Issue No: 73

Aviation Strategy

November 2003

Regional rationalisation in Europe

While LCCs are establishing themselves as the dominant model in the intra-European 150-seat sector, the regional sector remains a disparate collection of carriers. None (with the possible exception of Flybe) has yet to marry low-cost operating techniques with the full service business-orientated regional product. And most of the main carriers in this sector are closely tied through ownership to their Euro-major parents. One of the fundamental questions now is: can regional carriers (or a regional jet operation) be used to neutralise or reverse the LCCs' impact?

As the LCCs capture more and more of the point-to-point traffic to/from the Euro-majors' hub cities, this poses a further threat to their network economics. The short haul connecting segment of a long haul trip usually produces lower yield than a short haul point-to-point trip. So in traditional network accounting terms, the point-to-point passengers subsidise the connecting passengers.

When the LCCs arrive, volumes and yield on the Euro-majors' intra-European point-to-point traffic flows come under attack (even though the LCC may well serve a different airport), and flight profitability usually deteriorates.

BA's response has been to focus on Heathrow, dehub Gatwick and quite severely reduce intra-European capacity. It has also, with some degree of success, converted a segment within each of its short haul flights to a low-cost model.

This leaves CitiExpress, an amalgam of Brymon, BRAL and Manx, with a somewhat undefined role, operating from Gatwick, Birmingham and other regional UK points. It is undergoing its own Future Size & Shape rationalising exercise, but appears to be without a key strategic role in BA. Might it be more logical for CitiExpress to be sold off?

By contrast, Lufthansa is positioning itself towards a more comprehensive regional strategy. It has just restructured its five main regionals - CityLine (which is by some way Europe's largest RJ operator with 63 units, compared to ExpressJet in the US with 210), Eurowings, Air Dolomiti in Italy, plus Augsburg and Contact Air - under the brand name Lufthansa Regional.

The idea is to build up a denser network of feeder flights to/from the Frankfurt and Munich hubs. Lufthansa itself will set its feed requirements, and the five airlines will coordinate, under the auspices of a steering committee, schedules and aircraft allocation to deliver the traffic.

The question remains: will this administrative solution to regional feed actually bring down unit costs? Or is it an inherently loss-making protective measure against further LCC incursion into the German domestic market?

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Asian airlines: the SARS rebound

Asian airlines' traffic rebound from the SARS crisis shows just how resilient air travel demand can be (as we predicted in *Aviation Strategy*, May 2003).

In April, when SARS became widespread in Asia, combined passenger traffic at the region's major airlines (Singapore, Cathay, Qantas, China Southern, China Eastern, Dragonair, China Airlines, EVA, Korean and Asiana), was down 35% on a year-on-year basis, while at the height of the outbreak in May, year-on-year traffic was a staggering 48% down.

Since then, however, recovery had been surprisingly rapid. In June, combined traffic at these 10 airlines was down 18% year-on-year, but in July traffic was just 8% down, in August it was level and in September traffic was 4% up on September 2002 (although Qantas has yet to report its September traffic statistics). And it's almost the same story with IATA statistics, which cover all airlines in the Asia/Pacific region; passenger traffic was 51% down in May but just 1.6% down in September on a year-on-year basis.

SARS also had an effect on airlines outside the Asia/Pacific region, with long-haul routes into the affected areas being the worst hit. In May, global traffic fell by 21% according to IATA. However, by September, global passenger traffic increased by 1% year-on-year, the first rise in the seven months since the SARS and Iraq crises began. Naturally, there are exceptions to the global recovery from SARS. In early November, Northwest - which generates at least 20% of its revenue from the Asia/Pacific region - said it was still suffering from an adverse SARS effect, although not as bad as in the key April-June quarter.

Not all Asia/Pacific traffic was devastated by SARS. Long-haul travel out of the Asia/Pacific region actually grew during June, although admittedly this was because Asian travellers were "escaping" to SARS-free areas. More importantly, other than China, the largest Asian domestic markets remained strong throughout the crisis, including Indonesia, Malaysia and India.

Once the epidemic was declared over by the World Health Organisation, it appears that tourists and business travellers to and within the region were prepared to travel again by air almost immediately, although credit should go to Asia's governments and airlines, which were quick to advertise the fact that air travel was now perfectly safe (a contrast to the actions of the US authorities, who took over two years after September 11).

The better-than-expected recovery from the SARS events has encouraged IATA to revise downwards by $1.6bn its estimate of global airline losses due to the crisis and Iraq this year (the forecast loss from the combined events is now $4.9bn). Of course these aggregated traffic statistics hide the effects on individual airlines, with those based in China being the most severely hit. In May, China Southern saw its passenger traffic collapse by 84% year-on-year, with China Eastern down by 82%. Yet, by September, China Southern's traffic was up by 18% year-on-year and China Eastern's by 22%.

With the crisis now over (although, according to the WHO, the virus could still exist in animals and be retransmitted to humans), the main question to be answered is how much has SARS cost the airlines? Though most airlines hacked back capacity and cut costs as best they could, the losses mounted up for the two or three months until the substantial passenger recovery kicked in. And even though passenger numbers may now be back to normal, many of them were lured back by cheap flights, with a subsequent negative effect on yields.

For the effect on China Southern and China Eastern, see *Aviation Strategy* October 2003, while other airlines are covered below:

Singapore Airline Group

The SARS crisis forced Singapore Airline Group (SIA) into the red for the first time ever in a quarterly reporting period, with a S$377m (€189m) operating loss in April-June 2003, compared with a S$244m profit in the same quarter of 2002 - a serious S$621m difference. However, in its second fiscal quarter (July-September) SIA

Aviation Strategy
is published 11 times a year
by *Aviation Economics*
at the beginning of
the month

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ISSN 1463-9254

recorded a S$315m operating profit, compared with a $265m profit in 2Q 2002. The SARS effect meant that half-year results were negative. For April-September, SIA's operating loss was S$63m, compared with a S$510m profit in 2Q 2002, and the group declared it would not be paying an interim dividend this year.

If the non-airline businesses are stripped out of SIA's results, the effect of SARS is marginally less bad. The airline operation racked up a S$443m operating loss in the first quarter and a S$175m operating profit in the second quarter, resulting in a S$268m loss for the half-year - as compared with an airline operating profit of S$256m in April-September 2002. So SARS cost the airline at least S$524m (€262m) in operating profits during the half year. By the end of September 2003 SIA's capacity was around 90% of pre-SARS levels, and September passenger traffic was still some 6% down on September 2002. Overall, airline revenue fell 10% in the quarter.

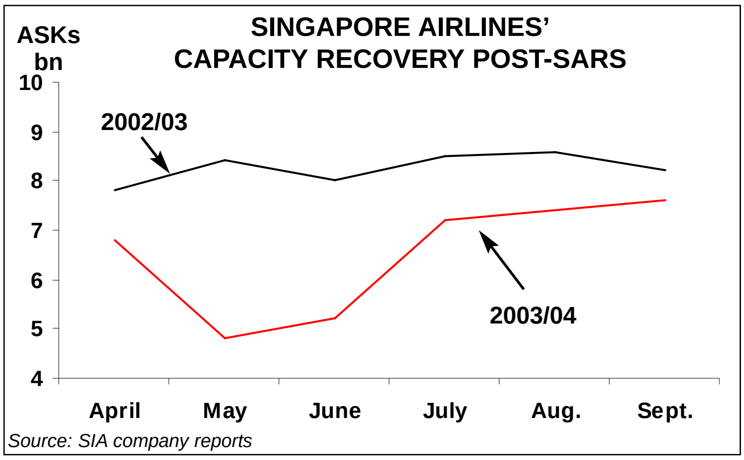
SIA's financial recovery was based on substantial cost cutting in June and July. This included the axing of more than 400 jobs, equivalent to 1.5% of the workforce - the first time in 20 years that such a move had been made. In addition, management implemented a pay cut of up to 11% on ground staff and up to 16.5% on cockpit crew, and made employees take unpaid leave. Altogether, airline costs fell by 13% in July-September 2003 compared with 2Q 2002.

Now that the worst is over, SIA has started to add new routes - a service to Bangalore was launched in August and routes to Shenzen and Los Angeles will start in January and February 2004 respectively.

Cathay Pacific

Cathay was badly hit by SARS - what it called "the greatest commercial challenge in the company's history". In April, the group issued its first ever profit warning, and indeed for the first half of 2003 Cathay reported an operating loss of HK$760m (€85m), compared with a profit of HK$1.8bn in January-June 2002. This was based on a 21% reduction in revenue to HK$12.3bn in the six-month period.

Cathay's immediate response to "a devastating impact on our passenger business" was to cut



Source: SIA company reports

capacity by 45%, parking 22 aircraft. Most staff took one month's unpaid leave. This effort reduced operating expenses by HK$640m over January-June 2003 - around 5% of the cost base, but was way behind the collapse in revenues.

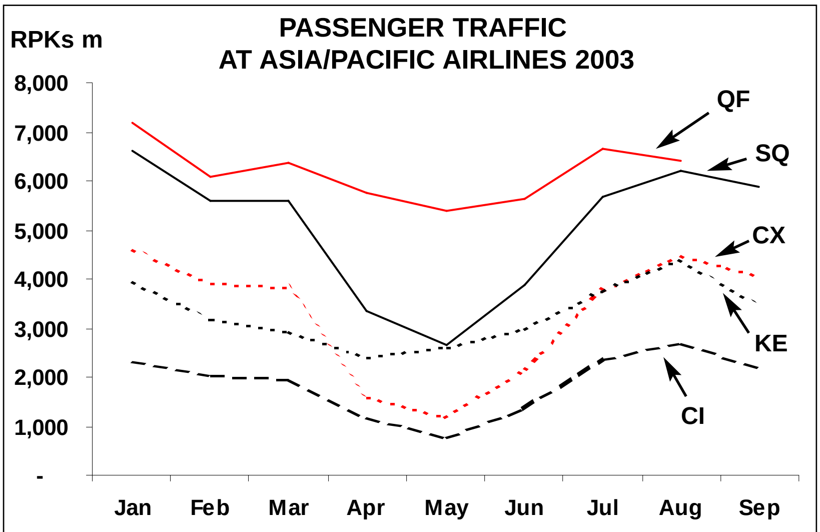
Fortunately for Cathay, passenger recovery began in June, once the WHO lifted the travel advisory against Hong Kong, and traffic sprinted back to pre-SARS levels by August.

Cathay's renewed confidence is such that it is launching services to Beijing in December after a 10-year absence, following the resolution of a long-running battle on traffic rights with subsidiary Dragonair, now controlled by mainland Chinese interests.

Qantas

SARS forced Qantas Airways to issue two profit warnings, the first in March and the second in May, and implement three rounds of cost cutting. In March, management announced 2,500 staff would take leave in the next three months, and in April 1,000 employees were made redundant, another 400 went through natural wastage and 300 full-time staff were converted to part-time. The final round of SARS-related cost cutting was announced in May and included capex reductions on aircraft investments (through retirements and deferrals), changes to working practices and increased use of part-time rather than full-time staff.

The cost-cutting wasn't enough to overcome the effects of SARS however, and in Qantas's latest financial year, July 2002 to June 2003 - which covers the worst of the crisis - operating profit fell by 17% to A$567m (€351m). Revenue in the



Source: Morgan Stanley Research

Japan region fell by 19% (equivalent to €86m) and in South East & North East Asia by 33% (€144m) in 2002/03, and much can be attributed to the effects of SARS. On some Asian routes, traffic fell by as much as 45% during the crisis, the airline states. However, revenue increases in other areas (most notably in the domestic market) meant that overall turnover at Qantas grew by 1.5% in 2002/03.

Korean

Korean Air saw passenger traffic slump 40% from January to April as the crisis hit many of its routes. However, appreciation in the Korean Won helped the airline lessen the impact of SARS, and it posted a KRW14bn (€10m) operating profit for January-June 2003, compared with a KRW191bn operating profit in 1H 2002. At the net level, Korean posted a KRW285bn (€210m) loss for the first half of 2003, compared with a KRW486bn net profit in January-June 2002.

Nevertheless, Korean expects to record a net profit for the full year 2003, and in September its passenger RPKs were up 4.4% on a year-on-year basis. In late October, Korean appeared sufficiently confident about the future to convert a previous MoU for A380s into a firm order for five of the aircraft, to be delivered over 2007-09.

China Airlines

Taiwan-based China Airlines was severely affected by SARS, with passenger load factor plunging to less than 40% at the height of the crisis. Unsurprisingly, passenger revenue during the first six months of 2003 fell by 31%, helping it to a TW$905m (€23m) net loss in the period. This compares with a TW$1.3bn (€33m) net profit for January-June 2002. The loss would have been worse if not for cost-cutting measures that knocked 7.2% off operational costs in the half-year, as well as a strong performance from the airline's cargo operations.

China Airlines saw passenger traffic rebound back sharply in the second half of 2003, with passenger load factor rising to 75% in July and 86% in August, five percentage points better than August 2002.

The strength of the recovery was revealed in third quarter results released on October 31, when the airline posted a net profit of TW$1.3bn (€33m), wiping out the first-half losses and ensuring that the full year will be profitable. Average passenger load factor for July-September was 78.9% - 3.2 percentage points better than 3Q 2002. The airline also reported that average yields had returned to pre-SARS levels.

China Airlines is now pressing ahead with network expansion plans, with new routes to Hanoi, Honolulu and Brisbane already added, and in June the airline finally implemented a codeshare deal with Delta, nearly a year after agreeing the deal in principle.

Other airlines

Elsewhere, pick any other Asia/Pacific airline and the cost of SARS is now painfully apparent. Thai Airways estimates the crisis to have cost around Bht 10bn (€218m) in revenue, while at Garuda, net profits for the first half of 2003 were IDR 32.8bn (€3.4m) - some € 8.6m less than it had forecasted pre-SARS. Philippine Airlines recorded net losses of more than Pesos 900m (€14m) in April-July, most of which were down to the SARS effect, with Andrew Huang, PAL senior VP for finance, saying in late August that "the after-effects of SARS are far worse than that of September 11" and that "the time needed to recover is longer."

The total financial losses arising from SARS cannot yet be estimated, given that some airlines are still not quite back to pre-SARS traffic levels, but it's likely to be the wrong side of €1bn.

America West: “an LCC in Network clothing”

After being rescued from the brink of bankruptcy by the US Air Transportation Stabilization Board (ATSB) in January 2002, America West Airlines has staged a surprise turnaround this year. The Phoenix-based carrier - now the eighth largest major - has been outperforming its peers by a wide margin on both the cost and revenue fronts. It is now expected to return to decent profitability in 2004 - well ahead of the "top six" carriers, the best of which (Continental) is only likely to break even next year.

Most significantly, America West has succeeded in something that the large network carriers have failed in so far - revamping its fare structure in such a way that the impact is not just to pull in business traffic but to boost total revenues.

In other words, AWA is the first of the old-school network carriers to transition to an LCC-style simple, low fare structure. It has retained its full service and its low cost structure. JP Morgan analyst Jamie Baker recently very aptly described it as "an LCC in Network clothing".

How has America West accomplished such a transition? Its smaller size and more niche-type network obviously makes it easier to implement radical fare structure changes, but could the other network carriers still learn from it?

AWA has been NYSE's top performing stock this year, rising steadily from around $2-2.50 in April to almost $15 at the end of October. Most analysts feel that the stock has considerable further appreciation potential, given that it is still trading more like a network carrier (with a valuation less than 10 times expected 2005 earnings) than an LCC (up to high-20s, with JetBlue's recent 30-plus regarded as excessive).

It is worth noting that in late October Standard & Poor's equity research group added AWA to its top ten portfolio - that is, the ten US company stocks (not just airlines) considered to be the best candidates for capital gains over the next 6-12 months.

There is buzz about AWA also because it is now starting to grow again. It has just introduced its first point-to-point transcontinental flights, to supplement service from its Phoenix and Las Vegas hubs, and plans to grow ASMs by 10% in 2004. Inevitably, given the business model transition, there is speculation of a "Southwest-style" sustained growth strategy. However, there are potential problems in at least two areas. First of all, unlike Southwest and JetBlue, AWA has an over-leveraged balance sheet, with a lot of extremely expensive debt and a heavy operating lease burden. This poses risk particularly if the economy weakens and may make it hard to fund expansion.

Second, given Southwest's already significant presence in AWA's two hubs and on the West Coast, and given the multitude of strong LCC upstarts that (in addition to Southwest) are now expanding rapidly on the East Coast and in some coast-to-coast markets, where exactly will AWA grow?

Great turnaround story

America West has always been a bit of an oddball, not fitting neatly into any industry category. Founded in 1983 (celebrating its 20th anniversary this year), it is the only post-deregulation new entrant that has achieved "major carrier" status of $1bn-plus annual revenues (JetBlue is just about to become the second).

AWA emerged from a three-year Chapter 11 reorganisation in August 1994 in great shape, with low unit costs and a strong balance sheet. In the late 1990s it grew rapidly and began to suffer operational problems and lagging staff morale. When those problems worsened and also fuel costs surged in 2000, AWA's profits almost disappeared. Consequently, after two years of weakening financial profile, it had only $80m in cash at hand and no available credit facilities when the current crisis hit the industry. A $200m private financing that AWA had lined up collapsed in the wake of September 11. When major debt and lease payments came due in January 2002, in the absence of a rescue package the company would have had to seek Chapter 11 protection from creditors.

Subsequently, AWA became the first airline to be assisted by the $10bn federal loan guarantee programme (see *Aviation Strategy*, December 2001 and January 2002). It secured a $419m term loan ($380m covered by guarantees), which enabled it to avert Chapter 11 and obtain $600m of financial support and concessions from its key business partners.

The airline sold itself to the ATSB as a success story of deregulation, arguing that with its low cost structure and substantial hub and spoke operations, it keeps price discipline in place across the rest of the industry. However, the ATSB was not unanimous in its decision to grant the loan guarantees, and it imposed rather onerous loan terms. The board considered that the AWA proposal presented a "significant risk of default", while many analysts cautioned that the airline still faced considerable hurdles in restoring financial viability.

Now the airline is obviously becoming a real ATSB success story - not just because it is surviving but because it is also having more impact than ever before, thanks to the low fare transition. CEO Douglas Parker made the intriguing point recently that the US government could collect a serious windfall profit at any time if it chose to exercise and sell the 18.75m/$3 warrants it obtained in AWA as part of the January 2002 restructuring. For example, at the late October share price of $14, US taxpayers would have benefited to the tune of $200m - and that would be on top of the hefty fees that the government is collecting on the loan guarantees. (The government has another eight years to exercise the warrants. It cannot hold the shares; if it exercises the warrants, it must sell.)

Similarly, the other parties in the restructuring that received stock-based compensation for their sacrifices also stand to gain handsomely. AWA issued some 3.8m warrants to other loan participants and about $100m of seven-year debentures convertible into shares at a price of $12 to its aircraft lessors (the latter can not be converted until early 2005). AWA has now reported two consecutive quarterly profits. In the first nine months of 2003, it earned a small operating profit of $20.3m (1.2% of revenues) and a net profit of $50.6m, compared to operating and net losses of $122m and $336m respectively in the same period in 2002. However, there will be losses in the current (seasonally weakest) fourth quarter.

AWA's leadership is predicting a loss for full-year 2003, but the figures really do not add up and some analysts have suggested that the result is more likely to be a small profit or break-even. That would be a significant achievement, as only a handful of LCCs in the US will report profits for 2003.

In late October analysts expected AWA to earn between 75 cents and $1.40 per share (roughly $45-80m) before special items in 2004, but the past six months have seen a continual upward revision.

Douglas Parker attributes the financial turnaround to three elements. First, as the cornerstone, the earlier operational reliability problems have been rectified. Second, the pricing structure that was put in place in early 2002 has been an "enormous success". Third, AWA's cost controls have been "much better than industry average".

Retaining a low cost structure

Despite the problems that it had in the 1990s, AWA managed to keep its costs low in those years. Although unit costs rose sharply between 1999 and 2001, from 7.52 to 8.82 cents per ASM, aggressive cost cuts and controls (with considerable help from the January 2002 restructuring) have brought them down to the 8-cent level in 2003. This is the second lowest among the majors (after Southwest). The stated aim is to "maintain position as low-cost leader among the major airlines".

The airline recorded an impressive 5.1% decline in ex-fuel unit costs in the third quarter, thanks to additional cost cuts announced and implemented in the spring. The biggest (and toughest) of those was the decision to close the unprofitable Columbus hub. Other recent measures have included a large reduction in the size of the management team, maintenance cost initiatives and further cuts in distribution costs.

The Columbus hub had originally been established to enhance presence in the East, but direct flights to the East Coast from Phoenix and Las Vegas had made it redundant and it was losing $25m annually. The downsizing, completed by mid-June, involved phasing out 12 RJs and ending a feeder relationship with Chautauqua. The Columbus operation was reduced from 49 daily flights to just four daily mainline flights to the two hubs. AWA did not need to negotiate labour concessions as part of the ATSB deal, because its labour costs were already well below industry average. However, it had to make a seven-year commitment to holding down labour costs. If for any year actual unit labour costs exceed the business plan estimates submitted to the ATSB, AWA will have to partially prepay the loan.

Contrary to initial fears of labour strife, AWA has not had any real problems (aside from difficult contract negotiations with ALPA). The situation brightened considerably in late October when the pilots, who rejected a tentative deal in late 2002, agreed to a new tentative three-year contract (subject to a ratification vote this month). Terms were not disclosed, but AWA's leadership estimated last month that a new pilot contract would add to costs by about $30m annually.

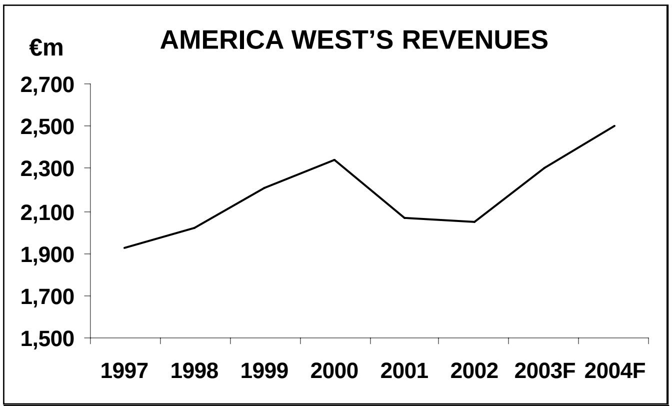
The airline also has to negotiate new contracts with its dispatchers and mechanics, whose contracts are already amendable, and with the flight attendants, whose contract becomes amendable in April 2004. It will all be tougher when profitability is restored, but the aim is still to keep overall unit costs flat.

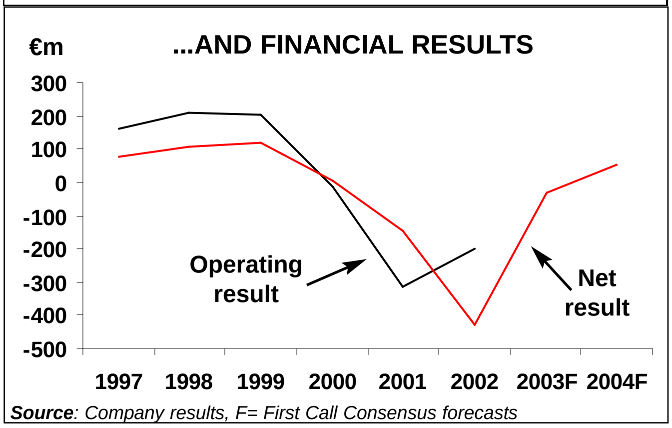
New fare structure impact

AWA's unit revenues (RASM) have traditionally been among the industry's lowest, because it has focused on leisure traffic and competed against Southwest at its hubs. But over the past 2-3 years the airline has been outperforming the industry in RASM and therefore closing the revenue gap.

Progress on that front has been rather spectacular in the past six months. In the third quarter, despite a 5% higher average stage length, AWA's passenger unit revenues (PRASM) rose by 14.3%, compared to the majors' average of 9.4%, and AWA's yield was up by 7.3%. Furthermore, according to its leadership, the rate of AWA's industry outperformance has been increasing month by month, with October PRASM again showing a greater differential.

This was attributed to two factors. First, AWA is detecting a continuing shift of business travellers to its simplified fare structure and full service amenities. As evidence, business traffic's contribution to its total revenues has surged to 44% from 34% a year ago - a trend that contrasts sharply with what the top six carriers have reported. Second, AWA's PRASM has risen significantly because of its aggressive "peak day yield management strategy".





Source: *Company results, F= First Call Consensus forecasts*

America West reformed its fare structure in March 2002, in what it said was a response to business travellers' demands. The airline introduced a simple, flexible pricing structure nationwide, with no Saturday night stay requirement and one-way fares 40-70% lower than competitors' walk-up or 7-day advance purchase fares. The new structure was similar to what AirTran, ATA and other LCCs have adopted. It was much broader and entirely different from the limited pricing experiments that the larger majors had conducted up to that date (or since then).

The fare structure received an unenthusiastic response from analysts, who worried about competitive response - and had perhaps already seen too many fare experiments that had had negative or only neutral impact on the bottom line. However, AWA says that competitors have matched its prices in inventory control buckets (calling it a "limited match"). There have been no further hostile responses, probably because the airlines already discount so heavily in the current extremely weak revenue environment.

AWA seems to have found a fare structure that is paying off in terms of improved revenue generation. The formula works for AWA probably because, as a leisure-oriented carrier, it did not have significant business segment revenues to lose in the first place.

Growth plans

AWA has not shrunk in size during the current industry crisis - another characteristic that sets it apart from the top six carriers. There was a modest 2.1% ASM decline in 2001, but that was recovered last year and this year capacity is growing by 2-4%.

Plans now call for ASM growth to be stepped up to 8-10% in 2004. About half will come from increased aircraft utilisation and the other half from fleet additions. There are currently only two firm deliveries scheduled for 2004 - one A320 and one A319 - but AWA expects to lease another 3-5 aircraft by mid-year. AWA has just added a new element to its route network strategy, to supplement the traditional hub and spoke model. In October, it introduced its first point-to-point transcontinental services, linking Los Angeles with Boston and New York JFK. This will be followed by service from San Francisco to those cities over the next few months. The airline is evaluating other similar markets for next year's growth plans, while continuing to grow the Phoenix and Las Vegas hubs. In January it is substantially boosting service between Las Vegas and nine West Coast cities.

The sudden ramp-up of growth and the new high-profile routes seem risky strategies so soon after the company's financial restructuring and the fare structure revamp. But AWA considered the opportunities too good to be missed, describing the market as "one of the last bastions of extremely high point-to-point fares". It had the advantage among the LCCs of actually having aircraft that could fly those routes - AirTran, by contrast, will have to wait till next summer for its 737-700 deliveries to commence. "We got in while we could", the AWA executives said recently.

Also, none of those markets are totally new to America West. It has operated coast-to-coast services via Phoenix and Las Vegas since the late 1990s and already serves every one of the cities that feature in the point-to-point plans.

The new Los Angeles-East Coast flights have attracted strong forward bookings - perhaps not surprising in light of the fact that AWA is the first and only LCC on those routes (JetBlue operates Long Beach-JFK) and it entered the markets with 75% lower $299 walk-up fares. However, success will depend on winning business travellers from the top six carriers.

At this point AWA is not making any kind of growth commitment beyond 2004. However, if it wants to continue growing at a 10% rate, it will need to get more aircraft. JP Morgan's Baker suggested in a recent research note that a new (A320-family) aircraft order is possible before the end of this year.

Aside from point-to-point expansion, AWA has not indicated where it believes its best future growth opportunities might lie. Baker made the point that it lacks an "unpolished hub like Newark" (which has kept Continental busy) and that Phoenix and Las Vegas clearly have limits. He suggested possible future growth in the popular Western corridor (as Southwest continues to focus on the East) - AWA recent response to that was "not immediately". No doubt the airline is also waiting to see what happens at United and American.

AWA is finding it hard to forge new marketing relationships with the larger carriers these days because of the new fare structure (Continental cancelled its alliance the day that the new pricing was announced). But AWA is not too concerned as it believes that it has the best FFP among the LCCs because of its long-time relationships with BA and Northwest.

AWA built its cash position to a relatively healthy $584.5m at the end of September, up by $120.1m since the end of June in part thanks to $86.8m proceeds from a private convertible note offering. The aim is to maintain cash at that level, because there are debt maturities of $104m and $179m coming up in 2004 and 2005 respectively (mainly ATSB loan repayments).

The existing reserves and future cash generation from operations, supplemented by aircraft financings, are generally considered to be adequate to meet the financial obligations. However, given the high leverage and lack of credit line or unencumbered assets, there is no cushion against any economic or industry downturn.

By Heini Nuutinen

Iberia: challenges of the Third Director Plan

Following the proposed Air France/KLM merger, some analysts have speculated on an Iberia/ British Airways merger. This is highly improbable and would be a hugely misguided for Iberia, which is now facing some growing problems following its relative success in recent years.

A question mark about Iberia's future may appear unduly pessimistic given the airline's impressive results in 2002, when it posted an operating profit of €249m and net profit of €157m, compared with a €5m operating profit and €50m net profit in 2001. To some extent Iberia was protected from the effects of September 11, as its intercontinental operations concentrate on the South rather than the North Atlantic.

Iberia's performance in 2002 was a result of what the airline called its "anti-crisis" plan, which put long-term growth on hold in favour of urgent cost-cutting and capacity reduction. During the year Iberia delayed delivery of nine A320s and five A321s, retired six A300s and cancelled a number of wet and operating leases. Overall capacity was cut by 5.2% in 2002, although Iberia saw its load factor rise by 2.3% as traffic only dropped by 1.2%. The capacity cuts were not evenly distributed through Iberia's network - the largest reduction in ASKs came in the domestic market, down 11.5% in 2002, with just a 3.9% cut on long-haul and a 1.6% reduction on intra-European routes. Iberia was helped by not having as much exposure to the North Atlantic market as many of its European competitors, but the airline also benefited from deep cost-cutting that saw 2,700 redundancies through the year - around 10% of the workforce - and operational improvements that saw fleet utilisation rise by 5% to 8.7 hours per day in 2002.

Yet even as the "anti-crisis plan" was being implemented, Iberia's management was planning ahead, and at the end of 2002 the airline announced it was scrapping its existing long-term strategy in favour of what it called its third "Director Plan", which covers the period 2003-2005. By 2005, the Third Director Plan's objectives are to:

- Reduce unit costs by 8-10% in nominal terms.
- Increase EBITDAR margin above 19%.
- Achieve a ROE of at least 15%.

These targets appear achievable, given Iberia's 2002 EBITDAR margin of 17.1% (compared with 13.8% in 2001) and ROE of 12% - margins that many of Iberia's competitors can only dream of. Practically, the Third Director Plan aims to achieve these objectives by further cost-cutting, preserving Iberia's leading position on Europe-Latin America routes and trying to make a profit on domestic and European point-to-point routes. Specific targets include a capacity increase of at least 22% over the three-year period, a rise in fleet utilisation of 9% and a reduction in costs of 15%.

Operationally, the focus is very much back on growth following the capacity cuts imposed after September 11. On short-haul, A320/321 orders that were postponed after September 11 will begin arriving by the end of 2003/early 2004, but much of Iberia's capacity increases will come on transatlantic routes now that Iberia has finally made a decision on long-haul fleet renewal. Iberia's 747s are being replaced by eight A340-600s, all of which are to be assigned on routes to South and North America. The first A340-600 was delivered in June 2003 and is one of three aircraft that were previously destined for Swissair. These are being leased from Airbus and will replace three leased 747-300s. The remaining five A340s are an existing order, although conversion of options for a further seven A340-600s is being put on hold for the moment until traffic becomes stronger on European feeder routes from Germany, France and Italy.

IBERIA'S FLEET

	Fleet	Orders	Options
A319	4	8	9
A320	56	11	3
A321	6	9	11
A340	21	7	7
747	7		
757	17		
MD87	24		
MD88	14		
Total	**149**	**35**	**30**

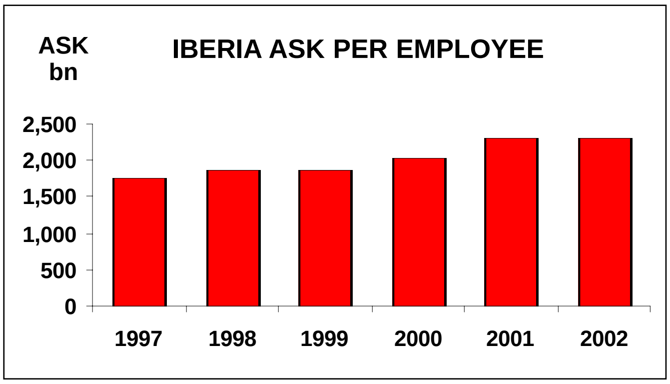
Once the long-haul fleet is renewed, Iberia will have brought to an end a compete overhaul of its fleet mix, which over the last two years has resulted in the number of aircraft types being halved, from ten to five. The less complicated fleet helped increase cockpit crew productivity by 4.2% and aircraft utilisation by 5.3% in 2002, even though overall capacity was reduced.

Airport expansion

Iberia will also take full advantage of runway and terminal development at Barcelona and Madrid, and the airline plans to at least keep its existing market shares at these airports. Madrid Barajas will open two new runways and a terminal in 2004, while Barcelona El Prat will open a runway in 2004 and a terminal in 2005. This will result in passenger capacity growth of between 30-40% at Barcelona and Madrid in 2004-2006 - way above any of these airports' major European competitors. And that will come on top of estimated passenger CAGR over 1999-2004 of 8.5% at Madrid and 6.5% at Barcelona, compared with 6.5% at Paris CDG, 5.0% at Schiphol, 4.0% at Frankfurt and just 1.5% at London Heathrow.

Altogether, Iberia is to spend more than €1.5bn on aircraft and terminal improvements, and management claims that if aircraft productivity targets are not achieved then capacity will be increased even further than planned through additional wet leasing.

As for further cost-cutting, Iberia intends to copy the low cost carriers (LCCs) and axe many of the standard free frills on its economy class product such as meals and paper tickets, which will subsequently only be available for an extra charge. This will enable the airline to reduce its comparatively high economy fares - which travellers to/from Spain have long complained about - thereby increasing demand and hopefully turning more of Iberia's intra-European routes profitable.



A nice plan, but ...

Just months after the Third Director Plan was launched, Iberia's managers decided it needed to be altered following the tough economic and aviation environment of early 2003 - even though SARS has not had an effect on Iberia's traffic, fuel risk was hedged ahead of the Iraq crisis and the depreciation of the dollar had had a net positive impact on Iberia's costs and interest payments. Despite all this positive news, in the first half of 2003 Iberia's operating profits fell by 79% to €21m compared with January-June 2002, and net profits were down by 57% to €29m. Iberia claims the plunge in half-year profits was due to overcapacity and cheaper fares - although increasing capacity and reducing fares is at the core of the new three-year Director Plan. Iberia's passenger yields fell by a worrying 8.1% over the first half of 2003.

As a result, just a few months into 2003 Iberia decided to "revise and update" the 2003-05 Director Plan, delaying deliveries of new aircraft and cutting back its planned capacity increases. In the first half of 2003 overall ASKs were down 2.1% on 1H 2002, with domestic ASKs down 0.1%, intra - European up 0.8% and long-haul down 4.6%. But overall, RPKs rose 0.4% in the half-year, leading to a 1.8 percentage point improvement in load factor.

In the revised Director Plan there now appears to be a scaling back of the fleet plan. Whereas previously Iberia forecast a 2005 fleet of 170 aircraft (30 of which would be long-haul), it is now talking about a fleet of 140-150 aircraft in 2005, this downward adjustment to be achieved by not renewing existing operating leases, letting aircraft options lapse and cancelling previously-planned wet leases.

Iberia argues the 2003 capacity reductions are tactical and just a response to market conditions, but they appear to be more a strategic U-turn than a short-term tweaking of capacity, and therefore put a serious question mark over the achievability of the Third Director Plan as a whole.

Here come the LCCs

A serious threat to the success of the Third Director Plan comes from increasing competition from the LCCs. While the lack of capacity constraint at Barcelona and Madrid is a key competitive advantage for Iberia, it also means the airline will increasingly come under attack from the LCCs as they too expand operations at Spanish airports.

According to an investors road show given by Iberia in July 2003, the "competitive environment considered in the scenario of the Director Plan has changed considerably in the first months of 2003". Lower traffic and higher fuel process are temporary effects, but "growing competition of the LCCs in Europe" has lead to more "structural changes" - Iberia-speak for increasing pressure on yields.

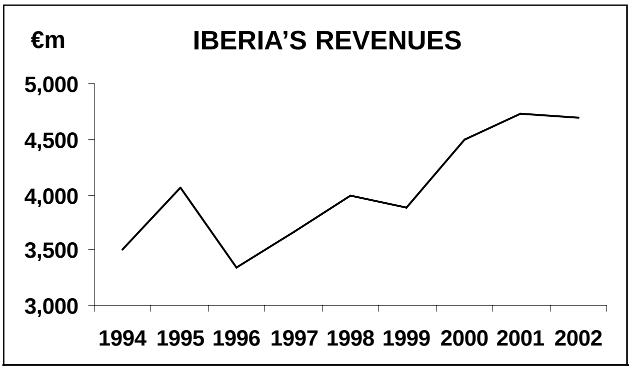
At present, easyJet operates to Barcelona, Madrid, Bilbao, Alicante, Malaga, Ibiza and Palma from seven UK airports as well as Paris Orly, Amsterdam and Geneva. Ryanair, which previously had avoided Spain because it could not strike favourable airport deals, now operates to five Spanish airports from the UK, Ireland and Frankfurt (Hahn), Milan (Bergamo) and Brussels (Charleroi). Germanwings flies to four Spanish cities from Cologne/Bonn and Stuttgart.

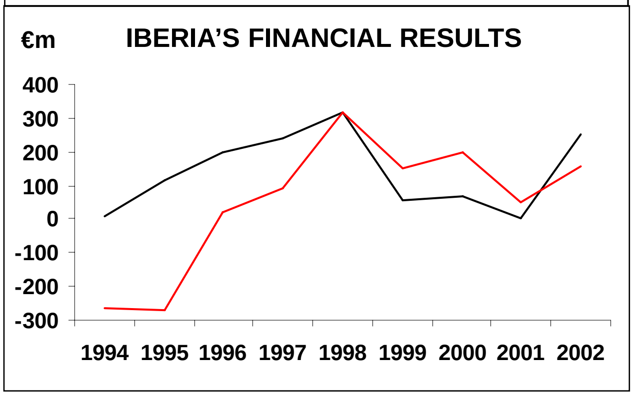
Iberia has responded by cutting cut fares by up to 30% on off-peak flights on some European routes believed to have been seriously affected by competition from LCCs - particularly UK-Spain routes. But will limited fare reductions seriously dent the advance of the LCCs given that there are few capacity restraints at the major Spanish airports? A Spanish-based analyst forecasts that easyJet and Ryanair's combined market share of traffic to/from Spain will grow from just under 2% in 2002 to well over 10% by 2005.

The only substantive response Iberia can make to the LCCs long-term is to cut fares aggressively, but to do that and achieve profitability on intra-Europe routes (as targeted in the Director Plan) will require Iberia to put further downward pressure on costs that have already been reduced substantially. Iberia has told its investors that it is now accelerating its timetable for certain measures in the Director Plan, such as reducing travel agents commissions (now to be implemented in January 2004), restructuring of foreign offices (starting now) and implementation of new on-board service levels (again with immediate effect).

But how much room for further cost cutting is left at Iberia? According to Iberia's own calculations, its unit costs - at less than 8 Euro cents per ASK in 2002 - are lower than all of the Euro-Majors and not far behind the LCCs. Cost-cutting of €61m was achieved in 2002 - €7m higher than its target - and in 2003 the airline aims to reduce costs again by another €54m. These cost targets are accumulative, and each subsequent round of cost cutting is harder to achieve. Indeed unit costs remained level in nominal terms through the first half of 2003, and productivity improvements have already levelled off.

So what areas could be squeezed further? A detailed analysis of Iberia versus the LCCs reveals that LCCs still have a cost advantage

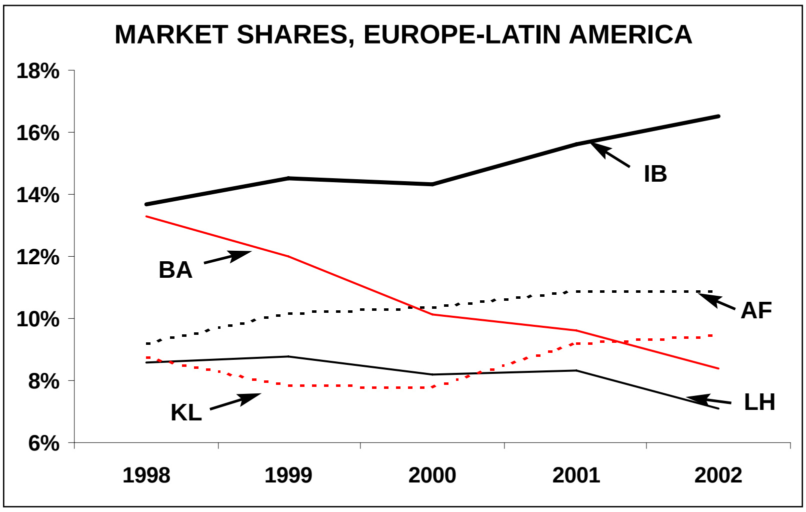




over Iberia in the key areas of fleet, maintenance, flight personnel and commercial despite Iberia cutting costs in these areas already. However, in the commercial category there is a huge difference between the sleek, efficient management structures of the LCCs and the bloated overheads of expensive office locations and middle/senior management at Iberia - and these are areas that Iberia must target ruthlessly.

If anything, the pressure on Iberia's costs will be upwards rather than downwards in the immediate future as management's uneasy peace with Iberia's workforce is close to breaking down. Management has recently tried to push through further changes to work practices, but the unions see this as a concession too far for a workforce that has seen few of the rewards that other stakeholders have received in the two or three years.

The latest proposed changes include cross-training of A320 and A340 pilots, further outsourcing of non-core activities and moves to increase staff flexibility across different duties. Unions expect to agree a compromise deal, but they have little choice given the fact that industrial action is ruled out until early 2005 as part of an earlier deal between unions and management struck in July 2001 (see *Aviation Strategy*, March 2002), and renewed in November 2002. But the new row signifies that underlying poor relations between the workforce and management do not appear to be improving. In 2005, once the "no-strike" agreement ends, it is almost inevitable that unions will initiate moves to claw back some of the concessions they have made over the last few years, and grab a share of Iberia's recent profitability.



The current row with the workforce is not a great start for new Iberia chairman Fernando Conte, whom the Iberia unions had hoped would be less aggressive than predecessor Xabier de Irala, who succeeded in turning around the Spanish flag-carrier from a bloated, inefficient, state-run organisation totally dependent on state aid to a commercially successful airline, in the process straining union relationships. Union officials in Madrid look with some trepidation at the job cutbacks that have been implemented at BA.

Conte, however, has little room for manoeuvre. Although each subsequent layer of cost cutting is harder to achieve, it becomes even more necessary given the yield pressure from the aggressive intrusion of the LCCs into the Spanish market. In addition, Iberia faces a challenge to its domestic routes from the introduction of new high-speed trains in Spain. Given all this, there must be a doubt as to whether Iberia's European routes can ever become profitable (as stated in the objectives of the Third Director Plan) - particularly as the airline's partner, BA, has been struggling to make a profit intra-Europe for years. At worst, yield erosion may increase intra-European losses so much that they wipe out a large part of the profits that Iberia makes on long-haul routes - the airline's key asset.

Iberia predicts strong growth rates on its Latin American network, which includes routes to 28 cities in 17 countries. Altogether, Latin America routes accounted for 36% of all Iberia's ASKs in 2002, 38% of its RPKs, and a large proportion of its operating profits. Iberia has increased its market share on Latin American routes over the last five years (see chart on left), which is unsurprising given the weakness of competitors like Aerolineas Argentinas and Varig.

But even here Iberia will face increasing competition in the future. The infrastructure improvements at Barcelona and Madrid provide not only an opportunity for the LCCs intra-Europe, but also for the Euro-Majors on long haul to Latin America - if traffic rights can be obtained. The threat to Iberia's Latin

America profits could be even stronger if cost cutting goes too far and business passengers start noticing differences between the products of "full-service" competitors and Iberia's flights.

BA/Iberia alliance

According to reports in the Spanish press, Rod Eddington, BA's CEO, states that Iberia is "an absolute key partner for us", and that once BA sorts out its own profitability, its next priority will be consolidation in Europe, and "our relationship with Iberia will be the cornerstone of that".

But before the two airlines can take deepen the existing relationship through coordination of scheduling and fares, antitrust immunity from the EC for the BA/Iberia alliance still has to be secured. The airlines applied for immunity last year, and in September 2003 - following negotiations with the EC - BA and Iberia agreed to give up seven daily slot pairs on London-Spain routes in order to win this immunity. However, this deal has still to be formally approved by the EC, and bmi has described it as "wholly inadequate".

It is hard to see what BA can gain by a full merger or increased equity stake that it cannot achieve by closer co-operation (once it gets the all-clear from the EC) under the existing partnership. There is little overlap between BA and Iberia, so cost savings would be insignificant. The key asset for BA is Iberia's grip on the Latin America market, which it should be able to exploit anyway via close co-ordination of schedules at Madrid and perhaps some juggling of the two carriers' long-haul routes.

And if BA bought a larger stake in Iberia it would be tying itself even closer to an airline whose European network struggles to make a profit, even after the substantial cost-cutting that has already been achieved, and is even more unlikely to do so in the future given the advance of the LCCs. BA has enough yield pressure of its own in Europe without taking on Iberia's own intra-European problems, and that's even before the headache of getting a BA/Iberia merger past the EC.

Surely BA will not be panicked into making such a major strategic move just because of the dubious benefits of Air France/KLM? Naturally, Iberia is doing its best to talk up its long-term prospects, and in June 2003 outgoing president Xavier de Irala claimed Iberia wanted to assume a leadership position and play a role in European strategic consolidation. But Iberia needs to concentrate on putting its own house in order first, and if Iberia is part of European consolidation it will only be a consequence of what others - and in particular BA - want.

IBERIA SHAREHOLDERS

Free float	**54.6%**
Caja Madrid	**10%**
BA	**9%**
Banco Bilbao	**7.3%**
Logistica	**6.7%**
SEPI	**5.4%**
El Corte Ingles	**3%**
Ahorro Corporacion	**3%**
American Airlines	**1%**
Total	**100%**

Iberia reportedly is considering an investment in the soon-to-be privatised TAP Air Portugal, but this would be a relatively insignificant strategic advantage for a combined BA/Iberia, with the only real benefit being access to TAP traffic to/from Brazil (something that the regulators would inevitably take a close look at). Iberia's equity interest in TAP appears illogical, given that it can gain virtually all of the benefits of a costly equity link-up via its existing codesharing deal (see *Aviation Strategy*, March 2003).

Hopefully this type of strategic grandstanding will not be a feature of the new chairman, Fernando Conte. Conte was previously CEO of an engineering company and has been an independent board member at Iberia since 2001. He has a massive task ahead, and the first indication of how he has done since taking over as chairman in June will be the third quarter results, due out on November 17.

Longer-term, investors should also keep an eye on the Third Director Plan and its specific objectives. Iberia's message to investors - in July 2003 at least - was that its core 2005 unit cost, EBITDAR and ROE margin targets remain the same, despite the wobbles of early 2003. These targets are a key indication of how Iberia is faring. If they are watered down or even axed, then Iberia will give a clear indication that its Third Director Plan was too ambitious and that yield pressure in Europe is becoming dangerous.

Jet values and lease rates

The following tables reflect the current values (not "fair market") and lease rates for narrowbody and widebody jets. The figures are from The Aircraft Value Analysis Company (contact details opposite) and reflect AVAC's opinion of the worth of the aircraft. These values are different from and inevitably above the opportunistic offer prices or distressed sale prices prevalent today. These figures are not solely based on market averages, but also such factors as remarketing value, number in service, number on order and backlog, projected life span, etc.

NARROWBODY VALUES (US $m)

	NEW	5 years old	10 years old	20 years old		NEW	5 years old	10 years old	20 years old
A318	28.2				**717-200**	22.2			
A319 (IGW)	34.9	26.9			**727-200Adv**				1.0
A320-200 (IGW)	41.5	32.4	23.4		**737-200Adv**				2.1
A321-200 (LGW)	48.2	37.3			**737-300 (LGW)**		15.3	12.2	
					737-400 (LGW)		16.8	13.2	
					737-500		15.5	11.7	
					737-600	29.9	20.9		
					737-700	35.1	27.4		
					737-800	43.9	33.9		
					737-900	43.3			
					757-200		30.0	22.8	
					757-200ER		33.2	25.0	
					757-300	48.3	36.9		
					MD-82		11.9	9.9	6.0
					MD-83		13.6	11.2	
					MD-88			11.5	
					MD-90		17.2		

WIDEBODY VALUES (US $m)

	NEW	5 years old	10 years old	20 years old		NEW	5 years old	10 years old	20 years old
A300B4-200				4.8	**747-200B**				8.1
A300B4-600			15.9		**747-400**	126.4	95.5	64.6	
A300B4-600R (HGW)		40.0	29.4		**767-200**				8.6
A310-300 (IGW)			25.0		**767-300**		42.2	30.3	
A330-200	92.8	76.6			**767-300ER (LGW)**		51.0	37.0	
A330-300 (IGW)	90.2	69.7			**767-400**	77.5			
A340-200			43.5		**777-200**		72.5		
A340-300 (LGW)	96.3	75.6	54.9		**777-200ER**	119.2	95.0		
A340-300ER	104.6	82.3			**777-300**	122.5	90.4		
A340-500	119.8								
A340-600	126.8								
					DC-10-30				7.0
					MD-11P		47.2	35.4	

Note: As assessed at end October 2003, mid-range values for all types.
Source: AVAC

NARROWBODY LEASE RATES (US $000s per month)

	NEW	5 years old	10 years old	20 years old		NEW	5 years old	10 years old	20 years old
A318	221				**717-200**	185			
A319 (IGW)	275	232			**727-200Adv**				40
A320-200 (IGW)	274	241	205		**737-200Adv**				47
A321-200 (LGW)	355	294			**737-300 (LGW)**		135	117	
					737-400 (LGW)		148	128	
					737-500		144	125	
					737-600	190	162		
					737-700	264	218		
					737-800	309	261		
					737-900	310			
					757-200		210	192	
					757-200ER		230	199	
					757-300	279	258		
					MD-82		134	117	82
					MD-83		142	122	
					MD-88			126	
					MD-90		142		

WIDEBODY LEASE RATES (US $000s per month)

	NEW	5 years old	10 years old	20 years old		NEW	5 years old	10 years old	20 years old
A300B4-200				93	**747-200B**				151
A300B4-600			201		**747-400**	876	732	567	
A300B4-600R (HGW)		285	256		**767-200**				108
A310-300 (IGW)			198		**767-300**		322	272	
A330-200	640	567			**767-300ER (LGW)**		398	338	
A330-300 (IGW)	625	534			**767-400**	551			
A340-200			398		**777-200**		563		
A340-300 (LGW)	693	582	467		**777-200ER**	823	707		
A340-300ER	743	603			**777-300**	854	696		
A340-500	836								
A340-600	896								
					DC-10-30				132
					MD-11P		458	377	

Note: As assessed at end October 2003, mid-range values for all types.
Source: AVAC

		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 employees
Alaska	**Year 2001**	**2,141**	**2,263**	**-121.8**	**-39.5**	**-5.7%**	**-1.8%**	**28,837**	**19,712**	**68.4%**	**13,668**	**10,742**
	Jul-Sep 02	620	597	24	11	3.9%	1.8%	8,380	5,911	70.5%	3,978	10,465
	Oct-Dec 02	430	484	-60	-94	-14.0%	-21.9%	7,657	5,092	66.5%	3,367	
	Year 2002	**2,224**	**2,313**	**-89**	**-119**	**-4.0%**	**-5.4%**	**31,156**	**21,220**	**68.1%**	**14,154**	**10,142**
	Jan-Mar 03	519	597	-79	-56	-15.2%	-10.8%	7,577	5,058	66.7%	3,258	9,988
	Apr-Jun 03	576	581	-5	-3	-0.9%	-0.5%	7,932	5,427	68.4%	3,616	10,222
American	**Year 2001**	**18,963**	**20,823**	**-1,860**	**-1,762**	**-9.8%**	**-9.3%**	**161,030**	**176,143**	**69.4%**	**99,235**	**102,093**
	Jul-Sep 02	4,494	5,815	-1,321	-924	-29.4%	-20.6%	73,899	53,236	72.0%	24,952	99,700
	Oct-Dec 02	4,190	4,869	-679	-529	-16.2%	-12.6%	67,964	47,428	69.8%	22,857	93,500
	Year 2002	**17,299**	**20,629**	**-3,330**	**-3,511**	**-19.2%**	**-20.3%**	**277,121**	**195,927**	**70.7%**	**94,143**	**93,500**
	Jan-Mar 03	4,120	4,989	-869	-1,043	-21.1%	-25.3%	64,813	44,800	69.1%	21,021	92,200
	Apr-Jun 03	4,324	4,237	87	-75	2.0%	-1.7%	68,678	51,095	74.4%		
	Jul-Sep 03	4,605	4,440	165	1	3.6%	0.0%	69,234	52,653	76.0%		
America West	**Year 2001**	**2,066**	**2,380**	**-316**	**-148**	**-15.3%**	**-7.2%**	**42,709**	**30,696**	**71.9%**	**19,576**	**13,827**
	Jul-Sep 02	510	552	-42	-32	-8.2%	-6.3%	11,504	8,619	74.9%	5,165	12,320
	Oct-Dec 02	522	560	-38	-32	-7.3%	-6.1%	11,154	8,160	73.2%	4,906	
	Year 2002	**2,047**	**2,246**	**-199**	**-430**	**-9.7%**	**-21.0%**	**43,464**	**33,653**	**73.6%**	**19,454**	**13,000**
	Jan-Mar 03	523	569	-46	-62	-8.8%	-11.9%	11,027	7,841	71.1%	4,655	
	Apr-Jun 03	576	559	17	80	3.0%	13.9%	11,223	8,854	78.9%	5,185	11,309
	Jul-Sep 03	592	542	50	33	8.4%	5.6%	11,365	9,068	79.8%	5,322	11,175
Continental	**Year 2001**	**8,969**	**9,119**	**-150**	**-95**	**-1.7%**	**-1.1%**	**135,962**	**98,393**	**72.4%**	**44,238**	**44,273**
	Jul-Sep 02	2,178	2,132	46	-37	2.1%	-1.7%	33,839	25,625	75.0%	10,581	40,925
	Oct-Dec 02	2,036	2,094	-56	-109	-2.8%	-5.4%	31,496	22,382	70.6%	9,651	40,500
	Year 2002	**8,402**	**8,714**	**-312**	**-451**	**-3.7%**	**-5.4%**	**128,940**	**95,510**	**73.3%**	**41,014**	**40,713**
	Jan-Mar 03	2,042	2,266	-224	-221	-11.0%	-10.8%	30,699	21,362	68.9%	9,245	
	Apr-Jun 03	2,216	1,978	238	79	10.7%	3.6%	30,847	24,841	75.9%	10,120	
	Jul-Sep 03	2,365	2,191	174	133	7.4%	5.6%	33,071	26,450	79.1%	10,613	
Delta	**Year 2001**	**13,879**	**15,124**	**-1,245**	**-1,216**	**-9.0%**	**-8.8%**	**237,914**	**163,693**	**68.8%**	**104,943**	**77,654**
	Jul-Sep 02	3,420	3,805	-385	-326	-11.3%	-9.5%	59,287	44,037	74.3%	27,713	76,000
	Oct-Dec 02	3,308	3,670	-362	-363	-10.9%	-11.0%	56,776	40,419	71.2%	27,290	75,100
	Year 2002	**13,305**	**14,614**	**-1,309**	**-1,272**	**-9.8%**	**-9.6%**	**228,068**	**172,735**	**71.9%**	**107,048**	**75,100**
	Jan-Mar 03	3,155	3,690	-535	-466	-17.0%	-14.8%	53,435	36,827	68.9%	24,910	72,200
	Apr-Jun 03	3,307	3,111	196	184	5.9%	5.6%	51,552	38,742	75.2%	25,969	69,800
	Jul-Sep 03	3,443	3,524	-81	-164	-2.4%	-4.8%	55,535	42,704	76.9%	27,059	70,100
Northwest	**Year 2001**	**9,905**	**10,773**	**-868**	**-423**	**-8.8%**	**-4.3%**	**158,284**	**117,682**	**74.3%**	**54,056**	**50,309**
	Jul-Sep 02	2,564	2,556	8	-46	0.3%	-1.8%	40,321	31,787	78.8%	14,365	45,466
	Oct-Dec 02	2,339	2,951	-612	-488	-26.2%	-20.9%	37,115	27,611	74.4%	12,779	44,323
	Year 2002	**9,489**	**10,335**	**-846**	**-798**	**-8.9%**	**-8.4%**	**150,355**	**115,913**	**77.1%**	**52,669**	**44,323**
	Jan-Mar 03	2,250	2,576	-326	-396	-14.5%	-17.6%	36,251	26,653	73.5%	12,284	42,781
	Apr-Jun 03	2,297	2,370	-73	227	-3.2%	9.9%	34,434	26,322	76.4%	12,800	39,442
	Jul-Sep 03	2,556	2,410	146	47	5.7%	1.8%	37,476	30,491	81.4%	13,971	38,722
Southwest	**Year 2001**	**5,555**	**4,924**	**631**	**511**	**11.4%**	**9.2%**	**105,079**	**71,604**	**68.1%**	**64,447**	**31,014**
	Jul-Sep 02	1,391	1,300	91	75	6.5%	5.4%	28,342	19,180	67.7%	16,256	33,609
	Oct-Dec 02	1,401	1,313	88	42	6.3%	3.0%	28,296	17,835	63.0%	15,554	33,705
	Year 2002	**5,522**	**5,104**	**417**	**241**	**7.6%**	**4.4%**	**110,859**	**73,049**	**65.9%**	**63,046**	**33,705**
	Jan-Mar 03	1,351	1,305	46	24	3.4%	1.8%	28,000	17,534	62.6%	15,077	33,140
	Apr-Jun 03	1,515	1,375	140	246	9.2%	16.2%	28,796	20,198	70.1%	17,063	32,902
	Jul-Sep 03	1,553	1,368	185	106	11.9%	6.8%	29,296	20,651	70.5%	17,243	32,563
United	**Year 2001**	**16,138**	**18,481**	**-2,343**	**-2,145**	**-14.5%**	**-13.3%**	**265,291**	**187,701**	**70.8%**	**75,457**	**96,142**
	Jul-Sep 02	3,737	4,383	-646	-889	-17.3%	-23.8%	64,147	48,335	75.4%	18,900	79,900
	Oct-Dec 02	3,468	4,462	-994	-1,473	-28.7%	-42.5%	59,988	43,158	71.9%	16,823	77,000
	Year 2002	**14,286**	**17,123**	**-2,837**	**-3,212**	**-19.9%**	**-22.5%**	**238,569**	**176,152**	**73.5%**	**68,585**	**78,700**
	Jan-Mar 03	3,184	3,997	-813	-1,343	-25.5%	-42.2%	55,751	39,980	71.7%	15,688	70,600
	Apr-Jun 03	3,109	3,540	-431	-623	-13.9%	-20.0%	51,692	39,809	77.0%	16,381	60,000
	Jul-Sep 03	3,817	3,798	19	-367	0.5%	-9.6%	56,726	45,500	80.2%	17,635	59,700
US Airways	**Year 2001**	**8,288**	**9,355**	**-1,067**	**-1,969**	**-12.9%**	**-23.8%**	**107,347**	**73,944**	**68.9%**	**56,114**	**43,846**
	Jul-Sep 02	1,752	1,933	-181	-335	-10.3%	-19.1%	24,075	17,276	71.8%	11,994	33,302
	Oct-Dec 02	1,614	2,217	-603	-794	-37.4%	-49.2%	20,631	14,096	68.3%	10,354	30,585
	Year 2002	**6,977**	**8,294**	**-1,317**	**-1,646**	**-18.9%**	**-23.6%**	**90,700**	**64,433**	**71.0%**	**47,155**	**30,585**
	Jan-Mar 03	1,534	1,741	-207	1,635	-13.5%	106.6%	19,579	13,249	67.7%	9,427	27,397
	Apr-Jun 03	1,777	1,710	67	13	3.8%	0.7%	20,929	15,789	75.4%	10,855	26,587
	Jul-Sep 03	1,771	1,808	-37	-90	-2.1%	-5.1%	21,615	16,611	76.9%	10,584	26,300

Note: Annual figures may not add up to sum of interim results due to adjustments and consolidation. 1 ASM = 1.6093 ASK.

	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 employees
Air France											
Year 2001/02	**11,234**	**11,017**	**217**	**141**	**1.9%**	**1.3%**	**123,777**	**94,828**	**76.6%**		**70,156**
Apr-Jun 02	3,276	3,124	163	157	5.0%	4.8%	31,687	24,435	77.1%		
Jul-Sep 02	3,264	3,122	142	57	4.4%	1.7%	33,806	26,366	78.0%		71,290
Oct-Dec 02	3,396	3,392	4	2	0.1%	0.1%	32,581	24,558	75.4%		
Jan-Mar 03	3,240	3,373	-133	-106	-4.1%	-3.3%	32,070	23,906	74.5%		
Year 2002/03	**13,702**	**13,495**	**207**	**130**	**1.5%**	**0.9%**	**131,247**	**99,960**	**76.2%**		**71,525**
Apr-Jun 03	3,442	3,453	-10	5	-0.3%	0.1%	31,888	23,736	74.4%		71,936
Alitalia											
Jan-Jun 01	2,348	2,504	-156	-228	-6.6%	-9.7%	26,437	18,953	71.7%	12,565	24,023
Year 2001	**4,745**	**5,007**	**-262**	**-818**	-5.5%	-17.2%	**51,392**	**36,391**	**70.8%**	**24,737**	**23,667**
Jan-Jun 02	2,462	2,574	-63	-49	-2.6%	-2.0%			69.7%		21,366
Year 2002	**5,279**	**4,934**	**-89**	**101**	**-1.7%**	**1.9%**	**42,224**	**29,917**	**70.8%**	**22,041**	**22,536**
Jan-Mar 03	1,097	1,226	-187		-17.0%		10,503	6,959	66.3	4,993	21,984
BA											
Year 2001/02	**12,138**	**12,298**	**-160**	**-207**	**-1.3%**	**-1.7%**	**151,046**	**106,270**	**70.4%**	**40,004**	**57,227**
Jul-Sep 02	3,323	2,931	392	240	11.8%	7.2%	35,608	27,301	76.7%	10,607	52,116
Oct-Dec 02	3,025	2,939	86	21	2.8%	0.7%	34,815	24,693	70.9%	9,200	51,171
Jan-Mar 03	2,721	2,988	-213	-216	-7.8%	-7.9%	33,729	23,439	69.5%	8,547	50,309
Year 2002/03	**12,490**	**12,011**	**543**	**117**	**4.3%**	**0.9%**	**139,172**	**100,112**	**71.9%**	**38,019**	**51,630**
Apr-Jun 03	3,023	2,957	59	-104	2.0%	-3.4%	34,962	25,102	71.8%	9,769	49,215
Jul-Sep 03	3,306	2,980	333	163	10.1%	4.9%	35,981	27,540	76.5%	9,739	47,702
Iberia											
Jan-Mar 02	1,070	1,076	-9	-5	-0.8%	-0.5%	13,502	9,429	69.8%	5,916	
Apr-Jun 02	1,245	1,134	98	76	7.9%	6.1%	14,004	10,105	72.2%	6,726	
Jul-Sep 02	1,229	1,103	132	104	10.7%	8.5%	14,535	11,419	78.6%	6,624	
Oct-Dec 02	1,236	1,219	18	-17	1.5%	-1.4%	13,593	9,695	71.3%	5,689	25,544
Year 2002	**5,123**	**4,852**	**272**	**174**	**5.3%**	**3.4%**	**55,633**	**40,647**	**73.0%**	**24,956**	**25,963**
Jan-Mar 03	1,128	1,183	-55	-24	-4.9%	-2.1%	13,200	9,458	71.6%	5,717	
Apr-Jun 03	1,348	1,265	83	60	6.2%	4.5%	13,516	9,982	73.8%	6,472	
KLM											
Year 2001/02	**5,933**	**6,018**	**-85**	**-141**	**-1.4%**	**-2.4%**	**72,228**	**56,947**	**78.7%**	**15,949**	**33,265**
Apr-Jun 02	1,639	1,599	40	11	2.4%	0.7%	18,041	14,326	79.4%		34,366
Jul-Sep 02	1,844	1,523	140	86	7.6%	4.7%	19,448	16,331	82.7%		34,931
Oct-Dec 02	1,693	1,760	-68	-71	-4.0%	-4.2%	19,063	14,722	77.2%		34,850
Jan-Mar 03	1,487	1,521	-272	-483	-18.3%	-32.5%	20,390	15,444	75.7%		34,497
Year 2002/03	**7,004**	**7,147**	**-144**	**-449**	**-2.1%**	**-6.4%**	**87,647**	**69,016**	**78.7%**	**23,437**	**34,666**
Apr-Jun 03	1,621	1,483	-76	-62	-4.7%	-3.8%	17,261	13,077	75.8%		33,448
Lufthansa											
Year 2001	**14,966**	**14,948**	**18**	**-530**	**0.1%**	**-3.5%**	**126,400**	**90,389**	**71.5%**	**45,710**	**87,975**
Apr-Jun 02	4,968	4,601	285	138	5.7%	2.8%	30,769	22,835	70.8%	11,300	90,308
Jul-Sep 02	4,431	4,254	454	369	10.2%	8.3%	32,409	25,189	71.1%	12,067	90,704
Oct-Dec 02							30,282	21,476	70.9%	10,886	
Year 2002	**17,791**	**16,122**	**1,669**	**751**	**9.4%**	**4.2%**	**119,877**	**88,570**	**73.9%**	**43,900**	**94,135**
Jan-Mar 03	4,242	4,588	-346	-411	-8.2%	-9.7%	29,251	20,618	70.5%	10,391	
Apr-Jun 03	4,423	4,214	209	-39	4.7%	-0.9%	30,597	22,315	71.7%	10,758	
SAS											
Year 2001	**4,984**	**5,093**	**-109**	**-103**	-2.2%	-2.1%	**35,521**	**22,956**	**64.6%**	**23,060**	**22,656**
Apr-Jun 02	1,965	1,608	242	106	12.3%	5.4%	8,773	6,240	71.1%	6,034	
Jul-Sep 02	1,821	1,587	233	56	12.8%	3.1%	8,701	6,281	70.2%	5,586	21,896
Oct-Dec 02	1,984	1,826	158	-34	8.0%	-1.7%	8,334	5,463	65.6%	5,155	
Year 2002	**7,430**	**7,024**	**78**	**-15**	**1.0%**	**-0.2%**	**34,626**	**23,621**	**68.2%**	**21,866**	
Jan-Mar 03	1,608	1,654	-224	-188	-13.9%	-11.7%	8,040	4,900	60.9%	4,477	30,373
Apr-Jun 03	1,906	1,705	201	8	10.5%	0.4%	8,563	5,614	65.6%	5,128	
Ryanair											
Year 2000/01	**442**	**338**	**104**	**95**	**23.5%**	**21.5%**	**6,657**	**4,656**	**69.9%**	**7,000**	**1,476**
Year 2001/02	**642**	**474**	**168**	**155**	**26.2%**	**24.1%**	**10,295**	**7,251**	**81.0%**	**11,900**	**1,547**
Jul-Sep 02	272	149	123	113	45.2%	41.5%	3,138			4,300	1,676
Oct-Dec 02	201	149	53	47	26.4%	23.4%			86.0%	3,930	1,761
Year 2002/03	**910**	**625**	**285**	**259**	**31.3%**	**28.5%**			**84.0%**	**15,740**	**1,900**
Apr-Jun 03	280	220	57	46	20.4%	16.4%			78.0%	5,100	2,135
Jul-Sep 03	407	237	170	148	41.8%	36.4%				5,571	2,200
easyJet											
Year 2000/01	**513**	**455**	**58**	**54**	**11.3%**	**10.5%**	**7,003**	**5,903**	**83.0%**	**7,115**	**1,632**
Oct-Mar 02	285	279	6	1	2.1%	0.4%	4,266		84.2%	4,300	
Apr-Sep 02	579	474	105	76	18.1%	13.1%	6,503			7,050	
Year 2001/02	**864**	**656**	**111**	**77**	**12.8%**	**8.9%**	**10,769**	**9,218**	**84.8%**	**11,350**	**3,100**
Oct-Mar 03	602	676	-74	-76	-12.3%	-12.6%	9,594	7,938	82.2%	9,347	

Note: Annual figures may not add up to sum of interim results due to adjustments and consolidation. 1 ASM = 1.6093 ASK

		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 employees
ANA												
	Apr-Sep 00	5,228	4,793	495	359	9.5%	6.9%	47,586	31,753	66.7%	24,958	
	Oct 00-Mar 01	5,376	5,186	190	-486	3.5%	-9.0%	46,278	29,168	63.0%	24,471	
	Year 2000/01	**10,914**	**10,629**	**285**	**-137**	**2.6%**	**-1.3%**	**85,994**	**58,710**	**68.3%**	**43,700**	**14,303**
	Apr-Sep 01	5,168	4,811	357	136	6.9%	2.6%	45,756	30,790	67.3%	25,876	
	Year 2001/02	**9,714**	**9,529**	**185**	**-76**	**1.9%**	**-0.8%**	**87,908**	**57,904**	**64.7%**	**49,306**	
	Apr-Sep 02	5,322	5,194	127	-69	**2.4%**	**-1.3%**	44,429	29,627	66.7%	25,341	
Cathay Pacific												
	Year 2000	**4,431**	**3,752**	**679**	**642**	**15.3%**	**14.5%**	**61,909**	**47,153**	**76.2%**	**11,860**	**14,293**
	Jan-Jun 01	2,031	1,898	133	170	6.5%	8.4%	32,419	23,309	71.9%	5,936	
	Year 2001	**3,902**	**3,795**	**107**	**84**	**2.7%**	**2.2%**	**62,790**	**44,792**	**71.3%**	**11,270**	**15,391**
	Jan-Jun 02	1,989	1,753	235	181	11.8%	9.1%	29,537		78.1%		14,300
	Year 2002	**4,243**	**3,634**	**609**	**513**	**14.4%**	**12.1%**	**63,050**		**77.8%**		**14,600**
JAL												
	Year 1999/00	**14,442**	**14,039**	**403**	**177**	**2.8%**	**1.2%**	**119,971**	**88,479**	**70.2%**	**37,200**	**18,974**
	Year 2000/01	**13,740**	**13,106**	**634**	**331**	**4.6%**	**2.4%**	**129,435**	**95,264**	**73.6%**	**38,700**	**17,514**
	Year 2001/02	**9,607**	**9,741**	**-135**	**-286**	**-1.4%**	**-3.0%**				**37,183**	
	Year 2002/03	**17,387**	**17,298**	**88**	**97**	**0.5%**	**0.6%**	**145,944**	**99,190**	**68.0%**	**56,022**	
Korean Air												
	Year 2000	**4,916**	**4,896**	**20**	**-409**	**0.4%**	**-8.3%**	**55,824**	**40,606**	**72.7%**	**22,070**	**16,000**
	Year 2001	**4,309**	**4,468**	**-159**	**-448**	**-3.7%**	**-10.4%**	**55,802**	**38,452**		**21638**	
	Jan - Mar 02	1,113	1,060	54	23	4.9%	2.1%	13,409	9,799	73.1%	5,399	
Malaysian												
	Year 1999/00	**2,148**	**2,120**	**28**	**-68**	**1.3%**	**-3.2%**	**48,158**	**34,930**	**71.3%**	**15,370**	**21,687**
	Year 2000/01	**2,357**	**2,178**	**179**	**-351**	**7.6%**	**-14.9%**	**52,329**	**39,142**	**74.8%**	**16,590**	**21,518**
	Year 2001/02	**2,228**	**2,518**	**-204**	**-220**	**-9.2%**	**-9.9%**	**52,595**	**34,709**	**66.0%**	**15,734**	**21,438**
Qantas												
	Year 1999/00	**5,710**	**5,162**	**548**	**324**	**9.6%**	**5.7%**	**85,033**	**64,149**	**75.4%**	**20,490**	**29,217**
	Year 2000/01	**5,473**	**5,099**	**374**	**223**	**6.8%**	**4.1%**	**92,943**	**70,540**	**75.9%**	**22,150**	**31,632**
	Jul-Dec 01	3,050	2,904	125	84	4.1%	2.8%	48,484	37,262	76.9%	13,335	32,361
	Year 2001/02	**6,133**	**5,785**	**348**	**232**	**5.7%**	**3.8%**	**95,944**	**75,134**	**78.3%**	**27,128**	**33,044**
	Jul-Dec 02	3,492	3,181	305	210	8.7%	6.0%	51,009	40,779	79.9%	15292	34,770
Singapore												
	Year 2000/01	**5,729**	**4,954**	**775**	**892**	**13.5%**	**15.6%**	**92,648**	**71,118**	**76.8%**	**15,000**	
	Oct 01-Mar 02	2,807	2,508	299		10.7%		46,501	33,904			
	Year 2001/02	**5,399**	**4,837**	**562**	**395**	**10.4%**	**7.3%**	**94,559**	**69,995**	**74.0%**	**14,765**	**29,422**
	Apr 02-Sep 02	2,278	2,134	144	289	6.3%	12.7%	49,196	37,799	76.8%	7,775	
	Year 2002/03	**5,936**	**5,531**	**405**	**601**	**6.8%**	**10.1%**	**99,566**	**74,183**	**74.5%**	**15,326**	**30,243**

Note: Annual figures may not add up to sum of interim results due to adjustments and consolidation. 1 ASM = 1.6093 ASK.

AIRCRAFT AVAILABLE FOR SALE OR LEASE

	Old narrowbodies	Old widebodies	Total old	New narrowbodies	New widebodies	Total new	Total
1998	187	125	312	67	55	122	434
1999	243	134	377	101	53	154	531
2000	302	172	474	160	42	202	676
2001	368	188	556	291	101	392	948
2002	366	144	510	273	102	375	885
2003 - March	314	144	458	300	110	410	868

AIRCRAFT SOLD OR LEASED

	Old narrowbodies	Old widebodies	Total old	New narrowbodies	New widebodies	Total new	Total
1998	482	243	725	795	127	922	1,647
1999	582	230	812	989	170	1,159	1,971
2000	475	205	680	895	223	1,118	1,798
2001	286	142	428	1,055	198	1,253	1,681
2002	439	213	652	1,205	246	1,451	2,103
2003 - March	49	8	57	110	13	123	180

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 narrow-bodies = 737-300+, 757. A320 types, BAe 146, F100, RJ; New widebodies = 747-300+, 767, 777. A600, A310, A330, A340.*

EUROPEAN SCHEDULED TRAFFIC

	Intra-Europe			North Atlantic			Europe-Far East			Total long-haul			Total Int'l		
	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 %
1995	154.8	94.9	61.3	154.1	117.6	76.3	111.1	81.1	73	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
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
Sept 03	18.5	13.1	70.9	19.4	15.6	80.6	11.4	9.5	83.6	42.9	34.7	81.1	64.5	50.1	77.7
Ann. chng	2.3%	1.4%	-0.6	7.1%	4.6%	-1.9	0.5%	-1.4%	-1.5	4.0%	2.1%	-1.6	3.6%	2.1%	-1.1
Jan-Sept 03	159.1	104.2	65.5	163.0	129.8	79.6	97.0	73.2	75.6	372.8	291.0	78.3	556.5	412.6	74.2
Ann. Chng	1.6%	0.4%	-0.8	5.5%	3.8%	-1.3	-3.4%	-10.1%	-5.7	-0.1%	2.0%	-1.7	0.0%	1.8%	-1.4

Source: AEA

US MAJORS' SCHEDULED TRAFFIC

	Domestic			North Atlantic			Pacific			Latin America			Total Int'l		
	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 %
1995	900.4	591.4	65.7	130.4	98.5	0.8	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	178.9	141.4	79.0	127.7	97.7	76.5	83.0	57.6	69.4	380.9	289.9	76.1
2001	1,025.4	712.2	69.5	173.7	128.8	74.2	120.1	88.0	73.3	83.4	56.9	68.2	377.2	273.7	72.6
2002	990.0	701.6	70.9	159.0	125.7	67.2	103.0	83.0	80.5	84.1	56.8	67.5	346.1	265.5	76.7
Sept - 03	77.8	52.4	67.3	13.7	11.1	81.1	8.3	6.8	82.3	6.2	3.8	61.5	28.1	21.7	77.1
Ann. chng	-4.2%	1.9%	4.0	-4.9%	-5.3%	0.3	-6.9%	-2.3%	3.9	-5.5%	-0.4%	3.1	-5.8%	-3.3%	2.0
Jan-Sept 03	720.8	532.5	73.9	111.2	88.0	79.1	70.4	53.8	76.4	62.7	44.6	71.1	244.3	186.3	76.2
Ann. chng	-3.4%	0.1%	2.6	-7.4%	-8.8%	-1.3	-8.0%	-14.0%	-5.3	-0.4%	3.7%	2.8	-5.9%	-7.7%	-1.5

Note: US Majors = Aloha, Alaska, American, Am. West, American Transair, Continental, Cont. Micronesia, Delta, Hawaiian JetBlue, MidWest Express, Northwest,Southwest, United and US Airways **Source**: ATA

JET ORDERS

	Date	Buyer	Order	Price	Delivery	Other information/engines
Boeing	30 Sept	Korean Air	2 747-400ERFs			
	05 Nov	Air Europa	4 737-800s		2004	CFM56-7
Airbus	23 Oct	Korean Air	5 A380s		2007-09	plus 3 options

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

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 %
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	3,390	70.8	4.9	7.2	5.6	6.0	5.3	6.5
2001							4,698	3,262	69.4					-2.4	-0.6
2002P							4,587	3,243	70.7					-1.9	0.4
***2003**							4,865	3,502	72.0					6.1	8.0
***2004**							5,145	3,730	72.5					5.8	6.5
***2005**							5,415	3,954	73.0					5.3	6.0
***2006**							5,702	4,191	73.5					5.3	6.0

Note: *=Forecast; P=Preliminary; ICAO traffic includes charters. *Source: Airline Monitor,January 2003*