief executive at TUI Travel, said recently that although his sense was that the overall UK market was flat, he believes there is a "renaissance" in package holidays as "a lot of people are actually seeing that it's a lot of hassle to organise your own holiday. It's not necessarily cheaper and can end up more expensive. And when there's any problem there's no one to look after you."

But with a flat market, increased revenues can only come at the expense of competitors, and TUI claims that figures from market research company GfK Ascent show it had increased its share of the UK summer holiday market by 2% (as at January) - though Harriet Green, chief executive at Thomas Cook Group, disputed that, saying: "What I've learnt since coming into this industry is how remarkably fact-free certain aspects are."



Source: *UK CAA*

TUI's summer 2013 booking revenue out of Germany is up by 3% as of February, but in France however revenue is down 11%, due primarily to TUI cutting capacity by 12% (largely to long-haul destinations). More worrying is a 4% year-on-year fall in revenue from specialist and activity holidays, which is a blow for a company that Long says is "very much focused on innovation in terms of our product development". Indeed for the 2011/12 financial year while 47% of TUI Travel's products were what it deems "differentiated", that's only a 17% increase compared with 2008, and the over dependency on non-differentiated mainstream AIT product (that can also be bought at rival operators' brochures) still needs to be broken.

As for the TUI Travel fleet, the group has a total of 130 aircraft (with 13 on order), comprising 49 A321s, 737s, 757s and 767s at Thomson Airways (with eight 787s on order); 34 737s at TUIfly; 20 737s, 767s and Embraer 190s at Jetairfly; eight A330s and 747s at Corsair; nine 737s, 747s and 767s at

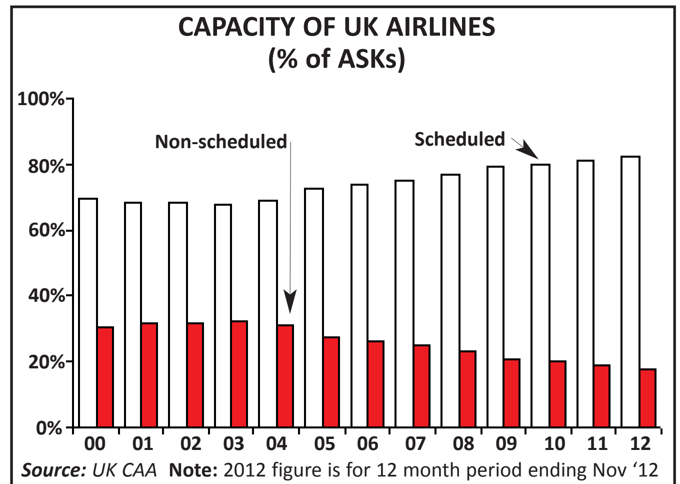
TUIfly Nordic; and 10 737s and 767s at ArkeFly. There are another five 787s on order that are currently unassigned to a specific airline.

Starting this year Condor (and Condor Berlin) is overhauling its entire narrowbody fleet, replacing A320s and 757s with approximately 30 leased A320s and new A321s over a five year period.

Of the group's 787s, TUI said until recently it had no plans to cancel or postpone orders given the recent battery problems, with two aircraft due to be delivered and in operation by May and with the rest coming gradually over the next three years. Inevitably however, in March Thomson Airways announced it was activating "contingency plans" for 767s to operate routes it had intended to use with 787s on in May and June, with the airline refunding passengers the extra fees they had paid to travel on the new 787s.

With the turnaround of TUI Travel looking solid at the moment, TUI AG - the German travel and shipping conglomerate that owns 56% of TUI Travel (the rest is owned by various financial investors) - began merger talks with its subsidiary in February. However, the negotiations quickly came to nothing after the two parties "failed to reach agreement", probably due to the low market cap currently for Hannover-based TUI AG (where it trades at approximately a 30% discount to net asset value). But a merger of the two remains a goal of TUI AG as it believes many synergies could be realised through such a move (it also tried – and failed in completing – a similar move back in 2008). However many analysts are sceptical of the benefits of a merger, with one saying that it had "more risk than reward", with only a few cost savings being apparent as an upside.

Ownership issues aside, TUI Travel is bullish for the full year, with Long saying that "based on current trading we expect to be towards the top end of our roadmap guidance of 7 to 10% underlying operating profit growth for the 2013 financial year". Interestingly, at a call with analysts on the Q1 figures Long said: "I think we are also taking business from those people who have self-assembled and actually find it not as good as they thought it would be. And they cannot get our unique holiday offerings because they are clearly only available exclusively with us when we're offering our packages." Whether TUI Travel really has managed to halt and reverse the structural changes that are affecting the AIT industry is open to much doubt, but what is certain is that TUI has faced the challenges in the industry far better than its great rival.



Source: UK CAA **Note:** 2012 figure is for 12 month period ending Nov '12

Thomas Cook Group

Over the last two financial years, ending on September 20 2012, the Thomas Cook Group brought in £19.3bn of revenue but made £586m of operating losses and a staggering net loss of £1.1bn.

Despite attempts at a turnaround and after £1.4bn of refinancing last year the group was going nowhere fast, and in what was effectively its last chance of salvation it appointed Harriet Green as chief executive last summer (coming from electronic parts distributor Premier Farnell).

While her immediate priority was to offload certain non-core assets (including its Indian subsidiary and some Spanish hotel properties) in order to reduce the debt mountain, her main focus has been to put together a credible long-term plan for the group – and this long-awaited "strategy presentation" was unveiled in mid-March.

At its launch Green gave the message that although the group has been stabilised

and is "ahead of where we said it would be", it still has four major problems, which are: no growth in revenue; not delivering a positive net margin; significant losses after exceptionals; and not generating enough cash.

To address these challenges, the heart of the group strategy going forward is a significant programme of cost-cutting and revenue enhancement. In a 2011 turnaround programme £140m of costs cuts were identified for the UK only (on an annual basis, as are all the following figures). Of these, £60m had been fully implemented by FY11/12 (the 12 months ending 30 September). Turning around the UK is critical for the group; in the last financial year, ending September 2012, Thomas Cook won £3.1bn of revenue in the UK market yet made a paltry £0.8m operating profit on those sales.

BOOKINGS - SUMMER 2013 vs SUMMER 2012

	Capacity	Average selling price	Customers	Revenue
TUI Travel				
Mainstream holidays				
UK		4%	9%	13%
Nordic Europe		5%	10%	15%
Germany		5%	-1%	3%
France		-3%	-8%	-11%
Other		0%	-3%	-3%
Total mainstream		**4%**	**2%**	**6%**
Specialist & activity holidays		N/A	N/A	-4%
Online accommodation		6%	3%	9%
Thomas Cook Group				
UK mainstream	-5%	3%	-4%	
UK specialist & independent	N/A	N/A	-7%	
Continental Europe	-14%	0%	1%	
Northern Europe	0%	2%	17%	
Airlines Germany	2%	3%	8%	

Note: As at early February, compared with figures at the same date a year earlier.

Last November the company identified another £100m of cost savings on an annual basis (across the group – i.e. not just in the UK), which are currently being implemented, and in February yet another £60m across the group was identified, arising largely from an airline reorganisation (see below) and from "streamlining" other parts of the group structure. The March strategy announcement added another £50m of cuts across the group on an annual basis, making a total of £350m of cost cuts to be targeted (of which £140m are specifically for the UK business and £210m are group-wide).

Of that total £210m group-wide figure, £65m will come from the company's airlines, £55m from organisational restructuring elsewhere, and £90m from "product", IT, technology and other categories. In terms of airline savings, in February the group announced a reorganisation of three of its airlines over the next 12 months into what it deems "a single, cohesive operating structure". Starting this March, the UK-based Thomas Cook Airlines, Germany's Condor (to include Condor Berlin) and Thomas Cook Airlines Belgium will retain their AOCs but will now co-ordinate just about everything from procurement and finance to HR and IT. This new airline "segment" at Thomas Cook will also examine the potential for linking booking platforms and connecting with GDSs. Altogether by FY14/15, £16m bottom line benefits on an annualised basis will be saved from unified maintenance; £14m will come from "overhead and crew" (via better productivity and "new agreements" with crews); £23m will come from increased revenue from codesharing between Condor and the UK airline, plus more ancillary revenue; and £12m will arise from other savings, to include fuel, ground handling and aircraft costs.

The unit will chaired jointly by Christoph Debus, the group head of air travel and CEO of Thomas Cook Airlines, and Ralf Teckentrup, the CEO of Condor. However, strangely, Thomas Cook Airlines Scandinavia will not be part of the new unified segment as it has fewer seat-only sales, although the airline will "explore ways to integrate more fully in the medium term".

Currently Thomas Cook Airlines has 31 aircraft of six different types, including A320s, A330s, 757s and 767s, and with six A321s on order. In addition Condor has 26

A321s, 757s and 767s; Condor Berlin has 12 A320s; Thomas Cook Airlines Belgium operates five A319s and A320s; and Thomas Cook Airlines Scandinavia has 14 A320s, A321s, A330s and 757s, with 12 A321s on order. That's a total of 88 aircraft across a bewildering assortment of different models, with 18 aircraft on order.

These airlines employ a total of 6,500, although they currently provide just 55% of total Thomas Cook required airlift each year – the group obtains 23% of its lift from charter carriers and 22% from scheduled airlines. Going forward, air capacity sourcing decisions will be reviewed on a route-by-route basis, but the group admits that it is "discussing ventures, deals and programmes around the asset light model to drive mutually symbiotic strategies with other major carriers".

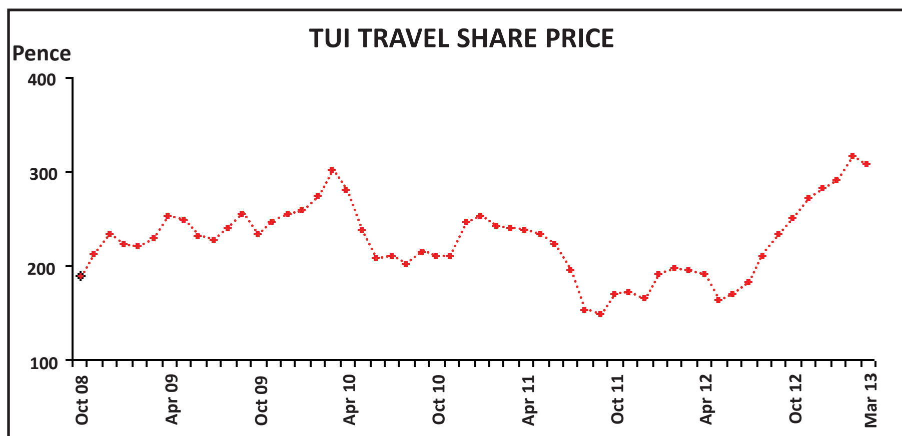
Elsewhere, in order to achieve £55m of group-wide organisational savings, in early March Thomas Cook revealed that is was cutting 2,500 positions in the UK (around a fifth of its workforce there), of which 1,600 would come from the closing of another 195 travel agencies in the UK. The group has already closed 168 units (with 1,100 job losses) since 2011, but even after the extra 195 go it will still have an astounding 874 travel agencies across the UK, well ahead of the 700 UK stores that TUI Travel has. Many of the travel agencies being shut in the new round are Co-operative Travel stores, a business that was merged into Thomas Cook in 2011. 900 other jobs will go from other parts of the group in the UK, with back office locations reducing from the current 18, including the closure of a call centre in Lancashire. In other changes those remaining 874 shops will be run with a simplified management structure, including "cluster managers" running several branches, and the elimination of some managerial positions, while many branches will open into the evenings and on Sundays and bank holidays.

Finally, £90m of other group-wide cost-cutting will derive from the renegotiation of hotel and travel agency contracts (to generate £44m); consolidated and reduced marketing spend (£18m); rationalisation of IT teams and company websites (£17m – for example in the UK, 44 consumer-facing websites will be slimmed down to just three core sites); and the cutting of travel and other overheads (£11m).

Green presented a pretty detailed plan of cost savings, but of course these now have to be delivered in actuality. As an indication of the challenges facing the group, the £350m of cost savings on an annual basis aren't expected to be fully realised until FY15, and they will cost around £90m over the next three financial years to implement (on top of £36m already spent) – and a total of £163m of cash flow.

In fact just £25m of group-wide cost savings on an annual basis (out of the group-wide target savings of £210m) will come into effect in the current 2012/13 financial year (ending on September 30 this year), and the pace of cost savings appears glacial. And other parts of the company's strategy still lag behind the pace of changes introduced at TUI Travel. Thomas Cook is still clinging on to the mantra that it must have a substantial high street presence – what the group calls an "omni-channel strategy", with Peter Fankhauser, Thomas Cook's chief executive for the UK and continental Europe, insisting that the stores were a "shop window" for its products. But while agency presence is still an important part of the overall distribution mix, Thomas Cook relies on its high street presence far more than its rival does - travel agencies account for around 65% of revenue at Thomas Cook Group, compared with approximately 50% at TUI Travel. And while in FY 11/12 just 34% of Thomas Cook's booking were made online, the target is to raise this to 50% by 2014/15. But that seems unambitious; for example within that there is a very low target of 12% online bookings in continental Europe (Germany, Austria and Switzerland) by 2014/15.

In the short-term the overriding concern is the group's massive net debt burden, which stood at £1.6bn as at the end of December 2012 – just £86m down on a year earlier. After a spate of asset sales after Green arrived last year, the group



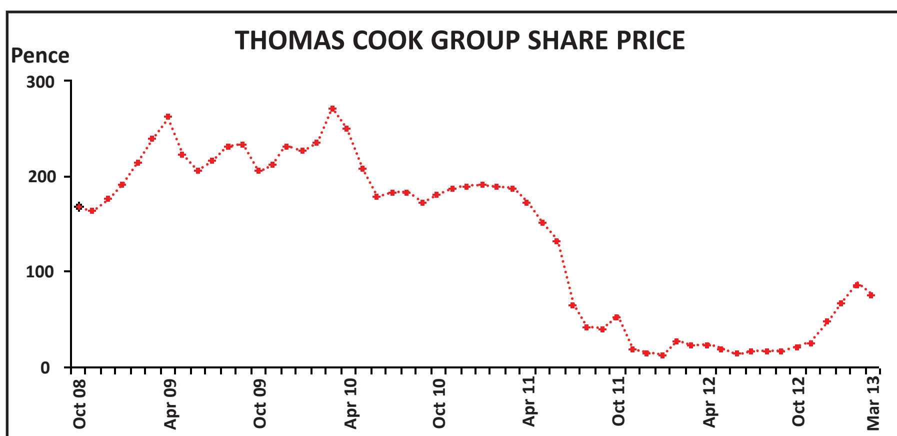
recently decided not to sell its loss-making French business - which has been hit by political unrest in north Africa and the Middle East - as a buyer reportedly could not be found, and now it has no option but to try and turn the business around. The French business includes around 560 Thomas Cook travel agencies and 100 Jet Tours outlets, with more than 1,500 employees.

As part of the new overarching strategy, the group is reviewing its entire portfolio of businesses, categorising them all as either core and strategic (which the group will invest in and grow); under-performing (which will be fixed); smaller non-strategic (to be sold or merged with other units); or "good" non-strategic (which will be sold). Effectively this means that among those businesses up for sale will be skiing specialist Neilson; Thomas Cook Sport; insurance and airport parking company Thomas Cook Essentials and upmarket operator Elegant Resorts - though analysts expect no more than £100m-£150m to be raised from these assets, which will barely dent the debt burden.

As can be seen in the charts, on the left and below, while TUI Travel's share price has rebounded strongly in the last 12 months, investor confidence in the Thomas Cook Group is far less optimistic. Indeed shareholder disquiet was shown at the group's AGM in February when 30% of votes were cast against the company's remuneration report (Green could receive a total package worth as much as £3m this financial year). However it's fair to say that some of this stems from the general backlash from investor reaction against excessive pay in the UK, and Thomas Cook was one of the first large UK-based companies to hold its AGM this year.

It's too early to see whether the pace of Green's strategy is sufficient enough. For the October-December 2012 period (the first quarter of its 2012/13 financial year), Thomas Cook's revenue fell 7.3% to £1.7bn, though the operating figures improved from a £119m loss in Q1 FT11/12 to a loss of £93.8m in October to December 2012. The loss before tax for the period was £127.9m, compared with £151.7m a year previously. But figures for summer 2013 bookings are mixed (see chart, page 10).

To implement the transformation of the business, the group has also overhauled its senior management, and out of the top 100 executives in Thomas Cooks' "Leadership Team," no fewer than 36 are new hires. One analyst says that 2013 will be a "honeymoon period" for Green and her new management team, but that honeymoon will end pretty abruptly if results for the financial year ending this September – including this crucial summer season – do not show significant improvements.



JetBlue: Seizing more unique growth opportunities

JetBlue Airways, New York's hugely successful hometown airline, has started holding annual "analyst days" in an effort to persuade a sceptical investment community that its growth strategy will pay off. JetBlue keeps seizing unique growth opportunities, mostly resulting from legacy carriers' withdrawal from its core markets. But many investors are unhappy because the strategy has meant sacrificing free cash flow (FCF) and ROIC in the short term.

At its latest analyst day, held on March 20 at the NASDAQ headquarters, JetBlue again made the case that sustainable, profitable growth at the right locations is one of the pathways to improved ROIC. The management presented plans for further significant expansion at three focus cities.

First, JetBlue wants to grow its already sizable and nicely maturing Boston operation from the current 120 to some 150 daily flights. Importantly, JetBlue now has evidence that the investments in Boston since 2009 and the risky strategy of focusing on business traffic there (while remaining "primarily a leisure player" in New York) have paid off in terms of operating margins.

Second, JetBlue is looking to grow its San Juan (Puerto Rico) operation - another gift from American - from the current 40 to around 50 flights a day. The management expects San Juan to deliver strong profits from 2014.

Third, JetBlue sees Fort Lauderdale as "the next big opportunity". Already well-established and profitable, and with the cost-per-enplanement only a quarter of nearby Miami's, JetBlue sees the potential to double daily flights there to around 100. It will be a staging post for significant new expansion to the Caribbean, Central America and northern parts of South America in the medium-to-long term.

The JetBlue executives also spoke of the benefits of the "open architecture" alliance strategy. Interline or one-way codeshare relationships brought in about $40m in incremental revenue in 2012. Building up the roster of partners (currently 23) is "still in a relatively early stage". The current year is likely to see JetBlue's first international two-way codeshare (with one of its existing partners).

The big news at the analyst day was that JetBlue has decided to introduce a premium offering on its core transcontinental routes, where it has underperformed in terms of PRASM. The product will be announced later this year for 2014 launch. This move will take JetBlue even further away from the traditional no-frills LCC business model.

At the analyst day, JetBlue also sought to reassure the investment community that costs were under control and that deleveraging and "prudent capital deployment" would also contribute to improved ROIC.

But JetBlue again faced tough questioning and criticism from analysts about its priorities. The management team is committed to improving ROIC but by only one percentage point per year on average – a very modest goal by most standards. The management has argued that the one-point target is justified because of JetBlue's relatively young age and different business model.

Lagging in FCF and ROIC, otherwise successful

JetBlue has underperformed its peers quite markedly in terms of ROIC. At year-end 2012 its ROIC was only 4.8%, up 0.7 percentage points (falling short of the one-point target due to Superstorm Sandy).

The reasons for the underperformance are clear: continued ASM growth and rapid expansion and costly investments in Boston. After pausing growth in 2008-2009, JetBlue restored ASM growth to 6.7% in 2010, 7.2% in 2011 and 7.6% in 2012.

Last year, for the first time since 2008, because of capital spending JetBlue's FCF

even dipped to negative territory. One analyst explained that such volatility was a big problem for investors, some of whom "will simply dismiss JetBlue because of the FCF issue".

JetBlue executives dismissed that complaint, pointing out that while FCF was a useful tool for monitoring the rate of growth, it had its limitations. A temporary dip in FCF was perfectly acceptable if an airline was making value-enhancing investments.

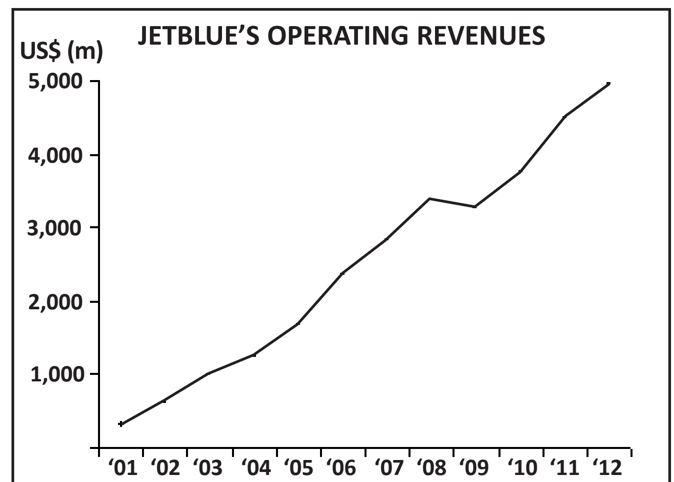
However, BofA Merrill Lynch analysts argued in a late-January research note that "JetBlue shareholders would be better served if the company funded its growth by cutting underperforming routes". The analysts noted that, given that JetBlue's pretax margins averaged only 4.2% in 2012, there must be plenty of underperforming routes.

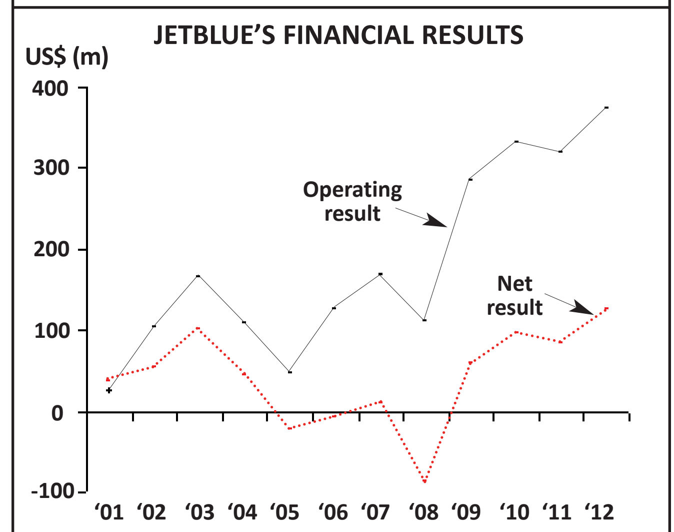
Analysts are so tough on JetBlue because the other large US carriers (legacies and Southwest alike) have all maintained tight capacity discipline since 2009 and are now intensely focused on FCF and ROIC. These days, FCF is almost a given, while 10-15% ROIC targets are typical and already being achieved by some carriers. Analysts in the US are obsessed about ROIC; also, in the back of their minds is a hope that the newly found financial discipline will lead to US airlines generating the kinds of returns other industries do, which would help broaden their shareholder base.

But the analyst pressure on JetBlue is not a bad thing, as it will keep the management striving for the right balance. JetBlue executives noted at the analyst day that the airline could have grown faster in Boston but then the 2010 and 2011 results would have looked much worse. "We do balance the short term and the long term, and we are serious about delivering on our ROIC commitment", the executives said.

JetBlue has actually continued to report healthy operating margins: 8.8% in 2010, 7.1% in 2011 and 7.5% in 2012. It has lagged behind its peers in terms of net margins, though not significantly (2.6% in 2010, 1.9% in 2011 and 2.6% last year).

Now in its 14th year, JetBlue has weathered a few rough spots. After earning spectacular 17% operating margins in its initial years, JetBlue plunged into losses in 2005-2006 due to over-aggressive expansion. But quick actions to curtail capacity growth and capital spending restored profitability in 2007. JetBlue outperformed the industry in 2009, weathering the recession well in large part because it was able to expand rapidly in the Caribbean by switching capacity there from less profitable domestic markets.





Of course, JetBlue has been a huge success in the marketplace, offering not just low fares but also setting new standards in airline service quality in the US. Like Southwest, it quickly built a "cult following", which has enabled it to attract price premiums and considerable customer loyalty.

Earnings growth is expected to continue in 2013. The management has been talking of significant margin improvement, helped by solid demand, a healthy pricing environment and lessening cost pressures. JetBlue

expects its non-fuel CASM to increase by only 1-3% in 2013, compared to last year's 3.3%. The current consensus forecasts are that JetBlue's EPS will increase from last year's 40 cents to 60 cents in 2013 and 71 cents in 2014.

JetBlue's share price has reflected the investor concerns about the growth strategy. However, while the stock is currently mostly rated "neutral", some analysts have turned more bullish in recent months. In late January JP Morgan raised its recommendation on the stock from "underweight" to "overweight", based on the improved 2013 outlook. The analysts said that they were comfortable describing the stock (somewhat unglamorously) as "straightforward and comparatively low risk, with a gradual, long-term grind to higher ROIC".

This year's capacity growth is expected to be in the 5.5-7.5% range, as JetBlue continues to take advantage of opportunities that the management calls "unprecedented". Those opportunities are in Boston and in the Caribbean/Latin America region, which are projected to see 15% and 10% ASM growth, respectively, with the rest of the network seeing flat or very modest growth. JetBlue's longer-term plans call for average annual ASM growth in the mid-single digits.

JetBlue operated a 180-strong fleet at the end of 2012: 127 A320s and 53 E190s. This year the airline is scheduled to receive 14 aircraft – three A320s, its first four A321s and seven E190s. Four of the E190s were accelerated into 2013 in order to take advantage of unique growth opportunities in Boston and San Juan. The 190-seat A321s will be used to boost capacity on the transcon and in the seasonal peak to the Caribbean.

Boston success

Having served Boston since 2004, JetBlue seized an opportunity to step up growth there in 2009 as a result of an across-the-board contraction of legacy carriers, led by American. Since Boston had been a "fragmented" market, lacking a dominant carrier, it was relatively easy and not too expensive for a newcomer to enter and grow the market. JetBlue also seized the obvious opportunity to cater for the business segment.

Nevertheless, tapping the business segment successfully required a significant investment and a rapid build-up of service, both in terms of destinations and frequencies. JetBlue needed a sufficiently large network and attractive schedules to attract business customers and corporate contracts. It needed to upgrade systems, acquire additional gates, remodel facilities (to make them more acceptable to business customers), participated in GDSs, revamp its FFP and refresh its basic product offerings. JetBlue also found that the Boston business markets take quite a bit longer to mature than its traditional leisure/VFR markets.

The result has been that JetBlue has grown significantly in Boston. Its ASM growth has averaged 15%-plus annually since 2009. It is the largest airline at Boston Logan, having grown its seat share from 15% in 2009 to 24% in 2012.

Another result has been that the benefits of the investment have been relatively slow to materialise. At its analyst day in February 2012, JetBlue's management conveyed the message that the Boston network was reaching a certain level of maturation, which would enable the airline to start reaping financial benefits. The executives stated at that time: "We really are reaching a tipping point in some of the network investments we made".

Indeed, JetBlue was able to present data on March 20 confirming that the Boston investment is finally paying off. Compared to "very low single-digit" operating margins in 2009 and losses in 2011, last year JetBlue achieved high single-digit operating margins in the Boston markets. "Everything we did in Boston was the right thing for ROIC improvement", the executives noted, adding that Boston was now at the stage where the airline could really start harvesting the benefits.

In 2012 the Boston market benefited

from the addition of three new destinations (including Dallas Fort Worth), increased service to Washington DC, schedule and frequency adjustments to better accommodate business travellers and product enhancements. All of that helped build revenue momentum from corporate share gains. East Coast short-haul markets out of Boston were JetBlue's best-performing region in terms of RASM growth in 2012.

While the growth rates at Boston will be lower in 2013 and 2014, JetBlue expects Boston to be a significant source of further growth over the next few years. The operation will be ramped up from the current 120 daily departures to 150-160 by 2015-16. This will be facilitated by planned expansion of Logan Airport, which will give JetBlue a total of 24 gates, more than enough to accommodate its plans.

San Juan: Investing "responsibly"

Like Boston, San Juan was an early JetBlue destination (2002) and the opportunity to grow there also arose because of American's sharp contraction. 2011 and 2012 were significant growth years for JetBlue in San Juan, each recording around 30% ASM growth. In early summer 2012 JetBlue was able to move into new and larger terminal facilities at the Luis Munoz Marin airport and subsequently named San Juan its sixth focus city.

JetBlue is now the largest airline in Puerto Rico, serving three airports there and operating some 40 flights a day from San Juan to 14 destinations, including ten in the US mainland and four in the Caribbean. In May two more Caribbean points will be added (Punta Cana and Santiago in the Dominican Republic). Chicago will follow as the 17th nonstop destination in November.

San Juan is a perfect market for JetBlue as the US routes in particular have a nice combination of leisure, VFR and business traffic. Competition continues to lessen; in the current quarter, competitive capacity in San Juan was down 7% year-on-year. JetBlue has already been able to cash in on its leading market position by offering a co-branded loyalty credit card programme in Puerto Rico.

JetBlue sees an opportunity to go up to about 50 flights a day in San Juan. It has managed to maintain a breakeven operation while growing significantly. San Juan is a couple of years behind Boston in the investment/development phase and is expected to start delivering strong profits from 2014.

FLL: The next big opportunity

JetBlue sees a "tremendous" opportunity to grow at Fort Lauderdale (FLL), one of its earliest focus cities. The current operation of 50-plus daily flights already offers a good network to both north and south and is profitable today. Fort Lauderdale is a large population centre, has numerous communities from many Caribbean and Latin American countries that travel frequently and has significant business travel. The executives described it as a "very rich demographic for us". The airport's enormous cost difference with Miami gives JetBlue an important competitive advantage.

JetBlue will need to make some investments in the infrastructure and is hoping to replicate the template it used in Boston in terms of working with the airport and phasing investments. The timescale envisages FLL operations ramping up consistently "as we move towards 2017".

Fort Lauderdale will play a major role in extending JetBlue's presence in the Caribbean and Latin America. Since 2008 the airline has entered or doubled capacity from FLL to Nassau, Santo Domingo, San Juan, Cancun and Bogotá, and service to Medellin (Colombia) and San Jose (Costa Rica) is due to begin in June. The analyst day presentation included a map showing 19 potential FLL growth markets.

JetBlue has been exceptionally successful in the US-Colombia market. The airline chose Colombia as its first South American landing spot, introducing Orlando-Bogotá flights in 2009. Passengers in that market tripled in the first year or so. The FLL-Bogotá route, introduced last summer,

became profitable within the first month and is now one of JetBlue's top performing markets. The JFK-Cartagena route, added in November, is far exceeding expectations. The FLL-Medellin route (the airline's third Colombian destination) is expected to follow the pattern of the Bogotá route and be profitable virtually from the outset. JetBlue can be expected to continue growing in the US-Colombia market, benefitting from the open skies ASA implemented this year.

Following its success in the Caribbean and Colombia, JetBlue is believed to be looking at markets such as Ecuador and Venezuela. Unsurprisingly, it is reportedly interested in Brazil, though that would probably be a longer-term move because the A320s cannot make it nonstop that far.

This year the Caribbean/Latin America region (including Puerto Rico) will account for 30% of JetBlue's ASMs, up from 6.4% at the end of 2005. Transcon will also account for 30% of ASMs, down from 55.1% eight years ago.

Unusual alliance strategy

The presentation at the analyst day made it crystal clear, as in previous occasions, that JetBlue will never join a global alliance. The management views them as too complex and expensive, while the "open-architecture" type alliance is well suited to JetBlue's network strategy and business model. (Brazil's GOL has been sending exactly the same message for quite some time.)

The management mentioned two key benefits of JetBlue's alliance strategy, compared to global alliances. First, JetBlue collects roughly the same yield as it would sell independently on its website; it does not do standards proration agreements. Second, JetBlue focuses its alliance efforts on the gateways where it can get the strongest returns; it will decline to link up at airports where it does not have enough critical mass.

JetBlue says that its alliance-building efforts are still at a relatively early stage, in terms of both the number of partners and the depth of the relationships. The partnerships start as interline agreements and may progress to one-way codeshares, of which there are currently 5-6. The coming months are likely to see the first two-way codeshares. JetBlue has been cautious about taking that step because of the complexity it adds, but the management believes that they have found a way of managing it so that it will be "very advantageous from the revenue and margin perspective".

JetBlue executives said at a recent conference that they viewed the planned AMR-US Airways merger as a positive for the company, because JetBlue is looking to expand its relationship with American. It is currently only an interline partnership, though an "extremely important one". The connecting experience at JFK is not very convenient because it involves changing terminals, but according to JetBlue it has not been an issue because of the competitive total elapsed journey time and the richness of the schedules at JFK.

This was not part of the analyst day presentation, but JetBlue was asked about the state of the relationship with Lufthansa, which currently holds around 16% of JetBlue's stock and has a board seat. The CFO described Lufthansa as "active and hugely useful members of the board of directors". The convertible offering of JetBlue shares that Lufthansa completed last year was described as a "brilliant" transaction, a great way for Lufthansa to raise a lot of funds.

Tapping the high-yield segment

JetBlue has always been well-positioned to attract business traffic because of its unique value proposition, strong brand and great customer service. However, like Southwest, in the mid-2000s JetBlue realised that it needed to do more – namely upgrade systems, revamp revenue management and introduce specific products – in order to effectively tap the higher-yield segment. On the product front, the result was "Even More Space", a product offering a more generous seat pitch in the front rows of aircraft for an additional fee.

"Even More Space" has been a huge success, and last year JetBlue enhance the offering with an expedited security lane at airports, "Even More Speed". Revenues

from the "Even More" products have grown from $45m in 2008 to $150m in 2012.

JetBlue has chosen not to follow the example of the US legacies and introduce a "first bag fee". The management believes that its revenue contribution is "much lower than people think", and there are operational costs of collecting it. Besides, JetBlue has some of the shortest aircraft turn times in the industry.

Last year JetBlue introduced a new tier within its TrueBlue FFP called "TrueBlue Mosaic", to better recognise and reward its most frequent and loyal customers. The FFP is still in its infancy; some two-thirds of the airline's customers are still not members.

JetBlue will soon become the first airline in the world to equip its fleet with full Wi-Fi that is free to everyone on board. The offering, called "Fly-Fi", is significantly faster than competitors' products and offers promising monetising opportunities through media partners and advertising.

When analysing its RASM underperformance on the transcon, JetBlue found out two things. First, many of the customers who fly it on the shorter sectors shun it on the transcon because it does not have a Wi-Fi offering. Second, JetBlue found out that there is a fairly significant paid premium market to and from Los Angeles and San Francisco, which the legacies (as well as Virgin America) capture with their premium or up-market products.

Consequently, JetBlue decided that, in addition to Wi-Fi, it must have a premium offering on the transcon. The product, which will be announced later this year, will be done "in a very JetBlue way" (meaning cost-effective, etc.).

Balance sheet considerations

JetBlue has started to manage its balance sheet more aggressively, which has helped improve its credit profile. In December S&P lifted the company's outlook to "positive". In February Fitch upgraded the credit rating from B- to B. Both agencies cited factors such as JetBlue's stable operating performance, consistent profitability and recent debt reduction.

The key moves have included dialling down the cash position in favour of investing in the business. JetBlue's cash and short-term investments have fallen from 27% of annual revenues at year-end 2011 to "a more rational, reasonable level" of 15% at year-end 2012. This move reflected improving industry and economic fundamentals, JetBlue's own strengthened operating performance – its operating cash flow was a record $698m in 2012 - and the number of value-creating opportunities that presented themselves last year.

JetBlue used the excess cash, first, to reduce long-term debt by $300m on a net basis. This included a $220m reduction of very high-interest debt and prepayment of $200m of 2013 aircraft-related payments. Second, JetBlue decided to fund the international arrivals terminal it is building at JFK entirely with cash. Third, JetBlue repurchased some $78m of its shares.

JetBlue is also growing the number of unencumbered assets. It increased the number of unencumbered A320s from one to 11 during 2012 and expects this number to increase to 18-21 by the end of 2013. In addition, JetBlue is in the process of enhancing its credit facilities. The management called credit lines a "very inexpensive form of liquidity" and also beneficial because cash reserves can then be utilised in more intelligent ways. So JetBlue is now looking at liquidity not just as cash but as a stack of items – cash and short-term investments, long-term investments, unencumbered assets, credit lines, etc.)

Last year JetBlue's total debt declined by $285m to $2.85bn. But deleveraging has in fact been a multi-year process. Since 2008, the debt-to-capital ratio has fallen from 73% to 62% and the net-debt-to-EBITDAR ratio from 7.8x to 4.0x.

All of this has given JetBlue more manageable debt maturities, better returns and more flexibility. For the next two years, the current plan is to fund much of the incremental growth internally and any new debt that might be taken on would merely replace scheduled debt maturities.

By Heini Nuutinen
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		Group revenue US$m	Group costs US$m	Group op. profit US$m	Group net profit US$m	Operating margin	Net margin	Total ASK m	Total RPK m	Load factor	Total pax. 000s	Group emp.
Air France/	**Year 2010/11**	**31,219**	**19,236**	**1,171**	**810**	**3.8%**	**2.6%**	**250,836**	**204,737**	**81.6%**	**71,320**	**102,012**
KLM Group	Apr-Jun 11	8,947	9,153	-206	-283	-2.3%	-3.2%	66,531	53,931	81.1%	19,653	
YE 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
	Year 2011	**33,923**	**34,415**	**-492**	**-1,126**	**-1.4%**	**-3.3%**	**264,895**	**217,169**	**81.8%**	**59,513**	**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	
	Oct - Dec 12	8,176	8,361	-185	-305	-2.3%	-3.7%	66,206	54,236	81.9%	18,734	
	Year 2012	**32,959**	**33,345**	**-386**	**-1,533**	**-1.2%**	**-4.7%**	**269,299**	**223,887**	**83.1%**	**77,448**	
IAG Group	Jan-Mar 11	4,969	5,109	-139	45	-2.8%	0.9%	51,118	37,768	73.9%	11,527	56,159
YE 31/12	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
	Oct - Dec 12	5,874	5,926	-52	-540	-0.9%	-9.2%	53,607	42,168	78.7%	13,117	59,506
	Year 2012	**23,295**	**24,083**	**-788**	**-1,187**	**-3.4%**	**-5.1%**	**219,172**	**176,102**	**80.3%**	**54,600**	**59,574**
Lufthansa	**Year 2010**	**36,057**	**34,420**	**1,636**	**1,492**	**4.5%**	**4.1%**	**235,837**	**187,700**	**79.3%**	**91,157**	**117,019**
YE 31/12	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
FY Jan - Oct 2012	**Year 2012**	**5,297**	**5,339**	**-42**	**-145**	**-0.8%**	**-2.7%**	**36,126**	**27,702**	**76.7%**	**25,916**	**14,897**
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**
	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
	Oct - Dec 12	1,132	1,058	74	44	6.5%	3.9%	12,665	10,814	85.4%	6,387	11,984
	Year 2012	**4,657**	**4,125**	**532**	**316**	**11.4%**	**6.8%**	**50,577**	**43,462**	**85.9%**	**25,896**	**11,955**
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**
	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
	Oct - Dec 12	8,602	8,250	352	7	4.1%	0.1%	87,453	72,861	83.3%		73,561
	Year 2012	**36,670**	**34,495**	**2,175**	**1,009**	**5.9%**	**2.8%**	**370,807**	**310,533**	**83.7%**		
Southwest	**Year 2010**	**12,104**	**11,116**	**988**	**459**	**8.2%**	**3.8%**	**158,415**	**125,601**	**79.3%**	**88,191**	**34,901**
	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
	Oct - Dec 12	4,173	4,082	91	78	2.2%	1.9%	50,199	39,944	79.6%	26,607	45,861
	Year 2012	**17,088**	**16,465**	**623**	**421**	**3.6%**	**2.5%**	**206,211**	**165,555**	**80.3%**	**109,346**	**45,861**
United/Continental	**Year 2010**	**34,013**	**32,195**	**1,818**	**854**	**5.3%**	**2.5%**	**407,304**	**338,824**	**83.2%**	**145,550**	**81,500**
	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
	Oct - Dec 12	8,702	9,167	-465	-620	-5.3%	-7.1%	93,606	77,031	82.3%	33,255	84,500
(including special charges)	**Year 2012**	**37,152**	**37,113**	**39**	**-723**	**0.1%**	**-1.9%**	**400,490**	**330,687**	**82.6%**	**140,441**	**84,600**
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**
	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
	Oct - Dec 12	3,278	3,153	125	37	3.8%	1.1%	33,856	28,390	83.9%	20,453	31,236
	Year 2012	**13,831**	**12,975**	**856**	**637**	**6.2%**	**4.6%**	**143,302**	**117,991**	**82.3%**	**82,546**	**31,236**
JetBlue	**Year 2010**	**3,779**	**3,446**	**333**	**97**	**8.8%**	**2.6%**	**55,914**	**45,509**	**81.4%**	**24,254**	**11,121**
	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
	Oct - Dec 12	1,194	1,150	44	1	3.7%	0.1%	15,890	13,008	81.9%	7,018	12,070
	Year 2012	**4,982**	**4,606**	**376**	**209**	**7.5%**	**4.2%**	**64,493**	**54,013**	**83.8%**	**28,956**	**12,070**

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	
	Year 2012	12,810	12,579	230	118	1.8%	0.9%	129,595	103,837	80.1%	28,961	20,749
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 2007	9,496	8,809	687	12	7.2%	0.1%	76,181	55,354	72.7%	22,830	16,825
YE 31/12	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	
	Year 2012	11,455	11,165	290	230	2.5%	2.0%	88,304	68,818	77.9%		
Malaysian	Year 2007	4,464	4,208	256	248	5.7%	5.6%	56,104	40,096	71.5%	13,962	19,423
YE 31/12	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	
	Year 2012	4,442	4,558	-117	-139	-2.6%	-3.1%	49,742	37,170	74.7%	13,389	
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	
	Year 2012	1,613	1,239	374	606	23.2%	37.6%	28,379	22,731	80.1%	19,679	

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
2012	348.9	254.6	73.0	249.4	211.6	84.8	211.8	172.2	81.3	686.9	569.3	82.9	1,024.2	817.2	79.8
Jan '13	24.7	16.2	65.5	17.6	13.9	79.0	16.9	13.6	80.3	54.4	44.3	81.4	78.7	60.4	76.7
Ann. change	-1.5%	-0.2%	0.8	-1.2%	1.8%	2.4	1.3%	3.2%	1.4	0.1%	1.8%	1.4	0.2%	1.9%	1.3

JET ORDERS

	Date	Buyer	Order	Delivery/other information
Boeing	03 April	IAG	18 x 787	converted options
	04 March	Cathay Pacific	3 x 747-8F	5 x 777F options
Airbus	25 March	Hawaiian Airlines	16 x A321neo	
	15 March	Lion Air	109 x A320neo, 65 x A321neo, 60 x A320ceo	
	15 March	Turkish Airlines	25 x A321ceo, 4 x A320neo, 50 x A321neo	plus 35 x A321neo options
	14 March	Lufthansa	35 x A320neo, 35 x A321neo, 30 x A320ceo, 2 x A380	

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

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