



# Economic Performance of the Airline Industry

End year 2015 presentation

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# Outlook for 2016

- Favorable economic environment
- Travel business remains strong
- Cargo remains weak
- A second year of 'normal' profits
- 'Normality' not yet widespread or secure

# Economic growth uneven but rising



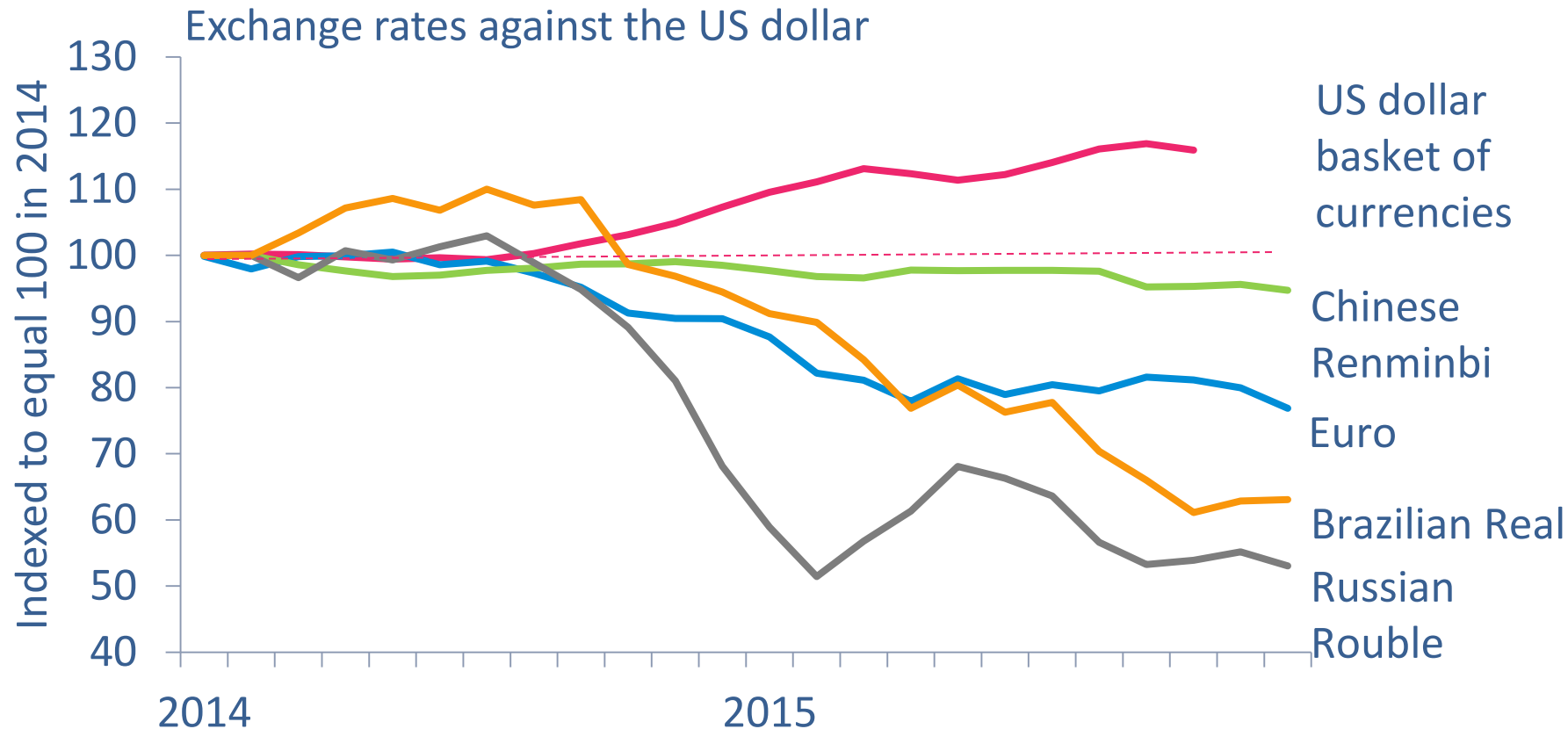
# Oil price outlook uncertain but low

Brent crude oil price

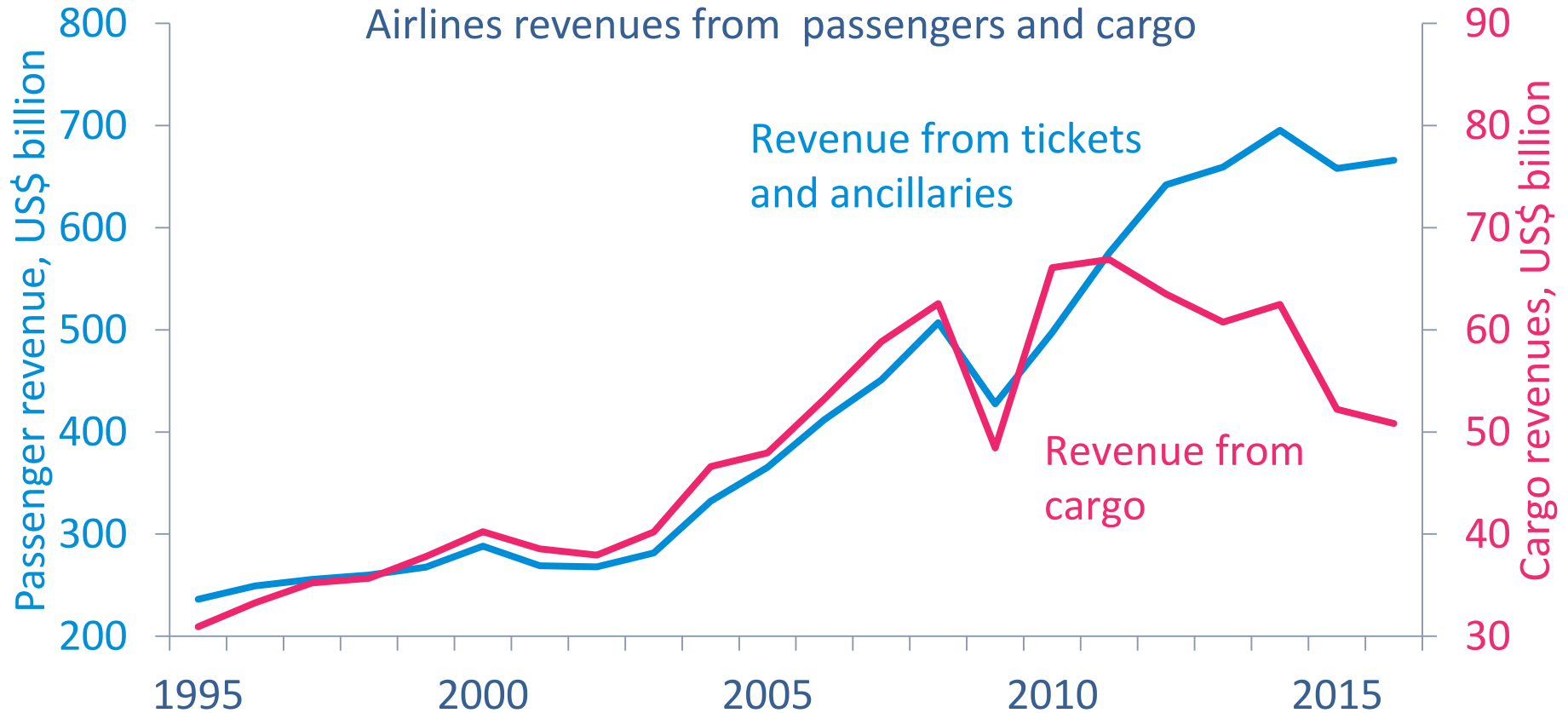


Source: Platts, IEA, Press reports

# Exchange rate volatility behind us?

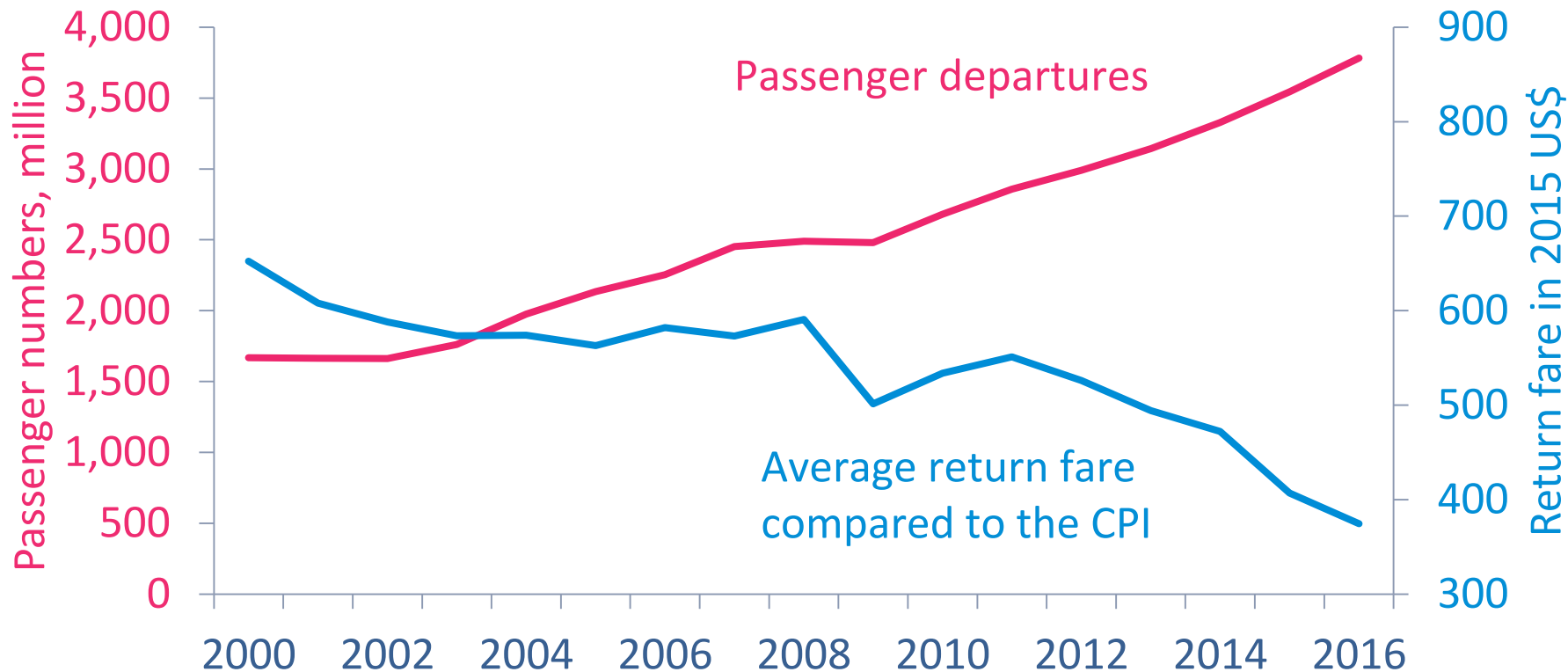


# Very different businesses

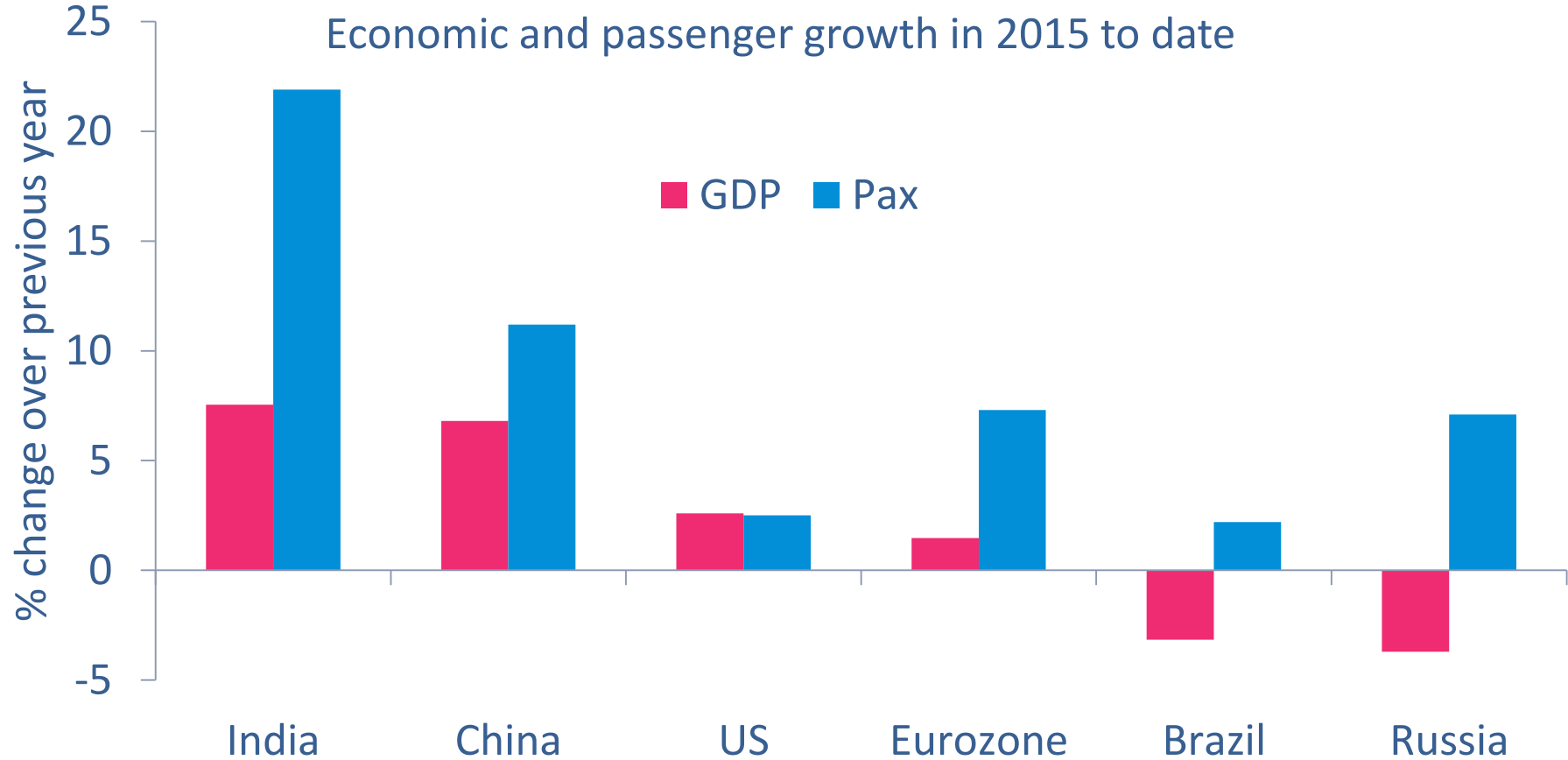


# Strong demand to travel helped by falling prices

Passenger departures and the real average return fare



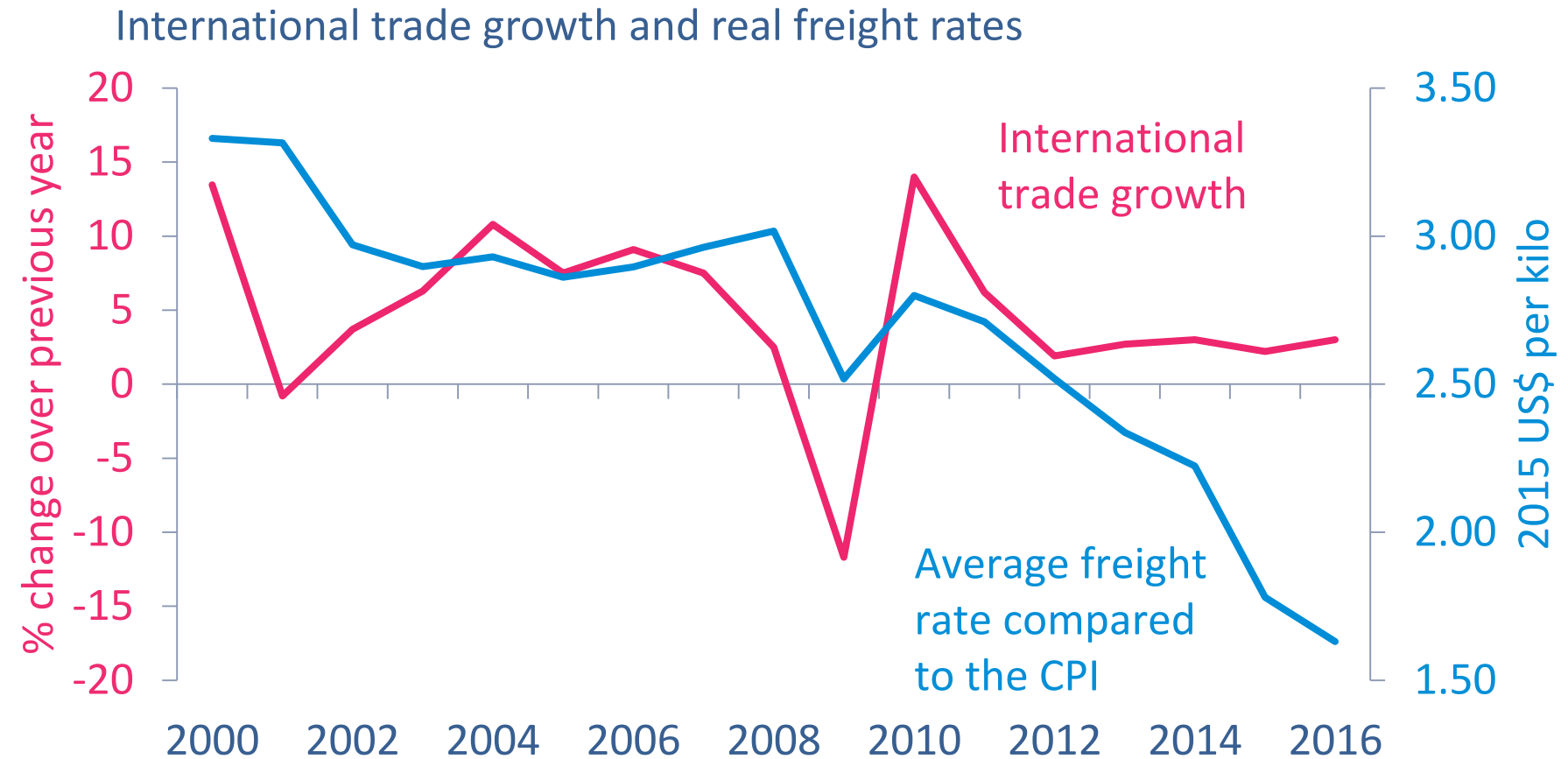
# Wide variation driven by economic environment



Source: Datastream, IATA Statistics



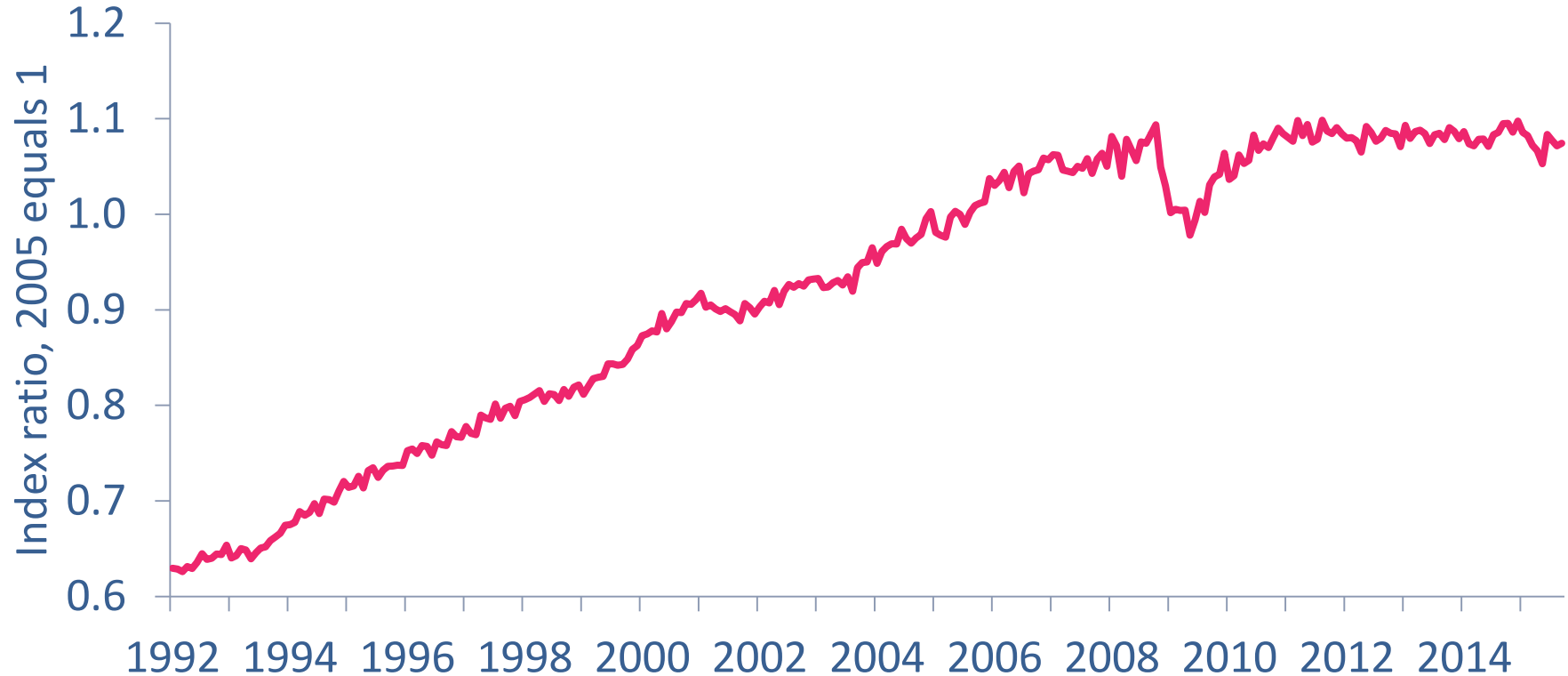
# Cargo hit by weak trade growth and weak yields



Source: Netherlands CPB, EIU, CargoIS

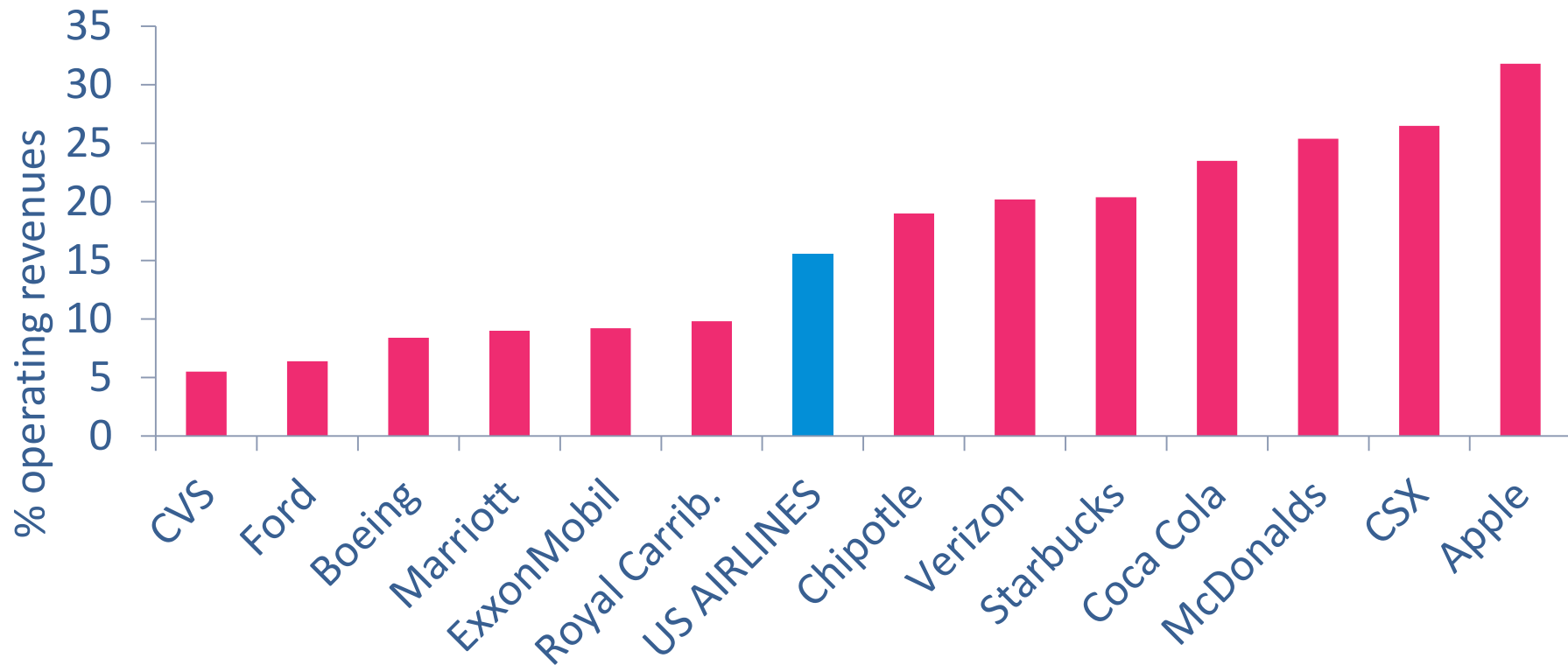
# Globalization has paused

International trade compared to global industrial production

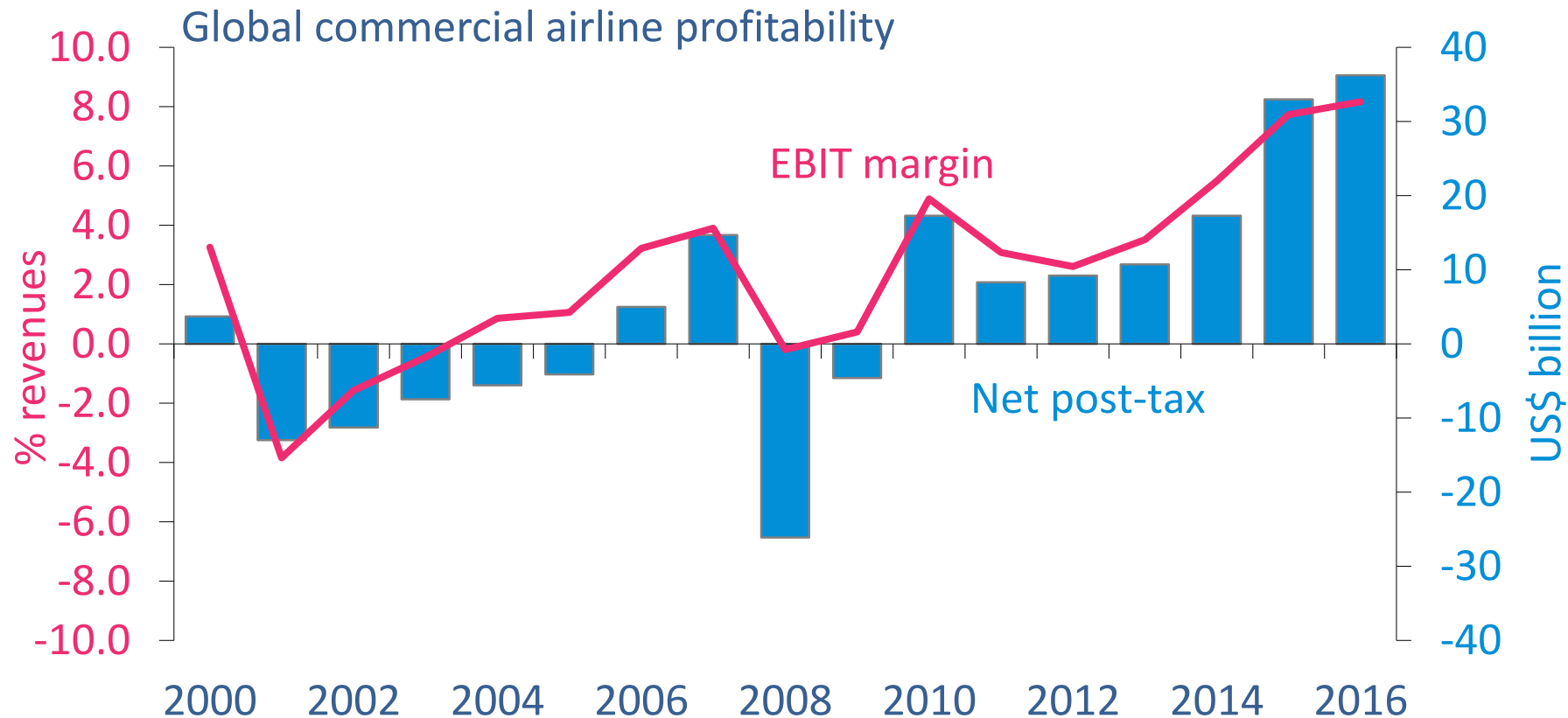


# Finally airline profits become 'normal'

US Pre-tax profits, year to Q3 2105

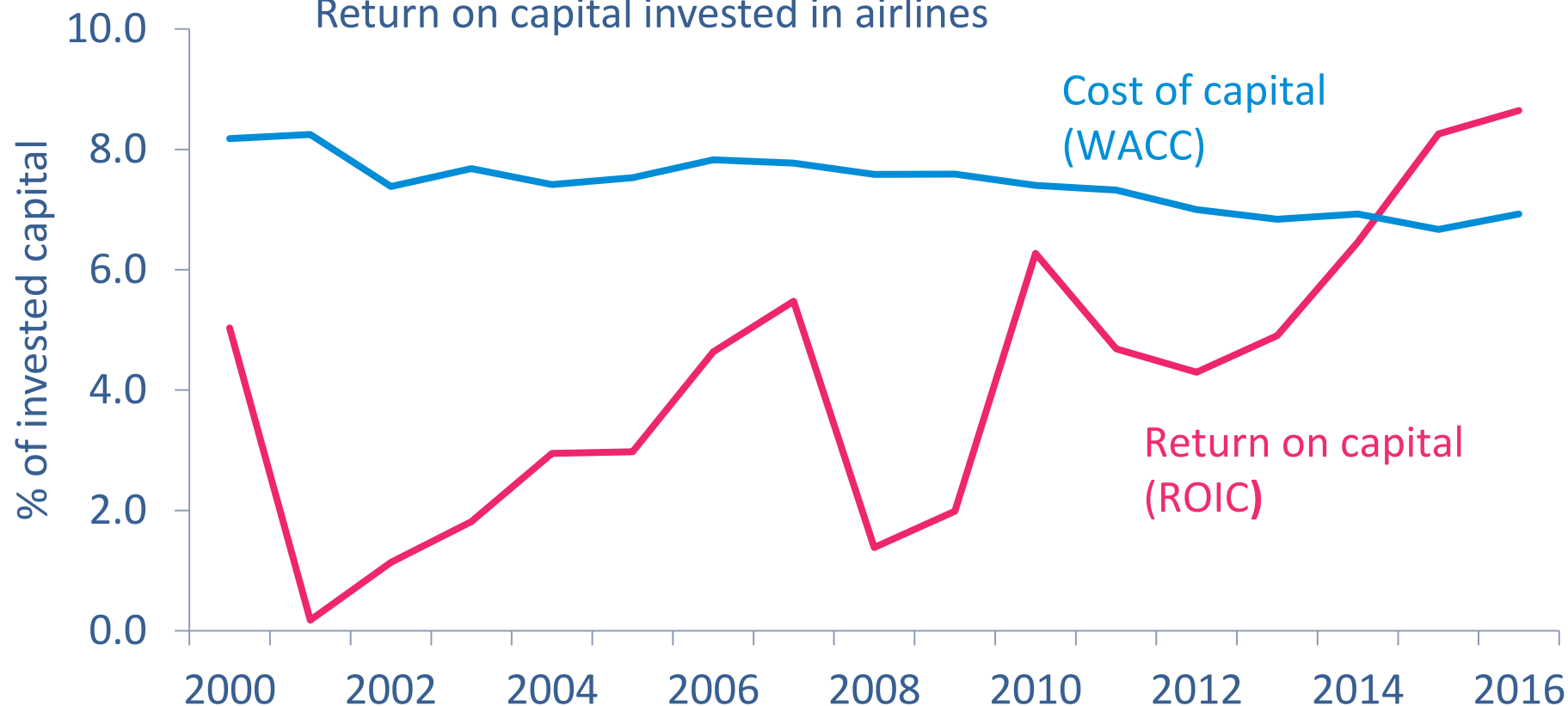


# Record for the airline industry



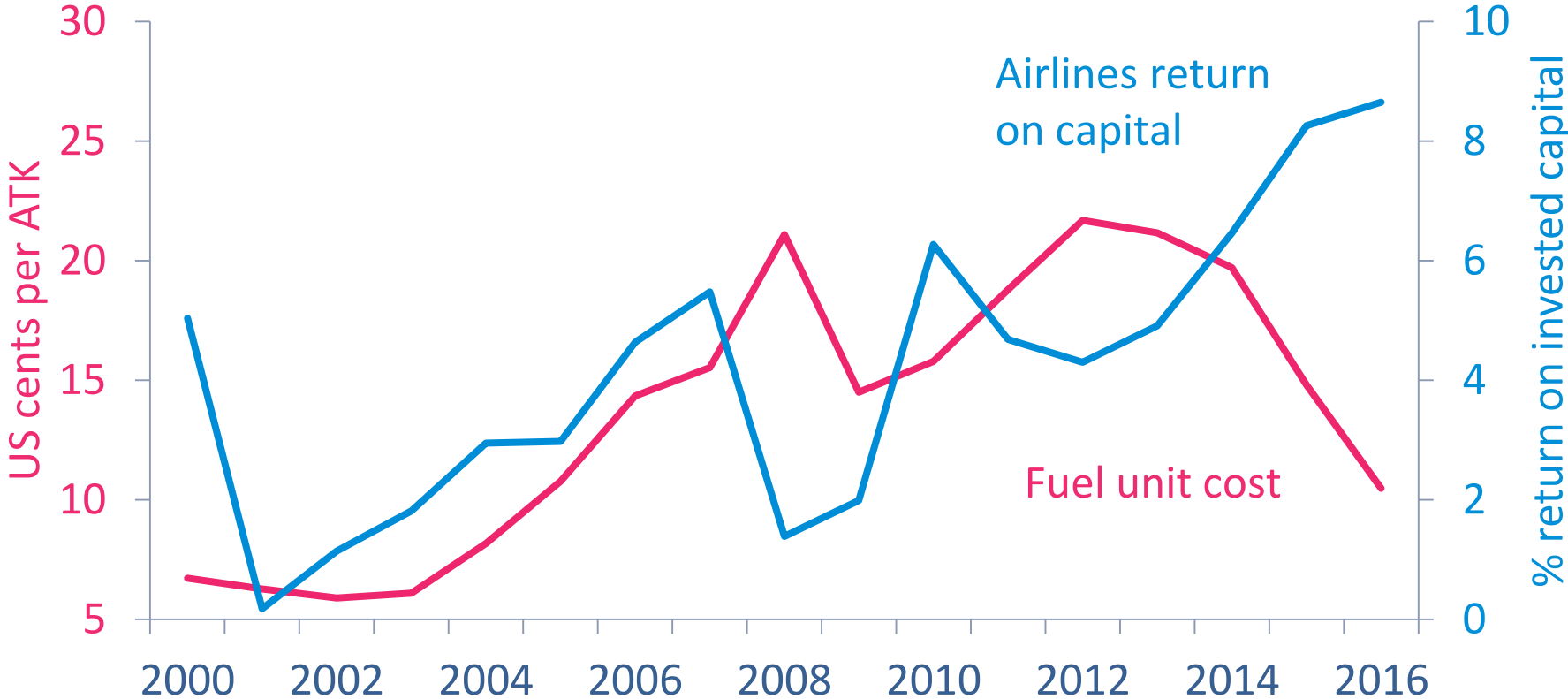
# Paying investors a 'normal' return for 1st time

Return on capital invested in airlines



# Not simply due to low oil prices

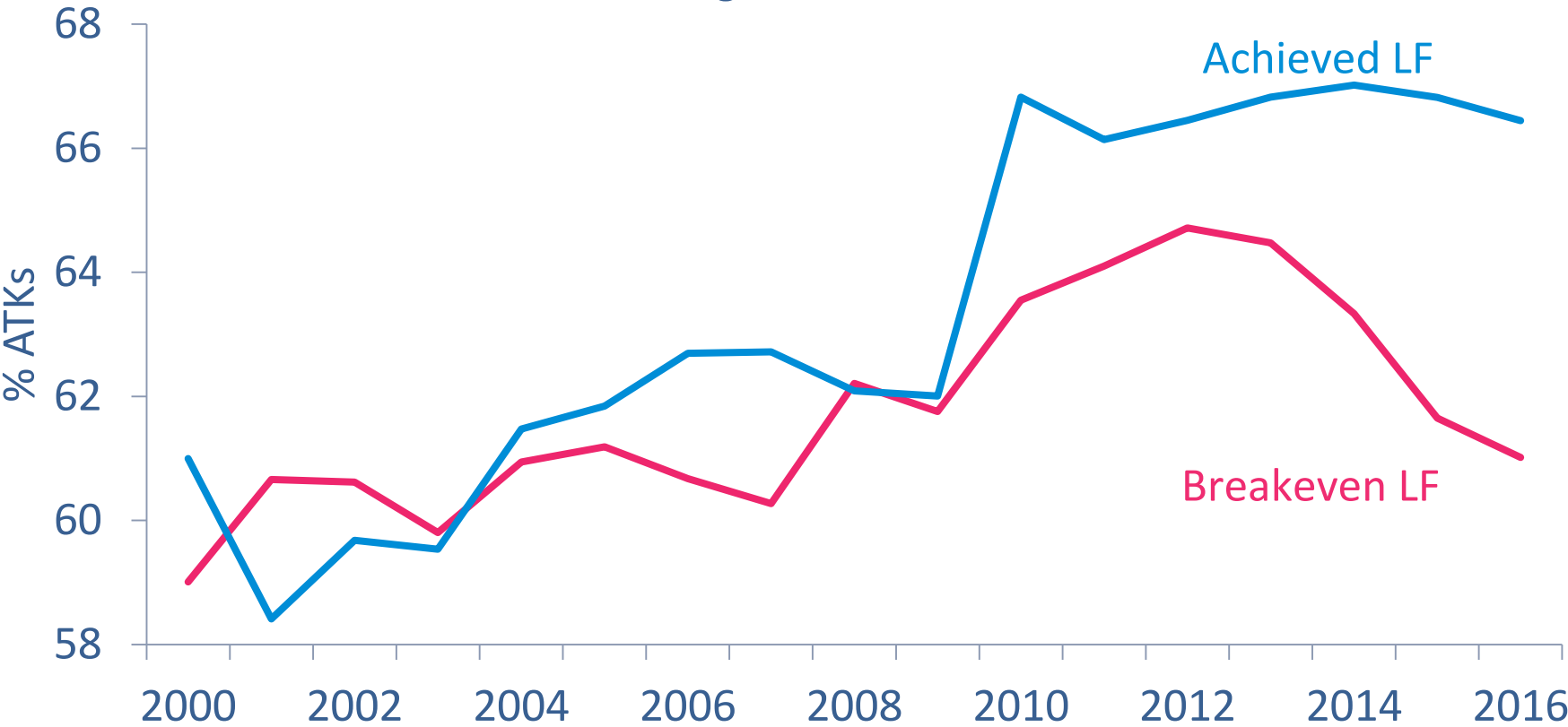
Fuel unit costs and airline return on capital



Source: ICAO, McKinsey, IATA Economics

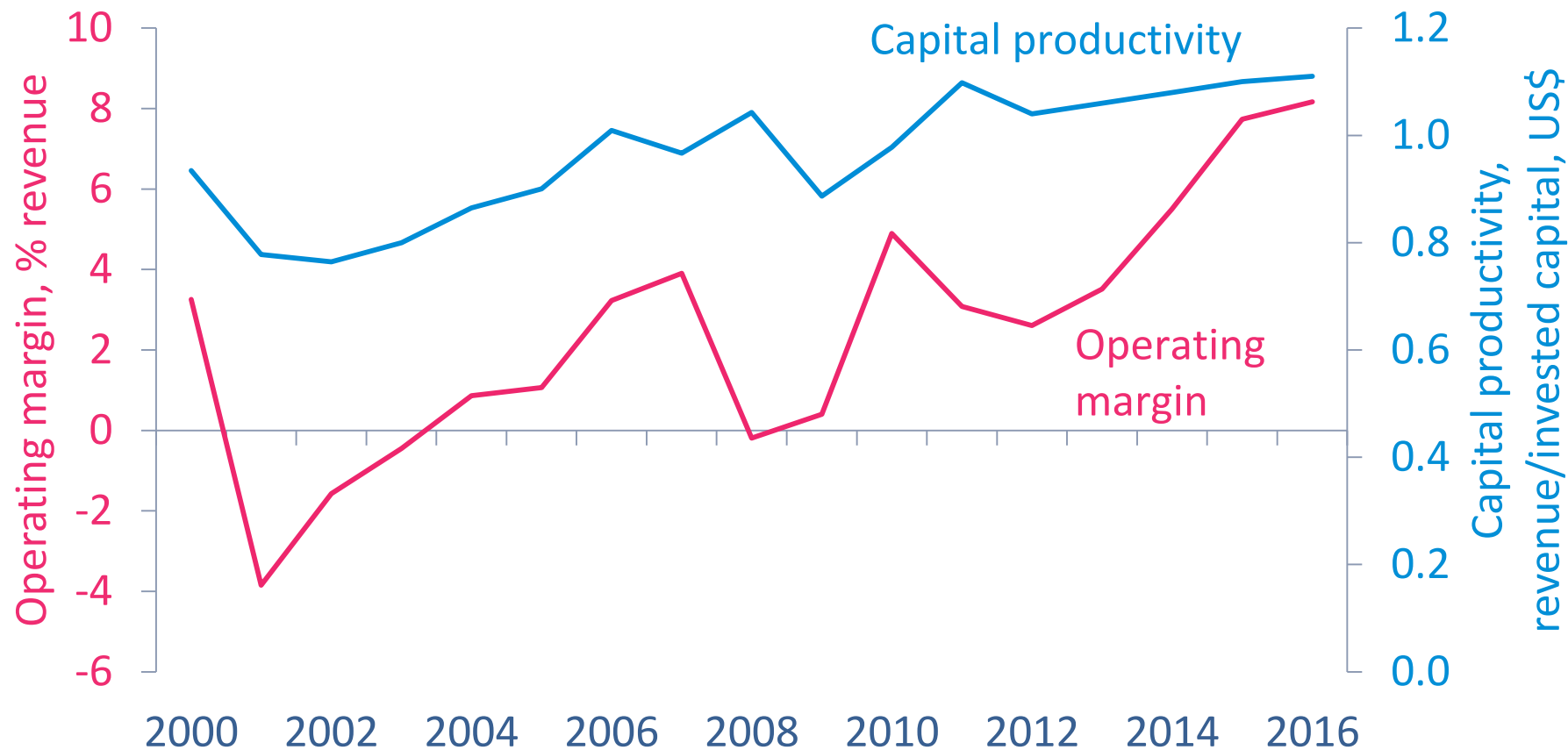
# Asset utilization raised and sustained

Breakeven and achieved weight load factor



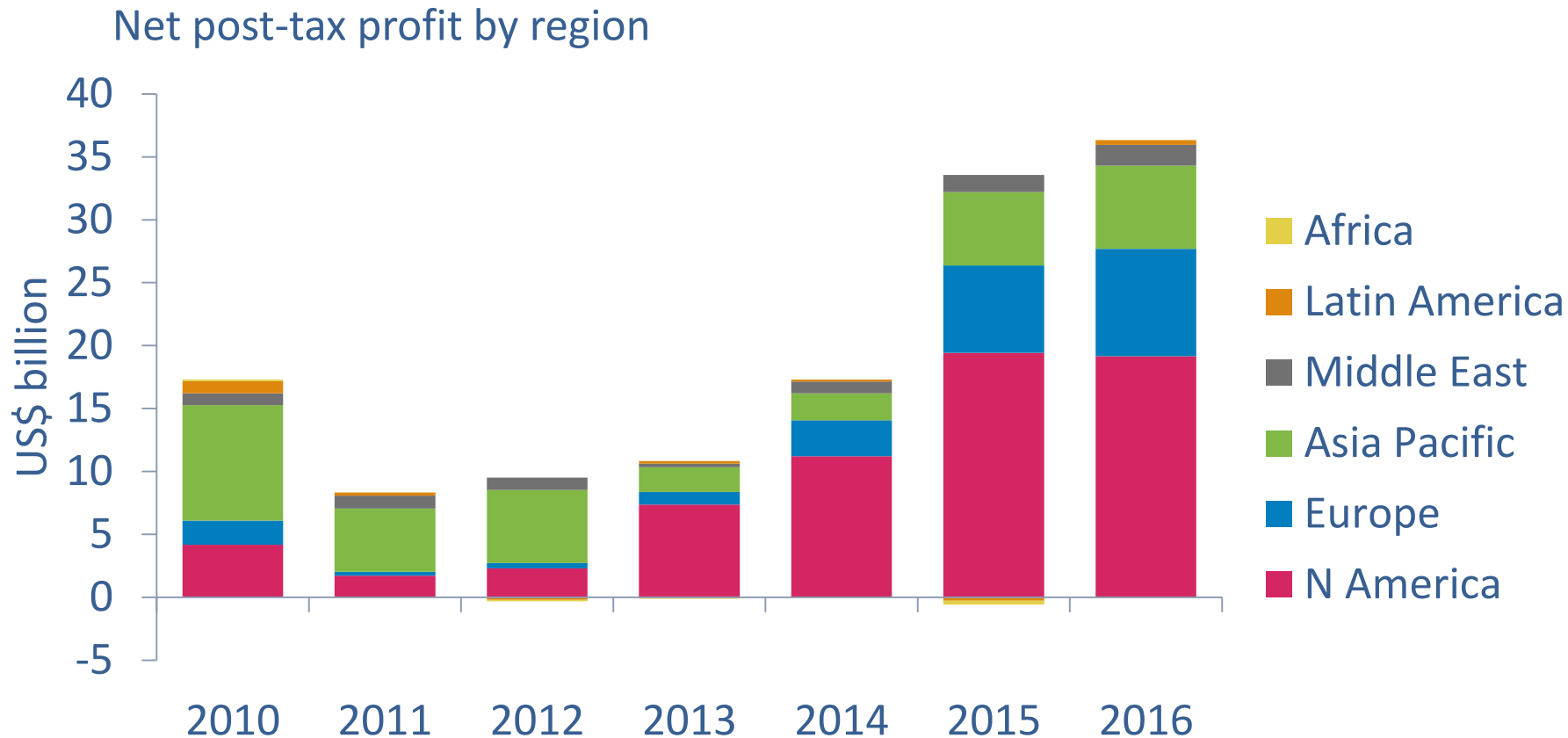
Source: ICAO, IATA Economics

# Capital has also become more productive

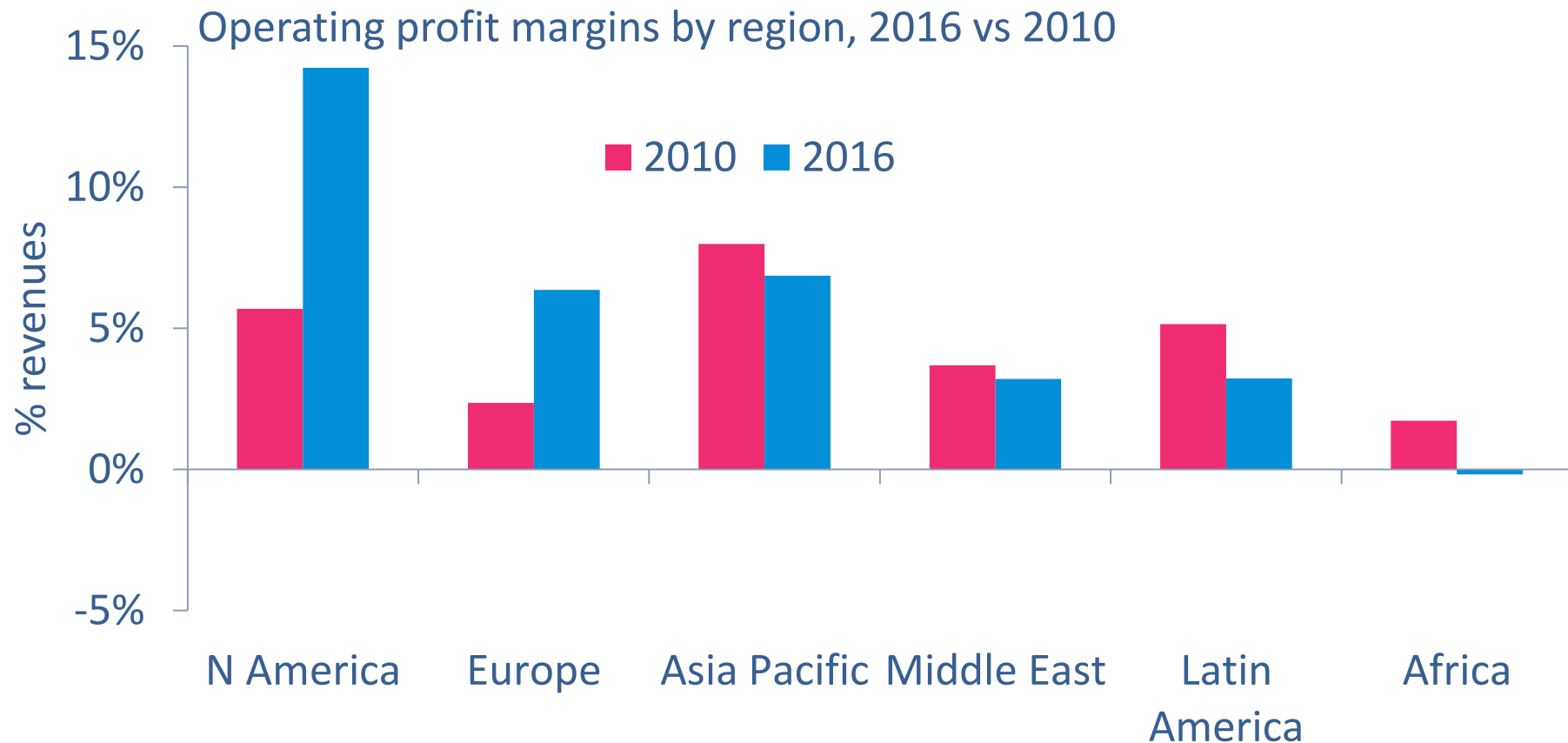




# Improvement still not widespread



# Only two regions have seen significant gains



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