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Recession time?

Suddenly a global recession threatens. In the US consumer confidence seems to have evaporated with the collapse in the price of new technology companies on the NASDAQ. Europe with less exposure to the stock markets is mostly unaffected as yet, but Asian economies, having recovered strongly from their regional crisis, are starting to look wobbly again.

While the portents are ominous, it shouldn't be assumed that a recession is inevitable. The economic fundamentals remain sound - the OECD forecast produced at the end of last year predicted 2-3% real GDP growth for most in the developed economies including the US - and the bursting of the e-commerce financial bubble should have come as no surprise. With inflation still well under control, the US Fed has the opportunity of boosting the economy with another half-point cut in interest rates. The Japanese, meanwhile, are desperately trying to kickstart their economy by cutting interest rates to zero.

However, assuming that some form of recession reduced global traffic growth to 2.4% this year and 4.2% next year (compared to around 6.5% in the past two years) then a serious surplus in the aircraft market emerges. This is illustrated by the graph on the next page, which is based on calculation made by ESG.

As usual the traffic slowdown coincides with a period of peak deliveries (and we have excluded the 400/year RJ deliveries from the chart). The result is that the aircraft surplus (defined as the difference between jet supply and the number of jets required at optimal utilisation) leaps from about 540 last year to 930 this year and to over 1,300 in 2002. In relative terms the surplus will peak at about 7-8% of supply compared to 10% in the early 90s.

This suggests a softer airline recession compared to the collapse of the early 90s. There are other important differences as well.

First of all, there is an obvious way to dissipate the surplus this time round - through the scrapping or sale to the Third World of the remaining non noise- compliant 727s and 737s; nearly 500 of these types are currently available for sale or lease.

Generally, the major airlines have become much more adept at managing capacity over the past decade through conservative fleet addition strategies, downsizing, rightsizing and greater reliance on operating leases. The key to survival in this recession may come down to what proportion of an airline's costs are fixed and what proportion are variable.

The leasing companies were blamed, probably justifiably, for contributing to the extent of the supply demand imbalance and artificially inflating asset values. This time they are being seen in a more positive light, as providing a means of smoothing the cycle by facilitating the movement of aircraft between regions in line with demand fluctuations.

Lessors have two ways of looking at the impending recession.

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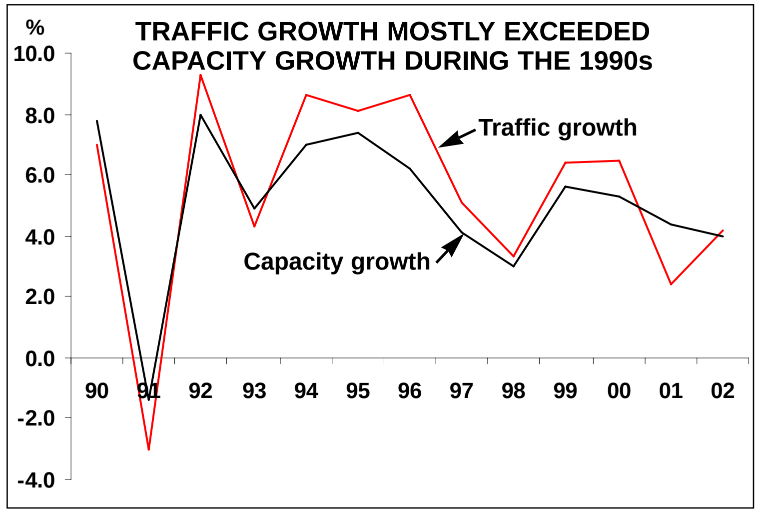
On the one hand, in a recession the credit ratings of airlines tend to fall markedly while those of the leasing companies, backed by financial giants like Gecas and AIG, remain solid, so improving the attractiveness of their product. On the other, they will have to deal with slumping asset values and distressed clients. They may be forced into running airline operations (Awas, for example, has its own AOC).

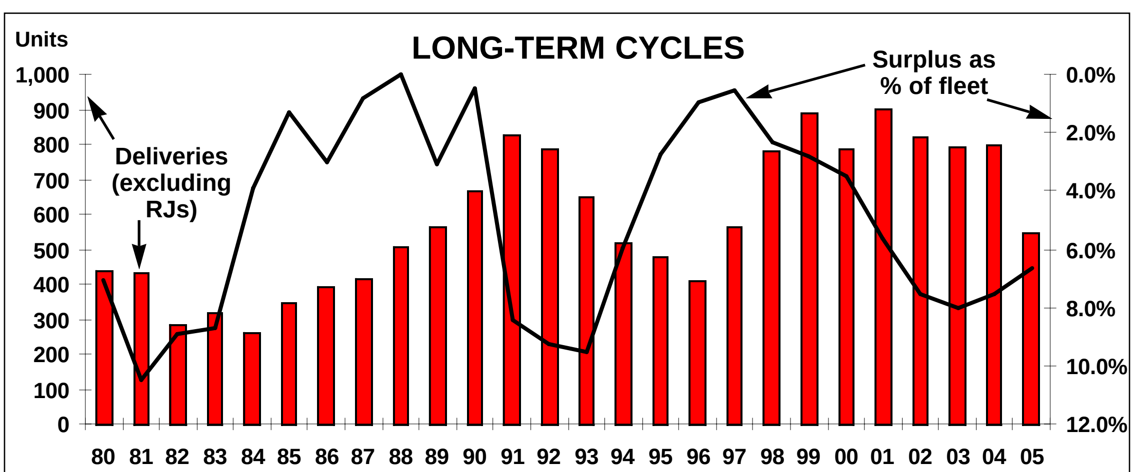


A recession will be the acid test for two contrasting and currently relatively successful strategies - rapid expansion of capacity and traffic around a hub system à la Air France and downsizing, total business focus à la BA. Early indications from the US are of a clear downturn in business travel, in terms of business class seats sold and also in terms in business volumes as teleconferencing and other e-communications become more sophisticated.

Although e-commerce financing may have precipitated this recession, the full impact of e-distribution on the airline business has yet to be felt. Greater use of the internet will help keep selling costs down, saving which are likely to be passed onto the passenger via lower fares, which should hopefully boost traffic volumes. Orbitz now due for launch in June could be a major break-through, representing a shift in e-distribution from its DOS phase to its Windows phase, according to its owners. (Its detractors say it's nothing but a conspiracy of the US majors.)

In Europe and the US, a recession will afford the low-cost carriers the opportunity to gain market share from their full-service rivals, both because of their cost advantage and because of the greater price-sensitivity of passengers. Unless, of course, the low cost carrier has the wrong strategy or weak financing, in which case it will go bankrupt.

Bankruptcy is a real prospect for a disturbing number of European and Asian flag-carriers in a recession. Governments again will face the invidious choice of bailing them out or facing the social and political consequences. However gruesome the prospect, the EC will have to re-open some of its state aid files.



Source: *ESG.*

SAir - and now the rescue plan

SAir has announced one of the most spectacular financial results in European aviation history - a net loss of Sfr2.9bn ($1.7bn) on revenues of Sfr15bn, with Sfr2.4bn of the loss related to write-offs on its airline investments.

SAir, until recently thought of as one of Europe's financially robust airlines, is now looking very fragile with a debt/equity ratio of 6/1 on its balance sheet. Its share price plummeted another 30% of announcement of the results at the beginning of April, and Moody's downgraded its credit status from A3 to Baa3, one grade above junk bonds.

SAir, under the new leadership of Mario Corti, formerly head of Nestle, is now faced with putting together a turn-around strategy for the whole Group. He has at least the comfort of knowing that the Swiss governmental bodies, which retain a 13% stake in the company, will probably not let the core airline go bankrupt. State aid, in some form or another, may be necessary, which should be permissible given that Switzerland is outside the EU and the European Economic Airspace Agreement.

Painful exiting

Exiting from the investee airlines looks as if it will be very complicated, not least because many of the aircraft financing deals signed by these carriers impose serious penalties if the SAir link is cut.

Starting with the French situation: AOM, Air Litoral and Air Liberte are still three completed uncoordinated airlines with three different cultures producing a combined operating loss of about Sfr480m in 2000. They continue to suffer from union problems and face powerful competition from the TGV high-speed network.

One alternative is to declare bankruptcy, but such are the extent of SAir's obligations this would probably be the most expensive option, with the risk of long and tortuous legal proceedings. The strategy could centre on selling some assets, such as the Nice operation, where Air Littoral has a good position, and/or the long-haul routes to the French Caribbean, then restructuring the network, with the aim of providing feed to an alliance partner. An immediate problem is that Air Littoral, to whom Sair has cut off funding, would only command a distress sale price now.

Perhaps the French government will intervene - the first instance of state aid to a non flag-carrier.

Having just pumped €250m into Sabena (see *Aviation Strategy*, March 2001), SAir has little choice but to stick with this airline. Here the strategy will have to be old-fashioned asset stripping. Cash could be raised from the sale of parked A340s and other assets. The network could be severely trimmed as well, with transatlantic services being an obvious target, but agreements with the unions which themselves are contributing to Sabena's rescue plan may limit SAir's scope for action.

LTU has yet to see any benefits from tour operator Rewe's purchase of 40% of this charter last year (SAir is stuck with 49.9%). The operating loss for 2000 is estimated at Sfr 220m on revenues of Sfr1.6bn. An outside possibility here would be for SAir to tempt Airtours/Fti into a further expansion in the German market by putting its share up for sale at a distressed price.

SAir pulled out of the TAP investment (34% planned) last December and there have been mutterings from the Portuguese government about law suits. This probably will not happen but SAir will not get away completely free - it will have to provide some aircraft financing guarantees for TAP and maybe also for Portugalia whose purchase agreement fell through earlier in 2000.

In Italy SAir's two investee airlines, Volare and Air Europe Italy, lost over Sfr100m between then at the operating level last year. Problems include the expenses associated with the introduction of new 777s, low domestic load factors, competition from Alitalia and, most importantly, negative synergies from the attempted merger of the two airlines. The plan seems to be to continue with the merger, centering operations at Milan Linate, and hope that cost saving emerge and that yield can be improved.

These two airlines could probably be sold on without too many legal complications, but there are no obvious purchasers on the horizon.

LOT's operating profit in 2000 was marginal - Sfr13m on Sfr1.1bn of revenues - but it was a profit. LOT has a modern fleet, a dominant position at Warsaw and is by far the most successful of the former Soviet Bloc carriers, but it does have problems winning Western customers and is under constant threat from Lufthansa and its Star partners.

SAir's best strategy would appear to be to keep its investment and assist in whatever way possible in building LOT's hub network. At a later date it may then be possible for SAir to sell its stake to BA/American as part of the upcoming alliance re-alignment process.

SAA has been the most successful of SAir's investments, producing an estimated operating profit of Sfr380 in 2000 on revenues of Sfr2.2bn. Selling its 20% stake would be a relatively easy way of raising cash, though it wouldn't recover its original expenditure of Sfr370m. SAir's best option here might be to hold on to its stake until the planned pivatisation next year which could coincide with SAA joining either oneworld or Star. At that point selling on the stake to Lufthsansa/United or BA/American might be logical.

So from this review it becomes painfully clear that there is no way for SAir to unload its loss-making airline investments in the near future. These investments were intended to generate new market opportunities for SAir's successful service companies. Now SAir's service companies will have to be sacrificed to cover the investment losses.

As for Swissair itself, it made a substantial operating loss of Sfr195m in 2000. The charter airline Balair lost a further Sfr25m and even Crossair, the efficient regional subsidiary, went into the red for the first time with an estimated operating loss of Sfr20m.

Swissair, if it is to survive, now at least must have a clear vision of the future: this involves getting eventually getting rid of the SAir and Qualiflyer baggage (including the names) and re-establishing itself as a niche, high-quality carrier linked into the oneworld alliance (becoming a BA franchisee might be a step too far).

The aim of establishing a strong position in the EU through acquisition now seems totally misguided. The protection gained from bilateral, including its open skies antitrust-immunised agreement with the US, is vital to its future.

Assets for sale

Returning to the possible disposals - SAir may have to sell most or all of Gate Gourmet, Nuance, Swissport and Flight lease. It certainly won't be able to charge premium prices and so there could well be some bargains for the company's erstwhile competitors.

Gate Gourmet is the is the second largest airline catering company after Lufthansa's LSG. LSG would certainly be interested in GateGourmet but this would raise monopolistic concerns. It could go to one of the smaller players like Air France's Servair, which would then have a similar global scale to that of LSG.

Nuance is an important airport retailing and duty-free merchandiser. It could attract the interest of similar operators like Aer Rianta.

Swissport is a leading supplier of third-party ground handling services. Again the biggest competitor is a Lufthansa company, Globeground, and again a merger of the two would attract the interest of the competition authorities. There might be opportunities for the UK-based Menzies Group or the French Servisair.

Flightlease, the operating lease subsidiary, could be swallowed up by one of several leasing companies or financial institutions in line with the consolidation that is taking place in this sector.

Seattle's sonic tonic

There was certain panache in the manner in which Boeing has just retreated from the super-jumbo market. Faced with a dearth of launch orders for its stretched 747X, Boeing was left in the embarrassing position of withdrawing from the market an aircraft which it had hitherto proclaimed as a much cheaper way to achieve the same performance as the all-new A380. So Alan Mulally, chief executive of Boeing Commercial Aircraft, decided to trumpet a paper aeroplane that has been under study in Seattle, the Sonic Cruiser, a 180-250 -seater to fly at Mach 0.95, some 15-20% faster than conventional jets, but without the noise problems of supersonic Concorde.

It was a public relations triumph. Seattle citizens, rocked by Boeing's earlier decision to move its corporate headquarters to Texas or the mid-West and to move shift some more fuselage production to Kansas, suddenly had a morale booster. Boeing staff are calling the new aircraft the "Airbus-killer".

Yet there are still formidable technical hurdles to clear if Boeing is to produce an aircraft that shaves an hour off every 3,000 miles travelled without sending the fuel bill through the roof. And the haste with which the proposed project was unveiled suggests that it is still some way off. So does the lack of specific information on its performance.

Whatever the underlying status of the Sonic Cruiser, it is still a remarkable turnround for Boeing. As late as last October Alan Mulally was confident he was about to sign up his first launch customer for the 747X. He had set his sights on Fedex, because cargo carriers had been showing interest in ever-larger aircraft. In the event, the Fedex order went to Airbus helping it reach the total it needed to formally launch the A380 in January; it now has 66 orders and 50 options.

Although it seems inconceivable that Boeing can walk away from the market for super-jumbos, it has for years been talking up the idea that international aviation is fragmenting and that travellers increasingly want to fly point-to-point rather than go through big hubs. It claims that the fragmentation it detects across the Atlantic is about to be repeated over the Pacific.

Based on this analysis Boeing has forecast only a small market for around 350 super-jumbos, compared with 1,550 in the view of Airbus. One reason for the huge difference is that Airbus claims that the A380 is a contender to replace the existing 747 so it counts the market for everything over 400 seats, while Boeing still sees that as a separate market, about the same size as that for the super-jumbo. But the essential difference between the two manufacturers is that Airbus believes the sheer volume of traffic flying between slot-constrained airports creates a market for the A380.

Airbus disconcerted

Privately Airbus executives cannot really believe that Boeing is walking away from what they see as a large and lucrative market, where they saw profits from the A380, even if it shared it equally with a Boeing product.

The nightmare that Airbus faces is that A380 orders, now that launch discounts will no longer be offered, slow to a trickle. BA continues to spurn the A380 and rely instead on 777s, despite facing continuing congestion at Heathrow, which the A380 is supposed to resolve. Another worry for Airbus is that when the sonic cruiser is finally launched, airlines like BA will use it to cream off business travellers on key routes, leaving the mass market for A380s and in the process undermining the aircraft's economics (certainly no more onboard jacuzzis or casinos).

Perhaps the most interesting facet of Boeing's behaviour is how different it is from the past. When the original Airbus twin-engined widebodies were unveiled, Boeing dismissed them as ill-conceived and not what the market wanted, before going on to launch its own first twin-widebody, the 767. A similar thing happened when the A320 was launched, precipitating the 737NG project. This time Boeing has finally decided to go its own way and refuse to follow an Airbus initiative.

Has downsizing worked?

In the mid-1990s, British Airways started to see that it was going to encounter some serious profitability problems. It had been coasting for many years in the knowledge that it was the best of the European bunch, that it had a very strong natural demand of point to point passengers to and from its fortress at Heathrow, and that because it was operating under a relatively weak currency it had the opportunity to use its superior route network to attack the lower value but incremental transfer traffic through its two "hubs" of Heathrow and Gatwick - and this it accelerated following the fall of Sterling in the ERM crisis in 1995.

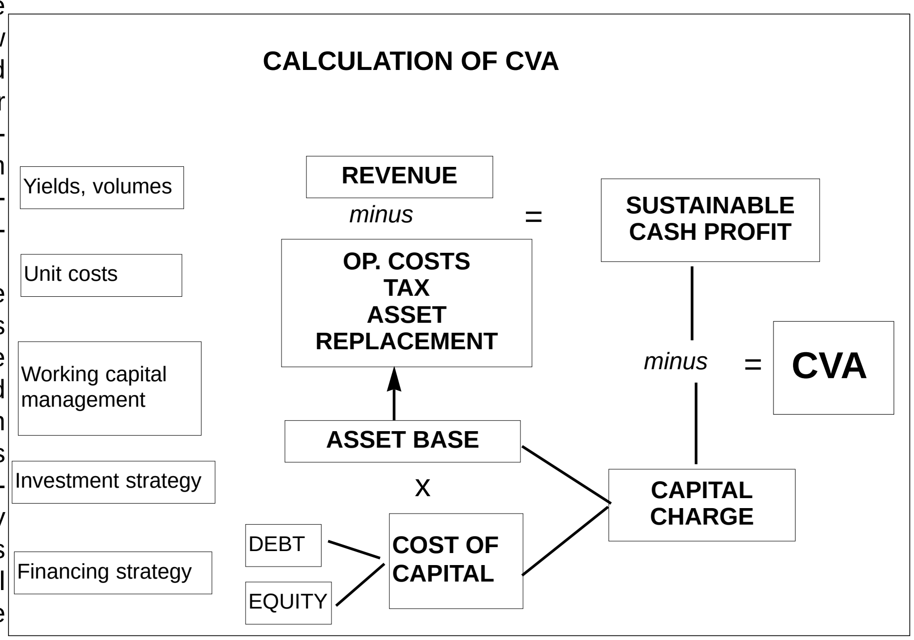
It had been growing capacity strongly based partly on the assumption that its alliance partnership with American would be consummated, that as a result it would have to accept open-skies, and that the restrictions at Heathrow and Gatwick would require it to have larger aircraft in order to maximise the use of its limited number of slots.

Neither of its main airports can be true hubs: they are both slot constrained, LHR with only two runways and LGW with one, neither has the possibility for new runways: it would be impossible for BA to try to establish a wave system to maximise interconnection potentials.

However, the economics of its operations were weakening. It had seen its European operations results decline into losses. It had already cut much of its non-essential expenditure through disposals and outsourcing and had little further cost-saving to find. Since privatisation it has always been highly profitable and shareholder-orientated and the management could see that it would be increasingly difficult to maintain improvements in returns to shareholders while unit costs grew faster than unit revenues.

In addition, the competition was becoming serious. Many were seen to have matched BA's product quality, while its own quality standards had slipped. It was "going through a bad patch". Lufthansa was achieving the success in generating a global alliance that BA lacked, had seriously improved its market offering and had started to make Frankfurt and Munich into really competitive hubs (although it did not have the point to point market of which BA can boast).

Whereas ten years before, BA had the largest number of gateways available in the US of any European carrier, and could boast the largest international number of destinations, with London being the first landfall city destination for many long haul flights, the



competitors were increasingly developing routes that bypassed Heathrow and the code shares available to its European competitors from their anti-trust immunity status removed the gateway superiority that the company previously could boast.

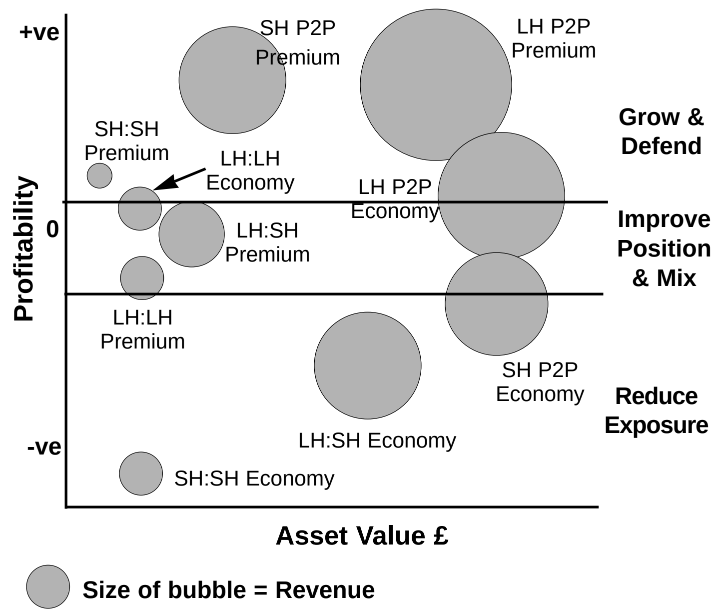
In addition, Air France was finally starting to get its act together in its target towards profitability and privatisation. It uniquely had the potential to offer a really competitive hub in that it had a good level of point-to-point demand at its base in Paris as well as the space and the political will to develop CDG into a strong wave-based hub of operations (the fourth runway comes on stream this year).

Furthermore, the terminal capacity that would be provided by the fifth terminal at Heathrow will not now be available before the end of the current decade - and Heathrow needs the capacity for handling passengers now.

BA started a major review of strategy. The main plank of this review was a corporate financial target of Cash Value Added returns - to enable the proof that the company was not destroying capital in any element of its business. Simply speaking it needs to achieve a real CVA return in excess of its weighted average costs of capital (WACC) of 7% post tax. On top of this the company uses this financial tool to put their own results into context, to provide the basis for decision making particularly in capital expenditure, acquisitions and disposals, and in analysing their own business. The company's results were falling far short of the target: there were three ways to improve the returns: raise revenues, cut costs, cut capital employed in the business.

This financial strategy was applied to all segments of the business. For the passenger business is emphasising the improvement in revenues and the reduction in capital. The company tried to identify each of the major demand segments, the assets and asset value applied, and the returns achieved. This has always been difficult even in an industry with such a plethora of data. The prime difficulty is in applying the correct algorithm for the allocation of costs and revenues accurately over multi-segment flights.

PROFITABILITY OF BA'S BUSINESS SEGMENTS



SH = Short haul; LH = Long haul; P2P = Point to Point

The simple form of the analysis split the demand segments into a three dimensional matrix of Long Haul and short haul, point to point and transfer, premium traffic and economy. The revenue and profitability were then compared to the estimated asset value employed in the acquisition of each demand segment. The chart of this analysis, originally reproduced in the March 2000 issue of *Aviation Strategy*, has become known as Spurlock's Balloons after the company's strategist.

From this BA could prove to itself that it could not afford to concentrate on acquiring short haul to short haul, or long haul to short haul economy transfer traffic - and even short haul to short haul point to point economy traffic was destroying value.

The brave element of this analysis was the attempt to turn the traditional view of airline operations on its head: that the acquisition of marginal traffic was important as long as the marginal cost of acquisition did not exceed the marginal revenue acquired. In doing so it showed the promise of applying a modified form of enterprise value added analysis to the airline business.

The conclusions available from this analysis were aided substantially by Boeing's introduction into service of the 777 (and for that matter Airbus' introduction of the A-330). For the first time in the Jet era, there was a new aircraft that offered a lower seat unit cost without having more seats. BA's previous long haul strategy had relied on the 747. To feed the transfer traffic from short haul onto long haul it needed relatively large short haul aircraft. To acquire the traffic to fill the seats on the large long haul aircraft it needed to discount.

In the words of the company strategist, "bulk seats do not make returns to shareholders, frequencies, destinations and a premium product do".

The conclusion was simple: downsize and concentrate on premium traffic. The company switched existing 747 orders to slots for 777s. It decided to accelerate its capital expenditure programme substantially to replace the older 747s with 777s. It introduced a new subfleet with the decision to acquire aircraft from the A320 family to replace the older 737s and 757s.

It developed a route strategy to remove exposure to non-performing destinations, cut individual flight capacity and increase frequencies. When the strategy was promulgated, the company was unfairly criticised for turning its back on the economy leisure passenger. It is not. It is accepting that its shareholders cannot allow it to afford to fly passengers at a loss.

The conclusion was simple; but turning a ship around as big as an oil tanker going at full speed is not, and the implementation took time. The board took the decision on the new strategy towards the end of the 1998 financial year. The fruits are just starting to show.

THEORETICAL REVENUE IMPACT OF DOWNSIZING

LONG HAUL				
	747-400		**777**	
	Pax	Price	Pax	Price
Premium	40	950	40	950
Economy	210	160	130	70
Average		285		350
		Price per pax		+23%
		Load factor		+3 points
		Rev per seat		+30%
SHORT HAUL				
	757-200		**A320**	
	Pax	Price	Pax	Price
Premium	30	216	30	216
Economy	92	61	85	63
Average		99		103
		Price per pax		+4%
		Load factor		+6 points
		Rev per seat		+13%

Source:BA, March 2000

Product

Once the analysis was there, and the conclusion to emphasise the acquisition of premium traffic, the company had to consider raising the level of its premium class offering well above the competition. Since privatisation BA has been strongly brand market oriented, maintaining a portfolio of brands specifically targetted to its demand segments - and as such is one of the few carriers world-wide that has successfully segmented its brands.

One of the main trends in consumer marketing is that product life cycles are shortening and that brands need to be relaunched increasingly frequently. Since the last introduction of its business brand "Club World", the competition had caught up. Many had dispensed with a first class offering and now provided a business class space and comfort level substantially higher than BA's - effectively equivalent to the first class offering of 25 years ago.

BA needed to revamp a tired brand. It stood the equation on its head and designed a business class product nearly equivalent to a first class product on any other carrier. It took a close look at what its business passengers wanted on long haul: the ability to sleep, to work and relax. As a result it patented a seat that like its first class product reclines to a flat bed; it introduced privacy screens; it provided laptop power points.

The roll-out of the brand has been slow and connected with the timing of the delivery of the 777s and major checks on the newer 747s. The first aircraft embodied with the new configuration took off in March 2000 - and initially flew on the company's busiest North Atlantic routes. BA has now fitted out 35 of its long haul aircraft with the new club beds including the first nine 777s. All aircraft on flights to HKG, SFO, MNL, TPE, ORD, JFK, EWR, NRT are fully embodied. Those on routes to IAD, LAX and JNB are in the process of embodiment.

The new Club brand offering then produced an additional problem - one that perennially appears in upgrading a sub brand. The new club class could be seen to detract from the first class product. As a result it was necessary to relaunch the first class product to maintain the apparent differential in pricing from the business class offering. The improvements include in seat power, better lumbar support, in-seat telephony and a redesigned cabin interior.

At the same time the company introduced a fourth class. This is in recognition of the number of passengers who travelling on business fly in the back of the bus but effectively pay the full economy fare. (It is never really nice as a traveller to find that whereas you paid $1,500 for a flight the guy next to you paid $300). The new World Traveller Plus cabin offers more leg room and the equivalent almost of the early business class products.

With the new route strategy, the company also refurbished the short haul business brand: Club Europe gained new leather seats, new interiors and a new catering product. The new aircraft fittings include much larger overhead bins and the company allows a friendlier hand baggage policy. The roll out started in the summer of 1999 and completed in autumn 2000. The result has again been a jump in customer satisfaction market share and revenue.

ACTUAL EFFECT OF FLEET CHANGES

IMPACT ON LONG HAUL ROUTES (Oct-Nov 2000)

	ASKs	Unit Rev.	Profit	Fleet change
LGW-US	-14%	+48%	+£2.5m	747-200 to 777
LHR-US	-8%	+24%	+£1.8m	747-400 to 747-200
LHR-Asia	-37%	+53%	+£1.7m	747-400 to 777

IMPACT ON SHORT HAUL ROUTES (Oct-Nov 2000)

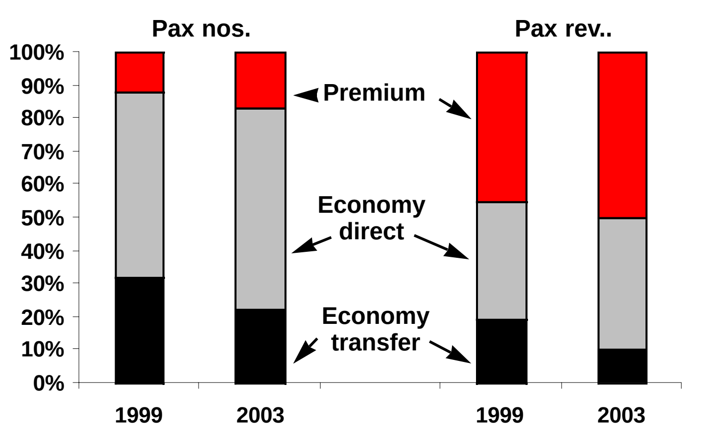
	ASKs	Unit Rev.	Profit	Fleet change
LHR-Scandinavia	-21%	+35%	+£2.1m	767 & 757 to 757 and A319
LHR-Mediterranean	-15%	+31%	+£1.9m	767 to 767 & 757
LHR-Benelux	-13%	+42%	+£1.7m	757 to A319 & 737-400

Note: Change against same period of 1999

Scorecard

The conclusion must be that the strategy has started to work - and that this is starting to be felt in the results. The airline's capacity has now peaked and is set to fall over the next two years. Unit revenues have started to rise strongly. Although - as is usual when an airline shrinks - unit costs will rise, it appears that on balance unit revenues should rise faster and that BA should finally be able to achieve a positive gap between its WACC and CVA return. One consequence of a reduced exposure to back-of-the-bus traffic may well be a lower cyclicality in its returns and may provide some defence against short term fluctuations in leisure demand. Downsizing in advance of a recession now appears to be a sound strategy, but the big unknown is the effect of intensified competition for business travellers.

IMPACT ON PASSENGER MIX



By James Halstead

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Iberia - the Air France story repeated?

Iberia is the latest European carrier to be fully privatised. It hopes to emulate the performance of Air France by transforming itself from an inefficient, state-supported flag-carrier to a commercially successful airline with an important role in a global alliance.

The Spanish state holding company, SEPI, is selling its 53.9% stake in the airline to both institutional and private investors. The remaining 46.1% of the airline was sold in March 2000 to a group of core shareholders - British Airways (9%), American Airlines (1%), the employees (6%) with the remaining 30.1% being held by a number of large Spanish companies.

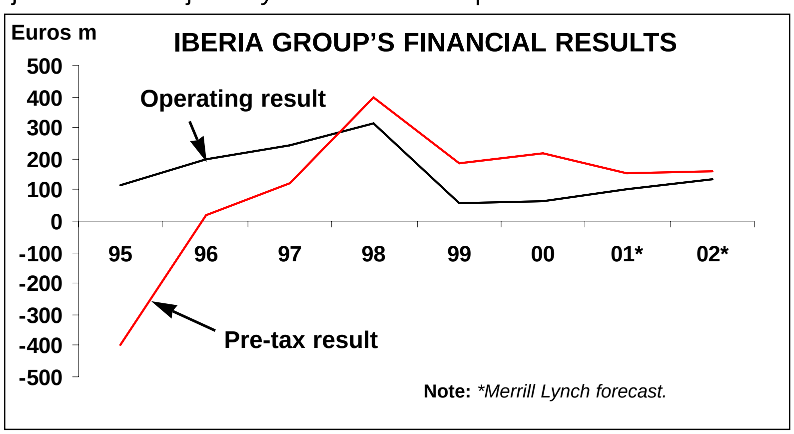
The pricing of the issue was subject to much press, commercial and political debate. The initial price range of between €1.71 to € 2.14 per share would have valued Iberia at between € 1.56bn and € 1.95 bn ($1.39bn to $1.74bn). Although the local retail demand (private investors) appeared adequate, with indications of a 1.5 times over-subscription, institutions were highly critical of what they perceived to be over-pricing of the issue. So at the beginning of April the price was lowered to € 1.19, capitalising the airline at € 1.1bn, at which price the issue was three times over-subscribed by the institutions.

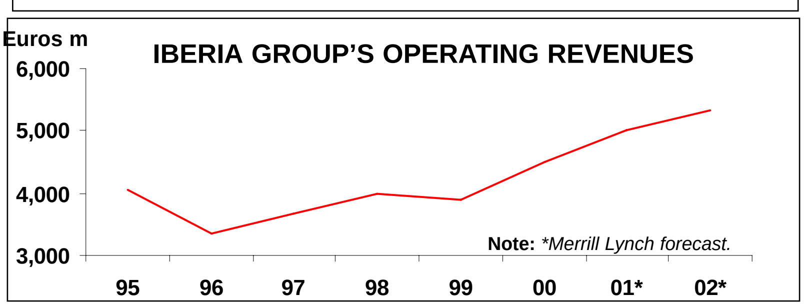
For potential investors, the main sales message was Iberia's potential for above average growth and the management's ability to continue to deliver profits post the airlines' dramatic financial turnaround. At a Merrill Lynch conference in March, Enrique Dupuy de Lome Chavarri, Iberia's Finance Director, held out the potential for double digit EBITDA growth in the next two years.

Although Iberia is the sixth largest European carrier, it is firmly in the second rank of European airlines behind the big three - British Airways, Lufthansa and Air France. It is smaller than KLM and Alitalia in RPK terms, but ahead of Swissair, Virgin Atlantic and SAS.

Iberia's specialist role has always been as being the main carrier from Europe to the South American market. Unfortunately, the pace of economic development of South America has been disappointing, as the major countries, Brazil and Argentina, continue fail to fulfil their immense potential. However, Iberia has been increasing its share of the Europe-South America market and now holds a top-ranked 15% market share, some five points ahead of Air France and British Airways.

IATA predicts that the Spanish scheduled market will be the fastest growing of the major global air travel markets between 2000 and 2004. Its forecasts show the Spanish international scheduled passenger market growing at 6.5% p.a. for the period 2000-2004 and the Spanish domestic market by 10.2% p.a. over the same period. One reason is that Spain remains well below the European average in terms of airline passenger journeys per head of population at just over one journey versus an European





IBERIA'S FINANCIAL OUTLOOK

Euros m	2000	2001*	2002*	2003*
Group revenues	4,489	5,010	5,344	5,652
Group op. profit	66	103	137	165
Operating margin	1.5%	2.1%	2.6%	2.9%
Pre-tax profit	221	155	162	190
Pre-tax profit margin	4.9%	3.1%	3.0%	3.4%

*Source: *Merrill Lynch estimates. Note: Exceptional items amounted to Euro 49m in 1999, Euro153m in 2000 and an expected Euro 36m in 2001, Euro 9m in both 2002 and 2003 as a result of the sale of aircraft, property and other assets.*

average of over 1.5 journeys per head.

Like Air France, Iberia growth in the 1990's was stifled by poor financial health and by restraints placed upon the carrier by the European Commission. Again like Air France, this holds out the prospect of Iberia achieving above average traffic growth rates through re-gaining "natural" market share. Also, just as Air France has benefited hugely from its uncongested hub at CDG, Iberia enjoys has more or less unfettered growth potential at its Madrid and Barcelona hubs.

Madrid-Barajas has permission to double its existing two runways to four by 2004, and airbridges are set to increase from 40 today to 97. Iberia operates a five-wave system at Madrid but connecting traffic is hampered by the fact the airline operates from three separate terminals. By 2004 Iberia and its oneworld partners will be housed in a single new terminal.

At Barcelona Iberia operates a three-wave system. By 2004, Barcelona will have added a third runway and double the number of available airbridges to 48. A new terminal is scheduled to open in 2005.

Like Air France, Iberia proved slow to adapt to the liberalised regulatory environment and needed to be rescued through government state aid injections which totalled € 1.4bn since 1992. The EC took a close interest in the affairs of Iberia when the airline returned for a second round of state aid in 1994, with some lame excuses about "exceptional circumstances". The conditions imposed by the EC forced Iberia to tackle fundamental problems. Under new management headed by ex-General Electric executive Xabier de Irala, excessive costs were attacked; during the period 1994 to 1996 Iberia shed 15% of its staff, and salaries were frozen.

IBERIA'S SEGMENTAL GROWTH PLANS 2000-03

	Domestic	European	Long-haul	Network total
Destinations	34	41	26	101
Average daily frequency	296	144	24	464
Daily frequency increase	20	42	4	66
% increase in frequency	6.8%	29.2%	16.7%	14.2%
Forecast revenue mix 2003	34.5%	32.2%	33.3%	100.0%

Source: *Iberia and Merrill Lynch estimates.*

The EC also required Iberia to sell its Latin America investments, which had proved to be a disastrous cash drain on the carrier without providing any significant market benefits. Its stake in Aerolineas Argentinas has been reduced from 83% to 0.35% and has been fully provisioned; the 38% stake in Ladeco was sold in 1998; and Viasa, in which Iberia held a 45% stake, went bankrupt in 1997.

Iberia enjoys a 70% share of the Spanish domestic market, the second largest domestic market in Europe (behind France). With a recorded growth rate of 13% in the year 2000, the Iberia management expects that future domestic growth rates could continue to be double digit, and that the Spanish market will in turn overtake the French market.

The former domestic carrier,Aviaco, was consolidated into the Iberia Group some years ago (Iberia bought the 67% of Aviaco it did not already own from SEPI in 1998 for € 234m), and Iberia also owns two regional carriers, Binter Canarias and Binter Mediterraneo. Its franchise agreement with Air Nostrum extends Iberia's control over the domestic market, but its recent attempt to buy the second largest carrier, Air Europa, has failed.

The Air Europa/Iberia negotiations apparently foundered for two reasons. First, as part of the deal Air Europa chairman Juan Hidalgo would have received 10% of Iberia which other shareholders objected to. Second, Iberia's pilots were concerned about the impact of incorporating Air Europa personnel.

Iberia presently enjoys a lower cost base than its scheduled northern European rivals rivals thanks largely to its lower labour costs. Iberia's financial traumas in the first half of the 1990s ensured that employees were forced to accept almost draconian terms to keep the company afloat. Perhaps the greatest challenge facing management is to ensure that future wage agreements do not undermine the progress made. It should also be remembered that international traffic flows to Spain are dominated by UK and German charters (about 80% of the total) whose unit costs Iberia cannot hope to match.

There is potential for the airline to improve productivity. Average aircraft utilisation is presently a somewhat pedestrian 7.6 block hours per day, and the management have targeted an 18% increase to 9 block hours per day. Pilots have also undertaken to fly 20% more block hours per month.

Iberia is also looking to the Internet to reduce distribution costs. Currently 1.5% of passenger revenues are derived from the Internet. The target set by management is to achieve direct ticket sales of between 28% by 2003, 7% through Iberia.com and 21%through virtual travel agencies.

Competitive threats

The Spanish market is being targeted by the fast growing low cost airline sector. Both Go and easyJet serve Spanish destinations from the UK and Switzerland. So far perhaps Europe's most aggressive low cost competitor, Ryanair, has avoided the Spanish market probably because it has been unable to complete any airport deals in the country. Spain's airports are almost exclusively controlled by publicly owned AENA, and so far it is not willing to break its strict pricing policy.

A high-speed rail link is set to open between Madrid and Barcelona in 2004. This route today accounts for 25% of total domestic passengers in Spain (5m passengers in 1999) and has strong business element (42% of the total), which accounts for yields on the route being 28% ahead of the domestic average. Iberia operates a shuttle service on the route and enjoys a 78% market share. It is Iberia's belief that when the rail service opens it may lose 20% of its market share on the route.

Iberia is the only carrier with a concession to operate handling services at all 37 of Spain's major commercial airports. The introduction of competition in the market, following EC directives, has reduced Iberia's share of third party ground handling to 65%. In March 2000, 15 of Iberia's sole handling concessions were opened up to competitive tender, with Ineuropa and Eurohandling providing the prime competition.

Alliance silence

It is interesting that the sales message being pushed the airline's management and by the investment bankers which are in charge of the privatisation process places little emphasis on the alliance front. In March 2000, British Airways acquired a 9% stake in Iberia and American Airlines a 1% stake which secured Iberia's position in the oneworld alliance, which it joined in September 1999.

Iberia estimates that the incremental feed generated from its oneworld alliance partners (it is assumed mostly BA and American) is some Euro € 120m in annualised revenue benefits, which amounts to 3.3% of total passenger revenues in 2000. A potential re-launch of oneworld this year, with closer co-operation between BA and American, should generate more revenue in the future for Iberia.

BA and American were able to negotiate a very prudent deal with Sepi when they acquired their respective stakes in Iberia. Although they bought into Iberia at Euro 3.50 per share it was agreed that this price would be reduced to match the price upon flotation. Both carriers therefore look set to receive a substantial rebate on the consideration they paid to Sepi in March and December 2000. BA's rebate is estimated to be in the order of € 100m.

Future strategy

Management is focussed on trying to increase average yield through network and product developments. Passenger yields at Iberia are perceived to be below European averages (adjusted for stage length). For example, Alitalia, which has a similar aver-

IBERIA'S FLEET PLANS

	1998	1999	2000	2001	2002	2003	2004
Long-haul							
747	9	9	10	9	9	7	4
767-300	2	2	2	2	2		
340-600	8	9	12	15	18	19	20
350-400 seater						4	7
DC-10	4	6					
Short-haul							
A300	6	6	6	6	6	6	6
767	8	15	18	18	16	16	12
727	28	26	12	2			
A321			2	4	9	11	18
A320	22	32	43	53	64	68	70
A319			4	4	4	4	4
MD88	13	13	13	13	13	13	13
MD87	24	24	24	24	24	24	24
DC-9	25	16	7				
757	6	6	6	6	6	8	8
TOTAL	**155**	**164**	**159**	**155**	**173**	**180**	**186**

age stage length to Iberia, enjoys average passenger yields that are 6.3% above Iberia's.

At present only 14% of Iberia's intra-European traffic is premium, a proportion which Iberia hopes to improve through the introduction of "variable geometry" seating in new aircraft which will permits a 25% increase in business capacity. On Iberia's long-haul routes, only 9.3% of its passengers fly in business class cabin versus an estimated European carrier average of 13%. A target of a 3.6% improvement in nominal unit revenues has been set for 2003 versus the year 2000.

Future capacity growth will be aimed at re-capturing and improving market share in the Spain-Europe markets, and consolidating its number one position in the Europe-Latin America markets and the Spanish domestic market. Merrill Lynch estimates show Iberia increasing capacity (ASKs) by 10.2% in 2001, 7% in 2002 and a further 7% in 2003. The plan is to increase frequency rather than establishing new routes, again with the aim of improving the attractiveness of the network to the business traveller.

The impact of the fleet renewal programme will see the average age of the fleet fall from the current 9.1 years to 7 years by 2003. In addition significant cost savings are expected from a reduction in the number of types from nine to six.

The fleet plan has some in-built flexibility, which will be a source of comfort for investors given the uncertainty of the economic and traffic outlook. A combination of the non-exercise of options, the non-renewal of operating leases and the termination of contracts of aircraft which are expected to be wet leased during the period would see a 2003 year end fleet of 152 aircraft, 16% less than the current plan.

US regionals: well positioned for the downturn?

As the earnings outlook for the US major airlines has deteriorated, there has again been a surge of interest from investors in regional airline stocks, which have proved recession-resistant in the past. Carriers like Atlantic Coast (ACA), SkyWest and Mesa have recently placed substantial new regional jet orders, and their shares look undervalued in light of the strong capacity and profit growth potential. Will the regional airline sector live up to the expectations?

In many ways, US regional airlines seem better positioned for an economic downturn than ever before. First, the earlier fears that scope clause restrictions in major carriers' pilot contracts might hinder RJ expansion have proved unfounded. Many of the regionals now look set to continue to grow extremely rapidly for the foreseeable future.

Second, the increasingly prevalent fixed-fee type financial arrangements between the major carriers and their regional partners effectively protect the smaller airlines from the effects of a softening economy.

Also, as Embraer's CEO Mauricio Botelho argued in a recent conference call, regional airlines may even benefit from an economic downturn now that their RJ fleets have expanded. Because of their comfort and good passenger perception, regional jets have changed the way markets are developed. The major carriers will have more incentive to transfer recession-impacted, lower-density short haul routes to their feeder partners, because there is little risk of losing traffic and valuable market share when downsizing from large jets to RJs (rather than turboprops).

Rapid capacity growth

The regional sector has grown extremely rapidly since the mid-1990s as the process of utilising regional jets has gathered pace. The US RJ fleet expanded from just 35 aircraft five years ago to 569 in 2000, which led to annual capacity growth as high as 20-30% for some operators. However, until recently carriers like ACA and SkyWest were in limbo in respect of longer-term plans, unable to get authorisation from their partners to firm up conditional RJ orders. The nagging concern was whether the major carriers' pilot unions would permit continuation of rapid RJ deployment.

A major breakthrough came in October 2000, when United's pilots ratified a new labour contract that gave them the wage increases they wanted. They agreed to relax substantially the RJ scope clause provisions in their contract. The number of RJs allowed in United Express service went up from 65 to 102 immediately, and the total is expected to reach 390 by the end of 2002.

As a result, ACA, United's partner at Chicago and Dulles, secured an expanded 10-year United Express agreement. It was able to firm up a long-delayed conditional order for 30 Bombardier CRJs and place a new order for 32 Fairchild Dornier 328JETs. SkyWest, in turn, placed a $1.4bn CRJ order in January for United Express operation in Denver and West Coast markets. Further RJ orders from those carriers are clearly on the horizon, just waiting for United to sort out its hub priorities after its possible acquisition of US Airways.

The rest of the regional sector is also like-

$m

ATLANTIC COAST FINANCIAL RESULTS

Operating revenue

Net result

Note: *FY = calendar year. *First Call consensus estimates.*

$m

SKYWEST FINANCIAL RESULTS

Operating revenue

Net result

Note: *FY = to March 31st. *First Call consensus estimates.*

ly to benefit from the United pilot deal, because other major carriers will eventually have to match United's pilots' wages and/or accelerate RJ expansion for competitive reasons. In that respect, the United pilot deal was really a watershed development.

Delta, which currently has no RJ limits but is under pressure from its pilots to introduce such limits, is now likely to end up with a relatively liberal scope clause or none at all. Of course, both ACA and SkyWest already have firm arrangements in place to grow their Delta Connection RJ fleets to 50 and 46 aircraft respectively in three or four years' time.

In March America West, which has no RJ scope clause limits, announced that its regional jet operations would expand from the current 22 to 77 aircraft by 2005, with options for further growth to 129 aircraft. The additional RJs will help defend the Phoenix hub against Southwest and strengthen the Las Vegas and Columbus hubs.

Consequently, Mesa secured a tentative new long-term contract to operate up to 83 additional RJs for America West Express at Phoenix and Las Vegas, while Chautauqua (already a US Airways Express and TWA Express RJ operator) was signed up as a new regional partner at Columbus. Mesa immediately signed an LoI to buy up to $1.2bn worth of Bombardier's new 70-90 seat jets, becoming the launch customer for the CRJ-900.

All of this has ensured continuation (or in some cases resumption) of extremely strong capacity growth for the independent regionals until the middle of the decade - and longer if the options are exercised. ACA now expects its RJ fleet to triple to 158 by the end of 2003, which will mean 35% average annual ASM growth. After last year's pause, SkyWest's ASM growth will return to double-digits this year and will average around 37% in 2002-2004, as it increases its RJ fleet from the current 16 to 130 by the end of 2004. The expanded America West contract will enable Mesa to grow its capacity by at least 20% annually over the next few years.

In its latest annual forecast, the FAA predicts that the aggregate US regional jet fleet will surge from last year's 569 to 2,190 aircraft in 2012, when it would represent more than one third of the size of the large passenger jet aircraft fleet. However, longer-term expansion of that magnitude may not be possible because of ATC and airport capacity constraints.

Stable earnings growth, but new risks

Just about all the new or expanded contracts signed between the majors and their feeders in recent years have been on a fixed-fee or fee-per-departure (rather than pro-rate or revenue sharing) basis. This has had a major impact on the economics of the regional airlines' operations.

Under the new arrangements, the majors pay a flat fee per flight (in other words, buy the capacity from the regional), plus typically an incentive payment per passenger if specific operational performance and service standards are exceeded. The basic fee covers all costs and allows for an operating margin. This means that the regional makes the same amount of money regardless of what the fares are and how many passengers are on board - obviously useful in an economic downturn or a weak fare environment.

Also, fixed-fee contracts eliminate risk from fuel price fluctuations or operational problems experienced by the major carriers. When fuel prices surged last year and United was plagued by operational problems, ACA and SkyWest were unaffected.

The new contracts make extremely high (20%-plus) profit margins a thing of the past, but they remove risk and ensure a stable and predictable earnings stream, both on a seasonal and year-over-year basis. Analysts say that operating margins of up to 15%, or even 18% in some cases, are still possible under fixed-fee flying.

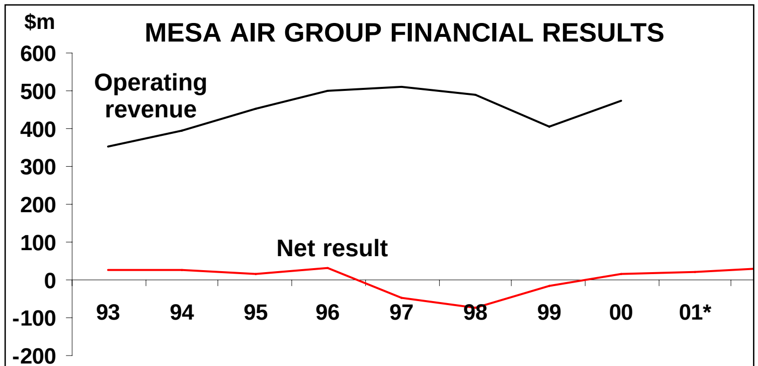
However, earnings stability is not guaranteed as fixed-fee remuneration poses its own risks and challenges. The key requirement is that the planned flying must take place, because earnings growth will be highly dependent on capacity growth. Also, the new contracts make it imperative to maintain good operational performance and service standards.

The three most obvious things that can reduce ASM production are weather disruptions, labour actions (at the regional airline) and poor execution of ambitious growth plans. By far the biggest challenge is to make sure that the infrastructure and employees will be in place to support rapid expansion.

In recent months several carriers have demonstrated some of the downside of fixed-fee flying - and also that regional airlines can still be adversely affected by a weakening economy. As a result, SkyWest's, Mesa's and Mesaba's earnings this year will not be quite as strong as expected earlier.

All of those carriers have suffered from an unusually high number of weather-related cancellations. SkyWest and Mesaba have also seen their flight crew and training expenses soar, as they have obviously had to continue to prepare for growth despite a softening economy. At least in SkyWest's case, pilot costs have exceeded the annual maximum reimbursed through its fixed-fee contracts. However, such issues are only temporary under fixed-fee flying - higher crew costs will be allowed for in the subsequent fiscal year's reimbursement plan.

But SkyWest has also felt the effects of a softening economy in its pro-rate Delta Connection markets, which account for 30% of its revenues. And, according to UBS Warburg analyst Jamie Baker, Mesa has reported deteriorating fundamentals in its pro-rate US Airways Express turboprop markets, which still generate a substantial 40% of its total revenue.



Note: *FY = to September 30th. *First Call consensus estimates.*

While airlines like Mesa and SkyWest will continue to be affected by the economy because they still have pro-rate flying, their earnings growth will still be much higher than that of the major carriers. SkyWest is currently expected to return to strong earnings growth when its growth accelerates in the latter part of this year.

Structural stability at last?

1999 was a turbulent (albeit still profitable) year for the US regional sector as Delta swallowed Comair and Atlantic Southeast (the two most profitable regionals), AMR purchased Business Express and integrated it with American Eagle, and Continental acquired a stake in Gulfstream International. There was much speculation that the major-regional consolidation trend would continue.

However, except for Northwest's probable acquisition of Mesaba, that seems to have been the extent of it. ACA, SkyWest and Mesa were able to retain their independence because they had already forged strong feeder relationships with multiple partners, because they embraced the fixed-fee contract concept and because they maintained or improved operational and service standards.

The proposed UAL/US Airways merger now presents an opportunity to reverse some of the earlier process, because United does not want US Airways' three wholly-owned regional subsidiaries. United believes that it could not operate the carriers profitably under its much higher wage levels (as required by its flight attendants' contract), and owning feeder partners is not consistent with its strategy.

The main beneficiary is likely to be ACA, which recently signed a conditional agreement with United that gives it the right of first refusal for any two of the three carriers - Allegheny, Piedmont and PSA Airlines. It is also possible that airlines like Mesa will get a piece of that pie.

At this point there are no commitments. If the UAL/US Airways merger closes, ACA and United will negotiate the purchase price and other details over an 18-month period, during which ACA can pull out without penalties. All of its costs would be reimbursed, and the carriers would be operated as separate subsidiaries during the transition period.

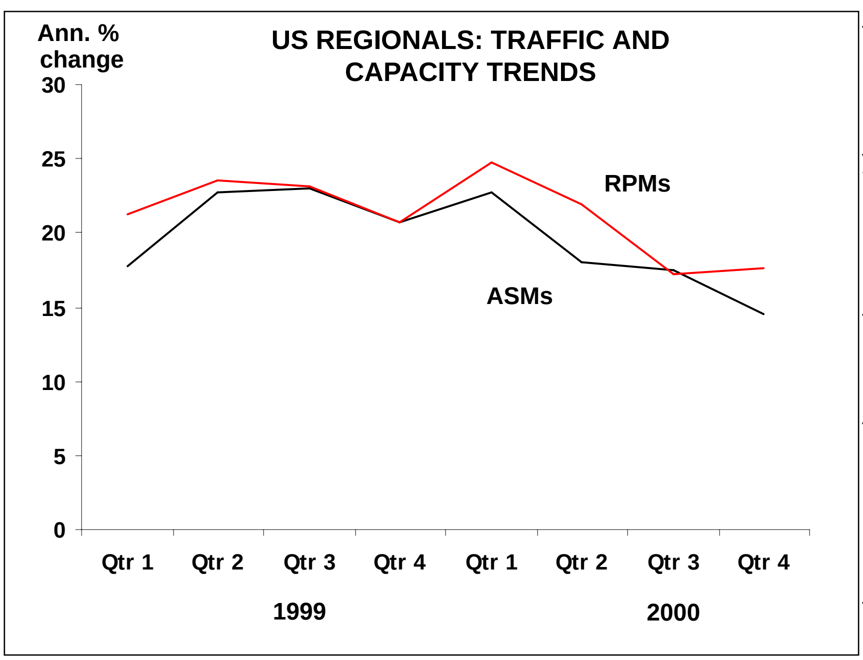
James Parker, analyst with Raymond James & Associates, believes that since the airlines would sign fixed-fee type United Express agreements, the acquisition would enhance ACA's already very favourable earnings outlook. However, this view is not shared by everyone on Wall Street as there are the usual concerns about a potentially increased debt burden and the disruptive effects of mergers. Some analysts have lowered ACA's stock recommendations, and its credit ratings look likely to be downgraded if the acquisitions take place.

Late last year Northwest offered to buy the remaining 72% of Mesaba that it does not already own for $13 per share - a move that had been expected for years as all of the small carrier's operation is under a codeshare agreement with Northwest. The talks have been plagued by disputes about contract payments and appear to be at a standstill, but the outcome seems inevitable.

Atlantic Coast

Atlantic Coast is probably the best-positioned of the publicly traded regionals for several reasons. First, it has highly successful feeder relationships with both United and Delta (about a 78%/22% revenue split). Second, 100% of its operations are now on a fixed-fee basis. Third, it has the largest RJ fleet and the largest RJ orderbook. Fourth, it is strong on the East Coast and present at the key hubs (Chicago and Washington Dulles), making it ideally positioned to benefit from the planned UAL/US Airways merger.

The company is realigning the fleets of its two units, ACA and ACJet (the new Delta Connection operation at LaGuardia) and blending their managements to enhance efficiency. ACJet's operation, which will grow to 30 aircraft by year-end, will focus exclusively on the 328JET. The United Express operation will utilize both CRJs and, from early next year, 328JETs, which the company suggests would be ideal for many US Airways Express routes. The aim is to become an all-jet operator by the end of 2004.



There appear to be no labour issues. ACA and ACJet pilots recently ratified a new 4.5-year contract that offers industry-leading pay rates.

Earnings outlook is extremely favourable, given the rapid planned capacity growth and 100% fixed-fee remuneration. The consensus estimate is that earnings will rise by 49% this year, to $1.07 per share, and by 23% in 2002.

After being the fastest-growing large regional carrier in recent years (36% annually in 1997-2000), ACA has shown that it can handle rapid expansion. However, integration of the US Airways feeders would pose considerable challenges. The purchase, initially valued at $200m, would also weaken an already highly leveraged balance sheet. At September 30, 2000, the company had debt of $75m, operating leases with a net present value of $500m and a planned capital spending of around $800m through 2003.

SkyWest

Like ACA, SkyWest benefits from being linked to two of the strongest majors, Delta and United, both of which have been happy with its performance. It operates as Delta Connection in Salt Lake City and as United Express on the West Coast.

However, unlike ACA, SkyWest still earns 30% of its revenues in a pro-rate arrangement with Delta, which makes it more exposed to the economy and fuel prices. But all of the growth going forward is on a fixed-fee basis, and the share of pro-rate flying is expected to decline to 10% by 2004.

SkyWest is behind its counterparts in RJ utilisation (only 16), but there is substantial growth ahead for both United and Delta. The airline has 114 CRJs on firm order for delivery over the next four years, plus 119 options for post-1994 delivery. In 2004 it expects to operate 84 CRJs for United and 46 CRJs for Delta. The plan is to reduce the Brasilia fleet from 96 to 65 aircraft over the four-year period.

This rapid move into regional jets was facilitated by a mid-January order for 64 CRJs plus 64 options for United Express operation in Denver and the West Coast markets, where currently only two RJs are utilised. This and a recently expanded Delta Connection contract will enable SkyWest to resume rapid capacity growth this year.

The pilot training and other issues are expected to be only temporary, and SkyWest's longer-term prospects remain healthy. Although its per-share earnings are estimated to have declined by about 6% in the fiscal year ended March 31, the current year's earnings are anticipated to increase by 30%.

Mesa

Mesa has come a long way since its bitter breakup with United three years ago. It has recovered financially, restored operational performance and won back the confidence of its codeshare partners. After steadily expanding its longstanding relationships with America West in Phoenix and US Airways along the East Coast and in the Midwest, the carrier recently received confirmation that United would honour its US Airways Express contract.

Mesa and United reached agreement to drop all outstanding litigation and to extend the current US Airways contract by two years to 2010, subject to the merger taking place. Although the deal merely confirmed Mesa's current allocation of 36 RJs, analysts believe that the carrier, with its substantial RJ orderbook, is well-positioned to gain more growth opportunities with United.

Under the expanded America West contract, Mesa will operate 43 additional regional jets (currently 22), including three CJ-200s, 20 CRJ-700s and 20 CRJ-900s. The 700 and 900 series deliveries will begin in early 2002 and 2003 respectively. The deal, which also provides for a higher profit margin in turboprop flying, facilitates continuation of 20%-plus annual capacity growth until the middle of the decade.

The intention has been to dedicate all Embraer ERJs to US Airways (or United) Express and all CRJs to America West by early next year. The turboprop fleet is expected to decline further from 118 to 52 aircraft or less by the end of 2002.

Since 40% of Mesa's revenues still come from pro-rate operations, the carrier is more exposed to a weakening economy than other regional carriers. Nevertheless, its per-share earnings are expected to increase by 24% in the current fiscal year (to September 30) and by 37% next year. Like SkyWest, Mesa is steadily expanding the proportion of fixed-fee flying as its RJ fleet grows and more turboprops are retired.

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EUROPEAN SCHEDULED TRAFFIC

	Intra-Europe			North Atlantic			Europe-Far East			Total long-haul			Total international		
	ASK bn	RPK bn	LF %	ASK bn	RPK bn	LF %	ASK bn	RPK bn	LF %	ASK bn	RPK bn	LF %	ASK bn	RPK bn	LF %
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
Jan 01	17.0	9.0	52.8	17.9	11.9	66.4	11.5	8.7	75.8	41.6	30.0	72.2	61.8	41.0	66.4
Ann. chng	4.1%	9.2%	2.5	5.7%	7.8%	1.3	0.1%	5.2%	3.6	2.4%	5.6%	2.2	3.0%	6.5%	2.2
Jan-Jan 01	17.0	9.0	52.8	17.9	11.9	66.4	11.5	8.7	75.8	41.6	30.0	72.2	61.8	41.0	66.4
Ann. chng	4.1%	9.2%	2.5	5.7%	7.8%	1.3	0.1%	5.2%	3.6	2.4%	5.6%	2.2	3.0%	6.5%	2.2

Source: AEA.

US MAJORS' SCHEDULED TRAFFIC

	Domestic			North Atlantic			Pacific			Latin America			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	867.7	538.5	62.1	140.3	97.0	69.2	112.5	79.7	70.8	55.8	32.5	58.2	308.7	209.2	67.8
1994	886.9	575.6	64.9	136.1	99.5	73.0	107.3	78.2	72.9	56.8	35.2	62.0	300.3	212.9	70.9
1995	900.4	591.4	65.7	130.4	98.5	75.6	114.3	83.7	73.2	62.1	39.1	63.0	306.7	221.3	72.1
1996	925.7	634.4	68.5	132.6	101.9	76.8	118.0	89.2	75.6	66.1	42.3	64.0	316.7	233.3	73.7
1997	953.3	663.7	69.6	138.1	108.9	78.9	122.0	91.2	74.7	71.3	46.4	65.1	331.2	246.5	74.4
1998	960.8	678.8	70.7	150.5	117.8	78.3	112.7	82.5	73.2	83.5	52.4	62.8	346.7	252.7	72.9
1999	1,007.3	707.5	70.2	164.2	128.2	78.1	113.2	84.7	74.8	81.3	54.3	66.8	358.7	267.2	74.5
2000	1,033.5	740.1	71.6										380.9	289.9	76.1
Dec 00	84.5	58.1	68.7										31.7	22.4	70.6
Ann. chng	-0.2%	1.9%	2.7										8.4%	15.0%	3.8
Jan-Dec 00	1,033.5	740.1	71.6										380.9	289.9	76.1
Ann. chng	2.6%	4.6%	1.4										6.2%	8.5%	1.6

Note: US Majors = American, Alaska, Am. West, Continental, Delta, NWA, Southwest, TWA, United, USAir. **Source:** Airlines, ESG.

ICAO WORLD TRAFFIC AND ESG FORECAST

	Domestic			International			Total			Domestic growth rate		International growth rate		Total growth rate	
	ASK bn	RPK bn	LF %	ASK bn	RPK bn	LF %	ASK bn	RPK bn	LF %	ASK %	RPK %	ASK %	RPK %	ASK %	RPK %
1993	1,349	855	63.3	1,785	1,205	67.5	3,135	2,060	65.7	3.4	2.0	4.4	4.8	3.9	3.6
1994	1,410	922	65.3	1,909	1,320	69.1	3,318	2,240	67.5	4.6	7.9	6.9	9.4	5.9	8.8
1995	1,468	970	66.1	2,070	1,444	69.8	3,537	2,414	68.3	4.1	5.4	8.5	9.4	6.6	7.8
1996	1,540	1,043	67.7	2,211	1,559	70.5	3,751	2,602	79.4	4.9	7.4	6.8	8.0	6.0	7.8
1997	1,584	1,089	68.8	2,346	1,672	71.3	3,930	2,763	70.3	2.9	4.5	6.1	7.2	4.8	6.1
1998	1,638	1,147	70.0	2,428	1,709	70.4	4,067	2,856	70.3	3.4	5.2	3.5	2.2	3.4	3.4
1999	1,911	1,297	67.9	2,600	1,858	71.5	4,512	3,157	70.0	5.4	5.0	5.7	7.4	5.6	6.4
2000	2,005	1,392	69.4	2,745	1,969	71.8	4,750	3,361	70.8	4.9	7.2	5.6	6.0	5.3	6.5
***2001**	2,079	1,414	68.0	2,879	2,028	70.4	4,958	3,442	69.4	3.7	1.7	4.9	2.9	4.4	2.4
***2002**	2,146	1,463	68.2	3,007	2,122	70.6	5,154	3,587	69.6	3.2	3.5	4.5	4.7	4.0	4.2
***2003**	2,237	1,533	68.7	3,176	2,258	71.1	5,413	3,794	70.1	4.2	4.9	5.6	6.3	5.0	5.8
***2004**	2,344	1,607	68.7	3,373	2,398	71.1	5,717	4,007	70.1	3.7	4.8	6.2	6.2	5.6	5.6

Note: * = Forecast; ICAO traffic includes charters. **Source:** Airline Monitor, January 2001.

DEMAND TRENDS (1990=100)

	Real GDP					Real exports					Real imports				
	US	UK	Germany	France	Japan	US	UK	Germany	France	Japan	US	UK	Germany	France	Japan
1993	105	100	100	101	105	117	107	106	109	112	117	104	108	101	96
1994	109	103	103	104	106	126	117	115	115	117	131	110	117	107	104
1995	111	106	105	106	107	137	126	122	123	123	141	115	124	113	119
1996	114	108	107	107	111	152	135	128	128	126	155	124	127	116	132
1997	118	112	110	109	112	172	146	142	142	138	177	135	136	123	132
1998	122	115	113	112	109	173	150	152	150	135	196	144	147	133	121
1999	127	117	114	115	111	179	150	155	153	135	220	151	152	136	122
2000	134	121	117	119	114	198	162	174	172	153	250	164	166	153	139
***2001**	138	124	121	122	116	216	173	191	188	162	272	176	179	165	148

Note: * = Forecast; Real = inflation adjusted. **Source:** OECD Economic Outlook, December 2000.

FINANCIAL TRENDS (1990=100)

	Inflation (1990=100)						Exchange rates (against US$)						LIBOR
	US	UK	Germany	France	Japan		UK	Germ.	France	Switz.	Euro**	Japan	6 month Euro-$
1993	111	109	114	108	106	**1992**	0.570	1.562	5.294	1.406	0.773	126.7	3.84%
1994	113	109	117	110	107	**1993**	0.666	1.653	5.662	1.477	0.854	111.2	3.36%
1995	117	112	119	112	107	**1994**	0.653	1.623	5.552	1.367	0.843	102.2	5.06%
1996	120	114	121	113	107	**1995**	0.634	1.433	4.991	1.182	0.765	94.1	6.12%
1997	122	117	123	114	108	**1996**	0.641	1.505	5.116	1.236	0.788	108.8	4.48%
1998	123	120	124	115	109	**1997**	0.611	1.734	5.836	1.451	0.884	121.1	5.85%
1999	125	122	126	116	108	**1998**	0.603	1.759	5.898	1.450	0.896	130.8	5.51%***
2000	128	124	127	117	107	**1999**	0.621	1.938	6.498	1.587	1.010	103.3	5.92%***
***2001**	131	127	128	119	107	**2000**	0.603	2.119	7.108	1.658	0.923	118.1	5.36%***
						Mar 2001	0.696	2.178	7.304	1.708	0.898	123.1	4.41%***

Note: * = Forecast. **Source:** OECD Economic Outlook, December 2000. **Euro rate quoted from January 1999 onwards. 1990-1998 historical rates quote ECU. *** = $ LIBOR BBA London interbank fixing six month rate.

AIRCRAFT AVAILABLE FOR SALE OR LEASE

	Old narrowbodies	Old widebodies	Total old	New narrowbodies	New widebodies	Total new	TOTAL
1988	126	34	160	16	1	17	177
1989	216	38	254	42	2	44	298
1990	380	77	457	74	14	88	545
1991	457	129	586	114	27	141	727
1992	433	138	571	75	15	90	661
1993	370	195	565	103	37	140	705
1994	267	182	449	61	23	84	533
1995	238	157	395	49	29	78	473
1996	124	101	225	32	22	54	279
1997	162	104	266	54	13	67	333
1998	187	125	312	67	55	122	434
1999	243	134	377	101	53	154	531
2000	302	172	474	160	42	202	676

Source: *BACK* **Notes:** *As at end year; Old narrowbodies = 707, DC8, DC9, 727,737-100/200, F28, BAC 1-11, Caravelle; Old widebodies = L1011, DC10, 747-100/200, A300B4; New narrowbodies = 737-300+, 757. A320 types, BAe 146, F100, RJ; New widebodies = 747-300+, 767, 777. A600, A310, A330, A340.*

JET AND TURBOPROP ORDERS

	Date	Buyer	Order	Price	Delivery	Other information/engines
ATR	-					
Airbus	Mar 22	Khalifa Airways	3 A340-500s, 5 A330-200s, 10 A320s		2004+	
	Mar 19	EVA Air	2 A330-200s		2003	GE CF6-80E1 A3 engines
	Mar 2	United Airlines	8 A320s, 7 A319s		1Q2003	IAE U2500 engines
	Feb 27	Qatar Airways	2 A380s, 5 A330-200s		2Q2002+	Plus 3 options for A330-200s
BAE Systems	Mar 1	British European	12 RJX-100s	$360m	2002-2006	Plus 8 options
Bombardier	Mar 14	Air Dolomiti	3 CRJ200s	$66m	1Q2002	Conversion of options
Boeing	Mar 23	Royal Air Maroc	20 737NGs	$1.2bn	2003-2013	
	Mar 23	Royal Air Maroc	2 767-300ERs		1Q2002	
	Mar 16	Uzbekistan AW	2 767-300ERs		3Q2002	
	Mar 6	CIT Aerospace	20 737NGs	$1.3bn	2003-2006	Plus 5 757-300 options
	Mar 6	Air 2000	8 757-200s		2003-2005	Rolls Royce RB211-S35E4 engines
	Mar 4	Air Berlin	2 737-800s		2002+	Previously unannouned customer
Embraer	-					
Fairchild	-					

Note: Prices in US$. Only firm orders from identifiable airlines/lessors are included. MoUs/LoIs are excluded.

Micro-trends

	Group revenue US$m	Group costs US$m	Group operating profit US$m	Group net profit US$m	Total ASK m	Total RPK m	Load factor %	Group rev. per total ASK Cents	Group costs per total ASK Cents	Total pax. 000s	Total ATK m	Total RTK m	Load factor %	Group employees
American*														
Apr-Jun 99	4,528	4,120	408	268	67,313.8	47,945.9	71.2	6.73	6.12					
Jul-Sep 99	4,629	4,603	547	279	67,972.2	48,792.9	71.8	6.88	6.26					
Oct-Dec 99	4,477	4,206	271	280	65,751.2	44,328.2	67.4	6.81	6.41					98,700
Jan-Mar 00	4,577	4,365	212	132	64,392.8	43,478.4	67.5	7.11	6.78					104,500
Apr-Jun 00	5,011	4,494	517	321	67,000.4	50,538.7	75.4	7.48	6.71					105,900
Jul-Sep 00	5,256	4,684	572	313	66,654.0	50,828.1	76.3	7.89	7.03					107,500
Oct-Dec 00	4,859	4,779	80	47	63,562.5	44,318.5	69.7	7.64	7.52					107,500
America West														
Apr-Jun 99	570	494	76	42	10,446.0	7,204.8	69.0	5.46	4.73	4,724				
Jul-Sep 99	553	511	41	22	10,522.9	7,502.8	71.3	5.26	4.86	4,896				
Oct-Dec 99	569	532	37	29	10,594.0	7,307.8	69.0	5.37	5.02	4,822				11,575
Jan-Mar 00	563	552	11	15	10,440.8	6,960.5	66.7	5.39	5.29	4,612				12,024
Apr-Jun 00	618	570	48	33	10,979.8	8,091.7	73.7	5.63	5.19	5,206				12,158
Jul-Sep 00	591	591	0	1	11,079.9	8,088.3	73.0	5.33	5.33	5,178				
Oct-Dec 00	573	654	-81	-47	11,133.1	7,616.8	68.4	5.15	5.87	4,958				
Continental														
Apr-Jun 99	2,198	1,942	256	137	32,448.3	24,009.1	74.0	6.77	5.98	11,493				
Jul-Sep 99	2,283	2,071	21	110	34,711.0	26,380.3	76.0	6.58	5.97	11,922				
Oct-Dec 99	2,158	2,073	85	33	33,771.2	24,094.4	71.3	6.39	6.14	11,347				
Jan-Mar 00	2,277	2,223	54	14	33,710.2	24,143.0	71.6	6.75	6.59	11,201				
Apr-Jun 00	2,571	2,292	279	149	34,406.9	26,534.0	77.1	7.47	6.66	12,084				
Jul-Sep 00	2,622	2,368	254	135	35,978.0	27881.1	77.5	7.29	6.58	12,155				
Oct-Dec 00	2,429	2,332	97	44	34,454.0	24,685.1	71.6	7.05	6.77	11,456				
Delta														
Apr-Jun 99	3,957	3,315	642	364	57,957.3	43,422.1	74.9	6.83	5.72	27,438				
Jul-Sep 99	3,877	3,527	350	352	60,710.8	45,528.3	75.0	6.39	5.81	27,183		5,258.2		72,300
Oct-Dec 99	3,713	3,705	8	352	58,265.1	40,495.3	69.5	6.37	6.36	25,739				
Jan-Mar 00	3,960	3,605	355	223	57,093.8	39,404.4	69.0	6.94	6.31	25,093				72,300
Apr-Jun 00	4,439	3,863	606	460	59,753.4	46,509.8	77.8	7.48	6.46	28,333				73,800
Jul-Sep 00	4,325	3,827	498	127	61,319.9	47,076.5	76.8	7.05	6.24	27,378				
Oct-Dec 00	4,017	3,839	178	18	58,655.8	40,527.0	69.1	6.85	6.54	24,919				
Northwest														
Apr-Jun 99	2,597	2,333	264	120	40,541.5	30,900.2	76.2	6.41	5.75					
Jul-Sep 99	2,843	2,472	370	180	43,194.5	33,562.1	77.7	6.58	5.73					
Oct-Dec 99	2,555	2,461	94	29	39,228.3	28,618.2	73.0	6.51	6.27					
Jan-Mar 00	2,570	2,573	-3	3	39,486.0	28,627.4	72.5	6.51	6.52					
Apr-Jun 00	2,927	2,675	252	115	42,049.6	33,523.5	79.7	6.96	6.36					
Jul-Sep 00	3,178	2,824	354	207	44,379.9	35,353.1	79.7	7.16	6.36					
Oct-Dec 00	2,740	2,774	-34	-69	40,417.6	29,850.1	73.9	6.78	6.86					
Southwest														
Apr-Jun 99	1,220	966	254	158	20,836.9	15,241.7	73.1	5.85	4.64	14,817				
Jul-Sep 99	1,235	1,029	206	127	21,903.8	15,464.0	70.6	5.64	4.70	14,932				
Oct-Dec 99	1,204	1,050	154	94	22,360.7	15,047.8	67.3	5.38	4.70	14,818				27,653
Jan-Mar 00	1,243	1,057	155	74	22,773.8	15,210.2	66.8	5.46	4.77	14,389				27,911
Apr-Jun 00	1,461	1,146	315	191	23,724.3	17,624.9	74.3	6.16	4.83	16,501				
Jul-Sep 00	1,479	1,179	300	184	24,638.0	17,650.8	71.6	6.00	4.79	16,501				
Oct-Dec 00	1,467	1,216	251	155	25,267.5	17,443.2	69.0	5.81	4.81	16,287				
TWA														
Apr-Jun 99	866	848	18	-6	14,274.4	11,130.9	78.0	6.07	5.94					
Jul-Sep 99	876	935	-59	-54	15,188.0	11,524.3	75.9	5.76	6.16	6,928	1,957.0	1,248.6	63.8	20,982
Oct-Dec 99	809	913	-104	-76	14,501.6	9,687.1	66.8	5.58	6.30	6,038				
Jan-Mar 00	954	939	15	-4	15,465.4	11,607.0	75.1	6.17	6.07	7,020				
Apr-Jun 00	973	984	-11	-35	15,928.0	12,316.3	77.3	6.00	4.79	7,211				
Jul-Sep 00														
Oct-Dec 00														
United														
Apr-Jun 99	4,541	4,108	433	669	71,573.6	50,198.9	70.1	6.34	5.74					
Jul-Sep 99	4,845	4,226	619	359	74,043.0	55,628.0	75.1	6.54	5.71	23,765				96,700
Oct-Dec 99	4,480	4,286	194	129	70,715.9	49,172.2	69.5	6.34	6.06	21,536				96,600
Jan-Mar 00	4,546	4,294	252	-99	68,421.1	46,683.5	68.2	6.64	6.28	20,141				96,100
Apr-Jun 00	5,109	4,504	605	408	70,913.5	53,624.8	75.6	7.20	6.35	22,412				98,300
Jul-Sep 00	4,905	4,946	-41	-116	72,495.7	54,049.9	74.6	6.77	6.82	21,458				99,700
Oct-Dec 00	4,792	4,955	-163	-71	70,550.1	49,897.9	70.7	6.79	7.02	20,509				99,100
US Airways														
Apr-Jun 99	2,286	2,007	279	317	23,891.7	17,557.5	73.5	9.57	8.40					
Jul-Sep 99	2,102	2,213	-111	-85	23,006.6	17,205.6	71.7	8.76	9.22	13,984				40,613
Oct-Dec 99	2,135	2,256	-121	-81	24,705.9	16,714.2	67.6	8.64	9.13	14,075				41,636
Jan-Mar 00	2,098	2,237	-139	-218	24,250.3	15,568.7	64.2	8.65	9.22	12,804				42,727
Apr-Jun 00	2,433	2,265	168	80	26,171.9	19,557.4	74.7	9.30	8.65	15,554				42,653
Jul-Sep 00	2,381	2,376	5	-30	28,452.4	20,726.2	72.8	8.37	8.35	15,809				44,026
Oct-Dec 00	2,347	2,428	-81	-98	28,275.4	19,590.0	69.3	8.30	8.59	15,605				43,467
ANA														
Apr-Jun 99	SIX MONTH FIGURES													
Jul-Sep 99	4,541	4,329	212	146	44,156.0	29,032.0	65.7	10.28	9.80	21,970				
Oct-Dec 99	SIX MONTH FIGURES													
Jan-Mar 00	5,591	5,842	-251	6	49,646.9	31,844.9	64.1	11.26	11.77	27,430				
Apr-Jun 00	SIX MONTH FIGURES													
Jul-Sep 00	5,288	4,793	495	359	47,586.3	31,753.1	66.7	11.11	10.07	24,958				
Oct-Dec 00														
Cathay Pacific														
Apr-Jun 99	1,695	1,664	31	17	28,801.0	19,325.5	67.1	5.89	5.78		5,267.0	3,581.6	68.0	
Jul-Sep 99	SIX MONTH FIGURES													
Oct-Dec 99	1,989	1,658	331	133	29,313.0	22,167.9	75.6	6.79	5.66		5,600.0			
Jan-Mar 00	SIX MONTH FIGURES													
Apr-Jun 00	2,070	1,765	305	285	29,839.0	22,588.1	75.7	6.94	5.92		5,483.0			
Jul-Sep 00	SIX MONTH FIGURES													
Oct-Dec 00	2,356	1,983	373	382	32,070.0	24,586.6	76.7	7.35	6.13		6,147.0			
JAL														
Apr-Jun 99														
Jul-Sep 99														
Oct-Dec 99	TWELVE MONTH FIGURES													
Jan-Mar 00	14,665	14,254	411	181	126,282.4	88,478.5	70.1	11.61	11.29	37,247	18,856.7	12,738.0	67.6	
Apr-Jun 00														
Jul-Sep 00														
Oct-Dec 00														

Note: Figures may not add up due to rounding. 1 ASM = 1.6093 ASK. *Airline group only.

Micro-trends

	Group revenue US$m	Group costs US$m	Group operating profit US$m	Group net profit US$m	Total ASK m	Total RPK m	Load factor %	Group rev. per total ASK Cents	Group costs per total ASK Cents	Total pax. 000s	Total ATK m	Total RTK m	Load factor %	Group employees
Korean Air														
Apr-Jun 99														
Jul-Sep 99	TWELVE MONTH FIGURES													
Oct-Dec 99	4,340	4,177	163	232	49,516.0	36,693.0	74.0	8.76	8.44	20,564	7,827	5,995	78.2	
Jan-Mar 00														
Apr-Jun 00														
Jul-Sep 00														
Oct-Dec 00														
Malaysian														
Apr-Jun 99														
Jul-Sep 99														
Oct-Dec 99	TWELVE MONTH FIGURES													
Jan-Mar 00	2,148	1,652	496	-67	48,906.0	34,930.0	71.4	4.39	3.38		7,531.5	4,853.4	64.4	
Apr-Jun 00														
Jul-Sep 00														
Oct-Dec 00														
Singapore														
Apr-Jun 99	SIX MONTH FIGURES													
Jul-Sep 99	2,577	2,259	317	346	43,145.7	32,288.3	74.8	5.97	5.24	6,752	8,251.9	5,852.7	70.9	
Oct-Dec 99	SIX MONTH FIGURES													
Jan-Mar 00	2,459	2,203	256	439	44,582.6	33,430.1	75.0	5.51	4.94	7,030	8,665.8	6,185.7	71.4	
Apr-Jun 00	SIX MONTH FIGURES													
Jul-Sep 00	2,864	2,438	426	668	46,477.5	36,136.6	77.8	61.6	5.25	7,584	8,950.0	6,524.6	72.9	
Oct-Dec 00														
Thai Airways														
Apr-Jun 99	TWELVE MONTH FIGURES													
Jul-Sep 99	2,858	2,695	163	136	51,788.0	37,642.0	72.7	5.52	5.20	16,331	7,309.0	5,097.0	69.7	
Oct-Dec 99														
Jan-Mar 00														
Apr-Jun 00	TWELVE MONTH FIGURES													
Jul-Sep 00				108	55,517.0	41,347.0	74.5			17,700	7,752.0	5,469.0	70.6	
Oct-Dec 00														
Air France														
Apr-Jun 99	SIX MONTH FIGURES													
Jul-Sep 99	5,249	4,889	360	316	56,934.0	43,896.0	77.1	9.22	8.59	20,600				
Oct-Dec 99	SIX MONTH FIGURES													
Jan-Mar 00	4,831	4,430	401	41	55,508.0	41,650.0	75.0	8.70	7.98	19,200				
Apr-Jun 00	SIX MONTH FIGURES													
Jul-Sep 00	5,506	5,132	374	385	60,088.0	48,464.0	80.7	9.16	8.54		4,125.0	4,689.0	65.2	
Oct-Dec 00														
Alitalia														
Apr-Jun 99	1,937	1,990	-53	1	26,227.2	16,805.2	64.1	7.39	7.59	11,318	3,749.3	2,434.3	64.9	
Jul-Sep 99														
Oct-Dec 99														
Jan-Mar 00	SIX MONTH FIGURES													
Apr-Jun 00	2,225	2,254	-29	-15	24,747.8	16,898.8	68.3	8.99	9.11	11,693	3,464.8	2,404.5	69.4	
Jul-Sep 00														
Oct-Dec 00														
BA														
Apr-Jun 99	3,527	3,378	149	302	45,813.0	32,032.0	69.9	7.70	7.37	11,733	6,437.0	4,215.0	65.5	65,179
Jul-Sep 99	3,933	3,742	191	49	47,465.0	35,873.0	75.6	8.29	7.88	12,983	6,690.0	4,689.0	70.1	65,607
Oct-Dec 99	3,473	3,476	-3	-112	45,347.0	30,192.0	66.6	7.66	7.67	11,084	6,469.0	4,270.0	66.1	65.800
Jan-Mar 00	3,097	3,281	-184	-247	44,533.0	29,328.0	65.9	6.95	7.37	10,778	6,253.0	4,041.0	64.6	64,874
Apr-Jun 00	3,488	3,342	146	-85	44,826.0	32,295.0	72.0	7.78	7.46	11,633	6,475.0	4,407.0	68.1	61,411
Jul-Sep 00	3,673	3,293	380	197	45,333.0	35,093.0	77.4	8.10	7.26	12,615	6,608.0	4,741.0	71.7	62,793
Oct-Dec 00	3,328	3,212	116	84	42,347.0	29,008.0	68.5	7.86	7.58	10,493	6,230.0	4,128.0	66.3	62,831
Iberia														
Apr-Jun 99														
Jul-Sep 99	TWELVE MONTH FIGURES													
Oct-Dec 99	3,712	3,659	53	179	50,227.6	34,606.8	68.9	7.39	7.28	21,877				
Jan-Mar 00														
Apr-Jun 00														
Jul-Sep 00														
Oct-Dec 00														
KLM														
Apr-Jun 99	1,626	1,547	79	37	18,778.0	14,302.0	76.2	8.66	8.24		3,253.0	2,427.0	74.6	34,980
Jul-Sep 99	1,731	1,596	135	32	19,630.0	16,083.0	81.9	8.81	8.13		3,352.0	2,640.0	78.8	35,226
Oct-Dec 99	1,450	1,479	-29	-17	19,014.0	14,434.0	75.9	7.63	7.78		3,280.0	2,550.0	77.7	35,128
Jan-Mar 00	1,361	1,436	-75	-142	18,627.0	14,084.0	75.6	7.31	7.71		3,238.0	2,453.0	75.8	35,348
Apr-Jun 00	1,600	1,509	91	39	18,730.0	15,149.0	80.9	8.54	8.06		3,276.0	2,549.0	77.8	27,267
Jul-Sep 00	1,615	1,445	170	100	19,386.0	16,378.0	84.5	8.33	7.45		3,359.0	2,703.0	80.5	26,447
Oct-Dec 00	1,617	1,574	43	4	19,050.0	14,715.0	77.2	8.49	8.26		3,316.0	2,618.0	78.9	26,349
Lufthansa* **														
Apr-Jun 99	3,322	3,012	310	97	30,500.0	22,279.0	73.0	10.89	9.86	11,444	5,626.0	3,993	71.0	53,854
Jul-Sep 99	4,049	3,677	382	184	31,335.0	23,866.0	76.2	12.92	11.73	11,891	5,699.0	4,142.0	72.7	
Oct-Dec 99	3,398	2,964	434	378	29,120.0	20,313.0	69.8	11.67	10.18	10,807	5,503.0	3,930.0	71.4	66,207
Jan-Mar 00	2,831	2,742	89	11	28,599.0	19,781.0	69.2	9.90	9.59	10,355	5,422.0	3,751.0	69.2	
Apr-Jun 00	3,346	3,123	223	400	31,865.0	24,405.0	76.6	10.50	9.80	12,249	5,988.0	4,338.0	72.4	
Jul-Sep 00	3,375	2,993	382	182	32,654.0	25,878.0	79.2	10.33	9.17	12,849	6,156.0	4,536.0	73.7	
Oct-Dec 00														
SAS														
Apr-Jun 99	1,357	1,294	63	60*	8,466.0	5,571.0	65.8	16.03	15.28	5,580				27,706
Jul-Sep 99	1,173	1,150	23	12*	8,450.0	5,667.0	67.1	13.88	13.61	5,589				27,589
Oct-Dec 99	1,210	1,083	127	138*	8,227.0	5,210.0	63.3	14.71	13.16	5,536				27,201
Jan-Mar 00	1,145	1,179	-34	-33*	8,253.0	4,992.0	60.5	13.87	14.24	5,314				28,060
Apr-Jun 00	1,289	1,176	113	112*	8,492.0	6,004.0	70.7	15.18	13.85	6,236				28,295
Jul-Sep 00	1,122	1,070	52	33*	8,496.0	6,155.0	72.4	13.21	12.59	5,943				28,485
Oct-Dec 00	1,310	1,131	179	174*	8,541.0	5,492.0	64.3			5,747				27,767
Swissair **														
Apr-Jun 99	1,932	1,877	55	57	23,411.0	16,130.0	68.9	8.25	8.02	7,784				10,715
Jul-Sep 99	SIX MONTH FIGURES													
Oct-Dec 99	2,344	2,272	72	125	21,934.0	16,839.0	76.8	10.69	10.36	6,081				
Jan-Mar 00	SIX MONTH FIGURES													
Apr-Jun 00	1,916	2,006	-90	2	25,476.0	18,241.0	71.6	7.52	7.87	9,162	3,972.8	2,719.6	68.5	
Jul-Sep 00														
Oct-Dec 00														

Note: Figures may not add up due to rounding. 1 ASM = 1.6093 ASK. *Pre-tax. **SAirLines' figures apart from net profit, which is SAirGroup. ***Excludes Condor from 1998 onwards. 4Q+ data are on IAS basis.