



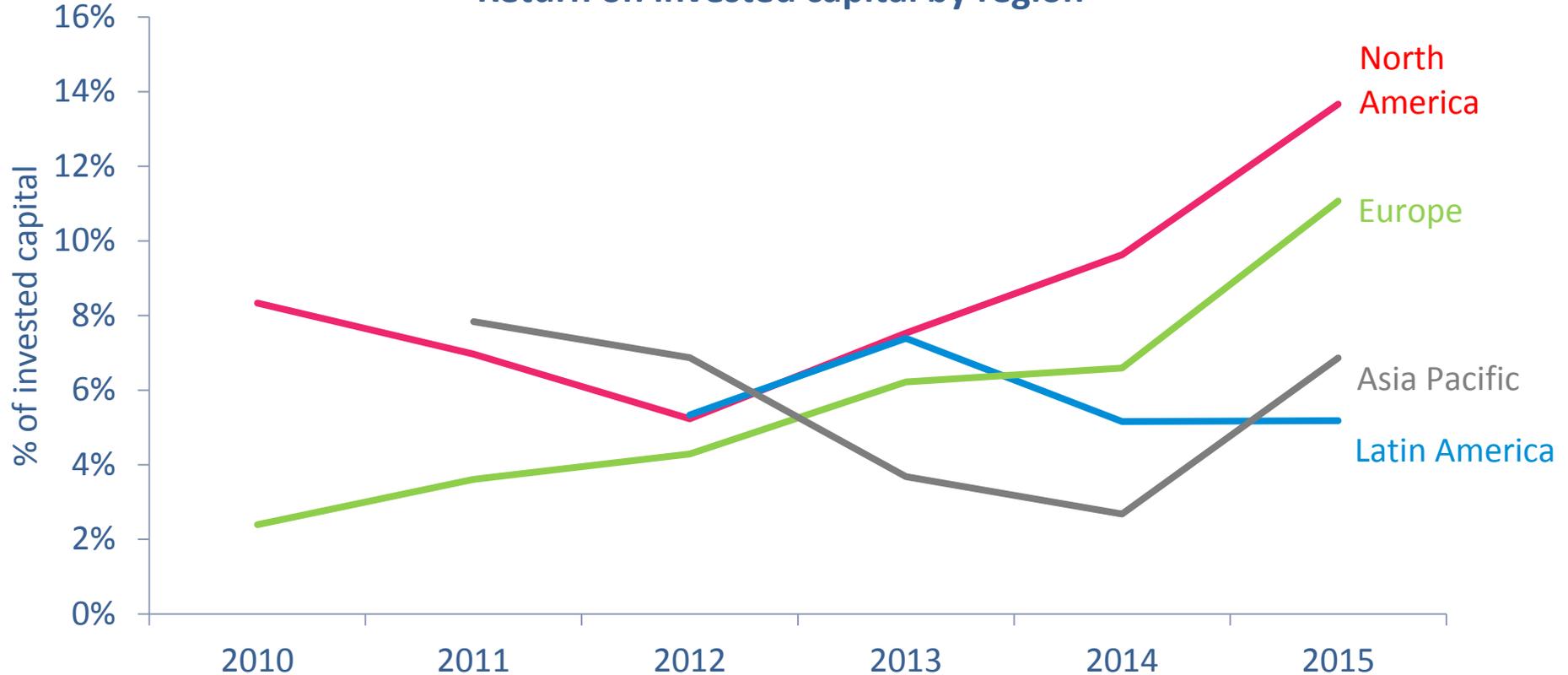
# Strong financial performance today...but will it last?

April 2016

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International Air Transport Association

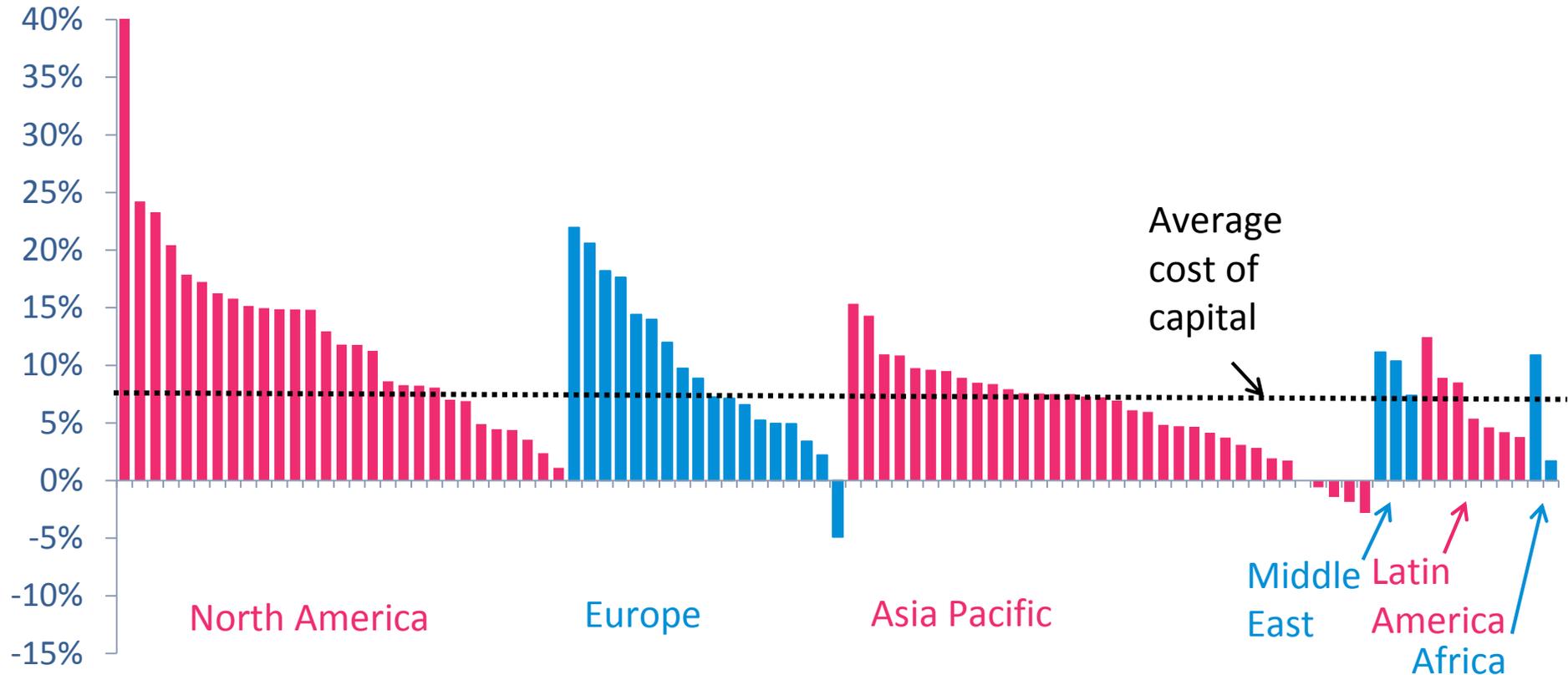
# Return on capital now rising in most regions

## Return on invested capital by region



# Many airlines now generating above WACC returns

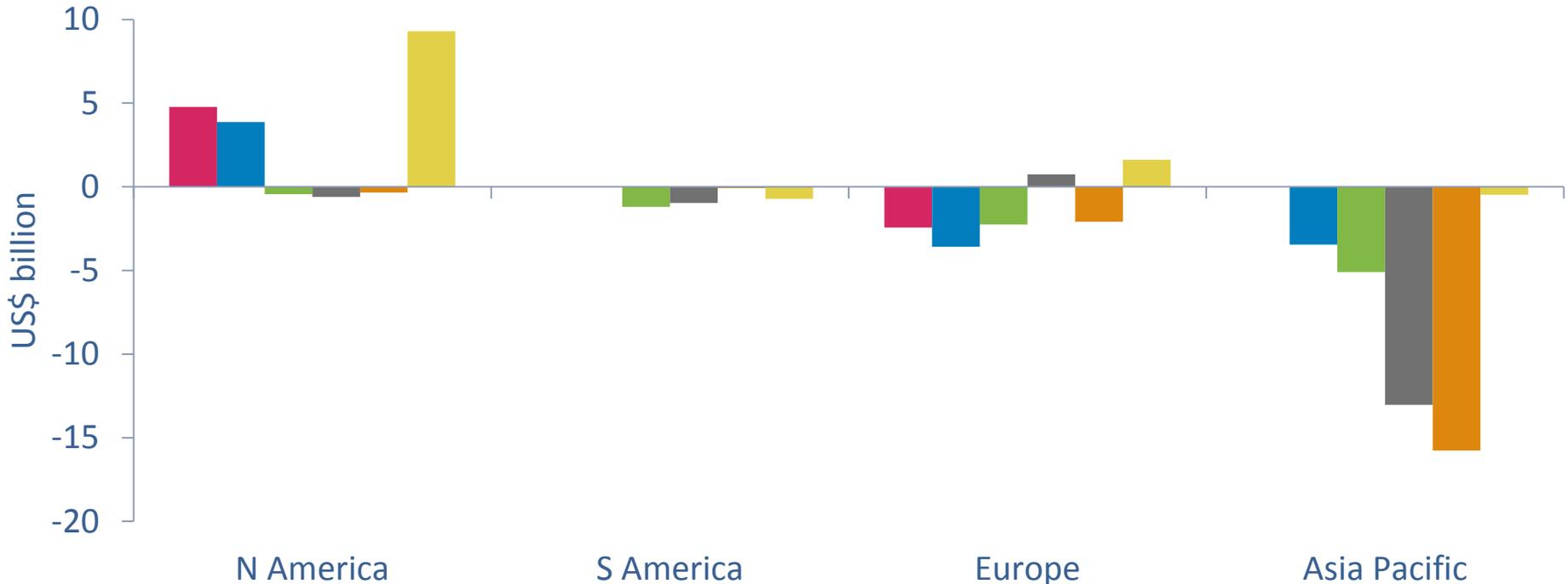
ROIC in 2015 by region and airline



# N American airlines generating large free cash flow

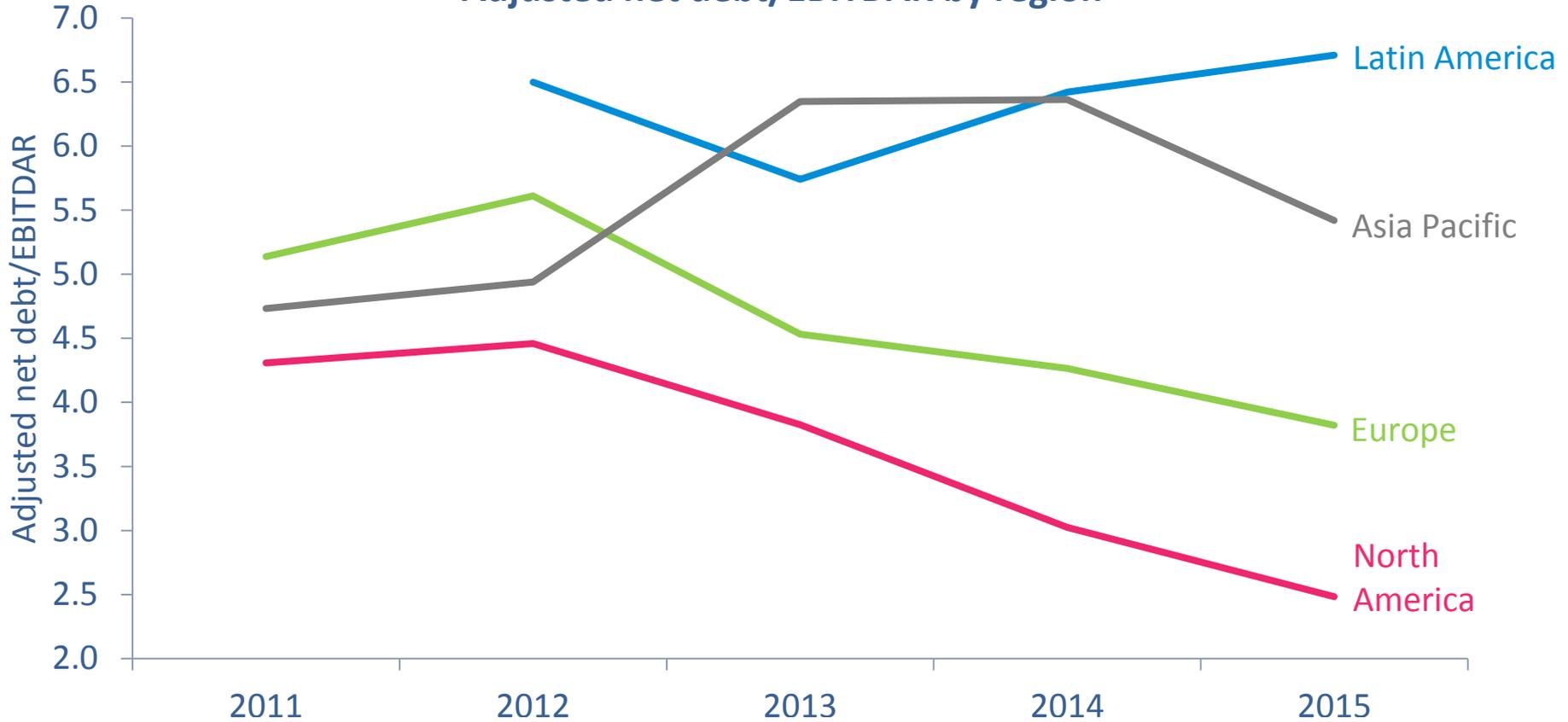
## Free cash flow by region

2010 2011 2012 2013 2014 2015

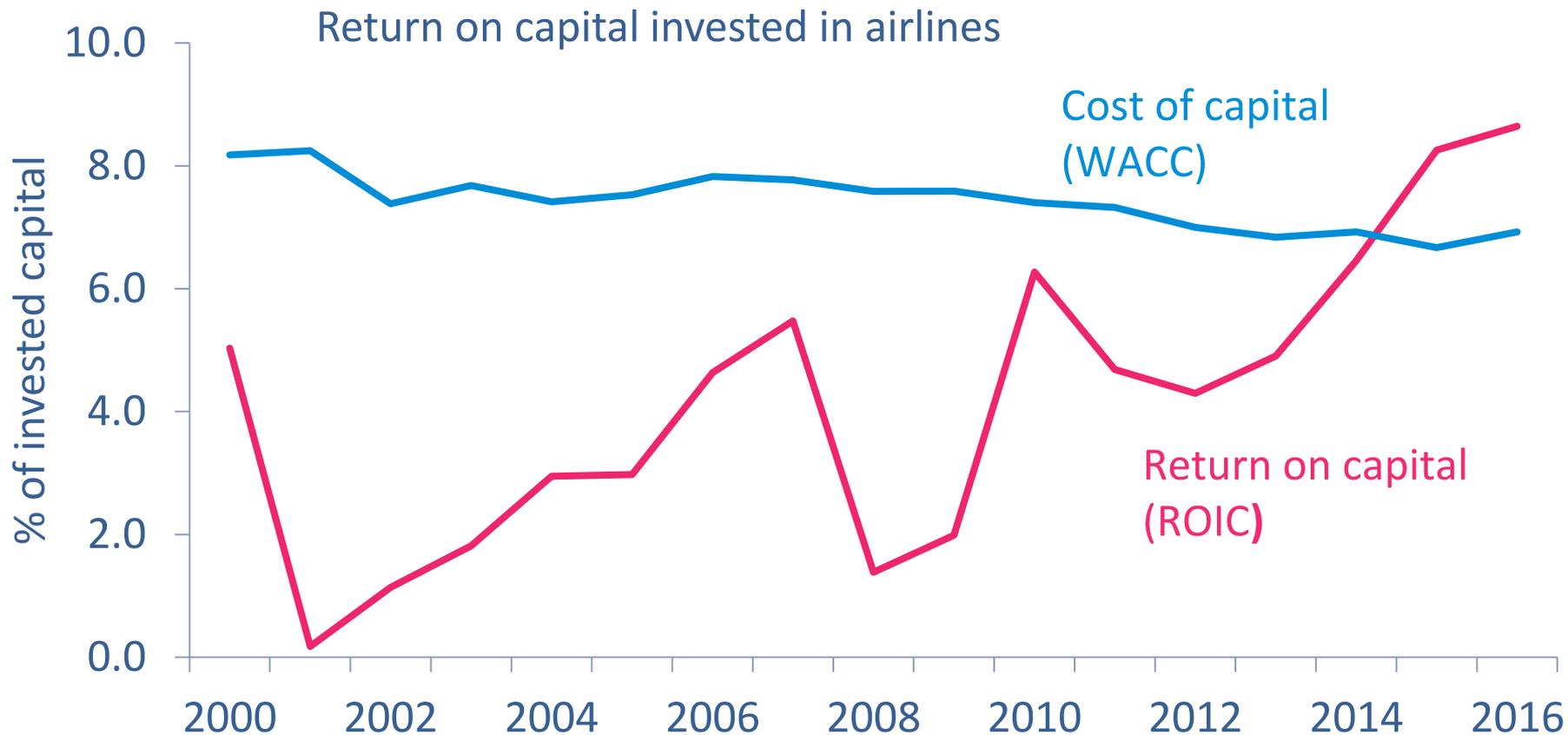


# Balance sheets improved except in L America

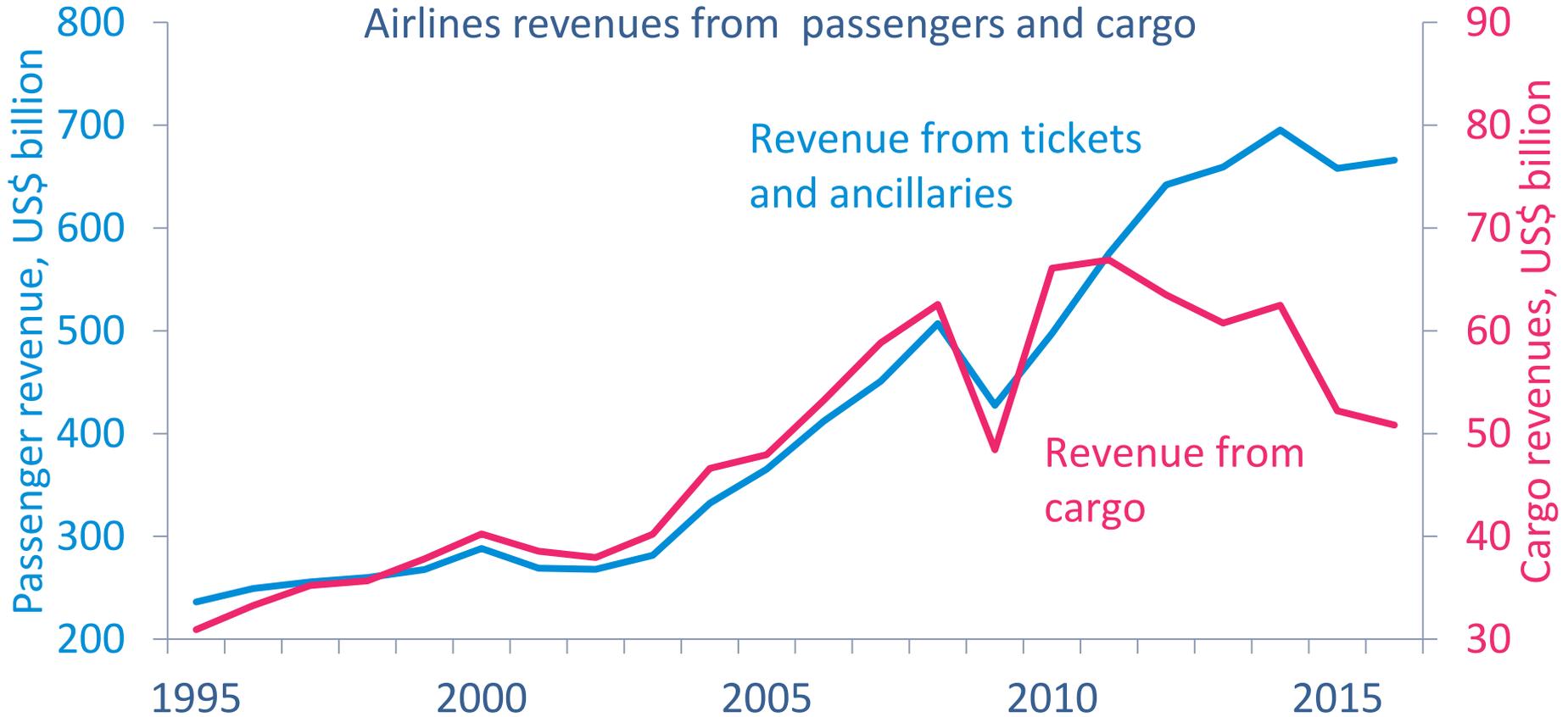
Adjusted net debt/EBITDAR by region



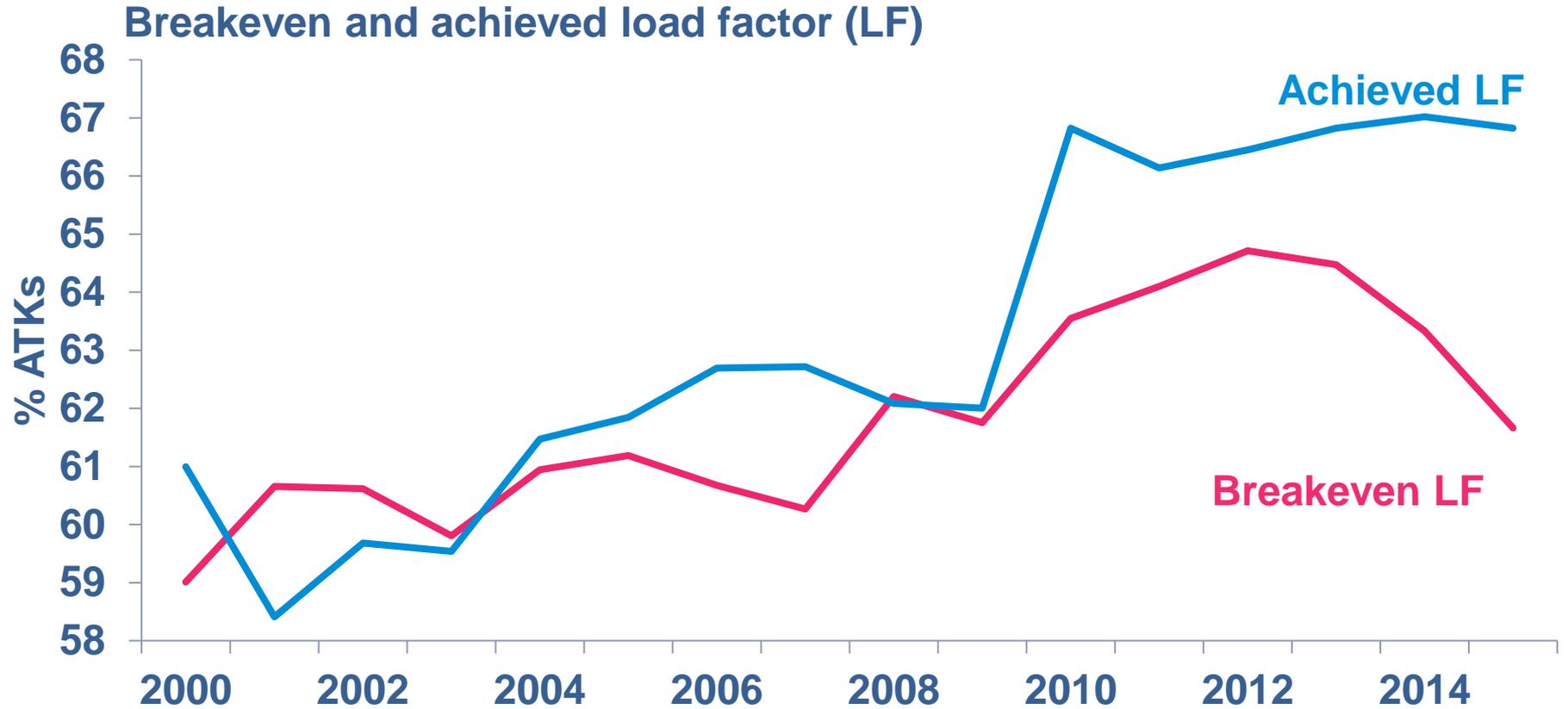
# We forecast a 2<sup>nd</sup> year of above WACC returns



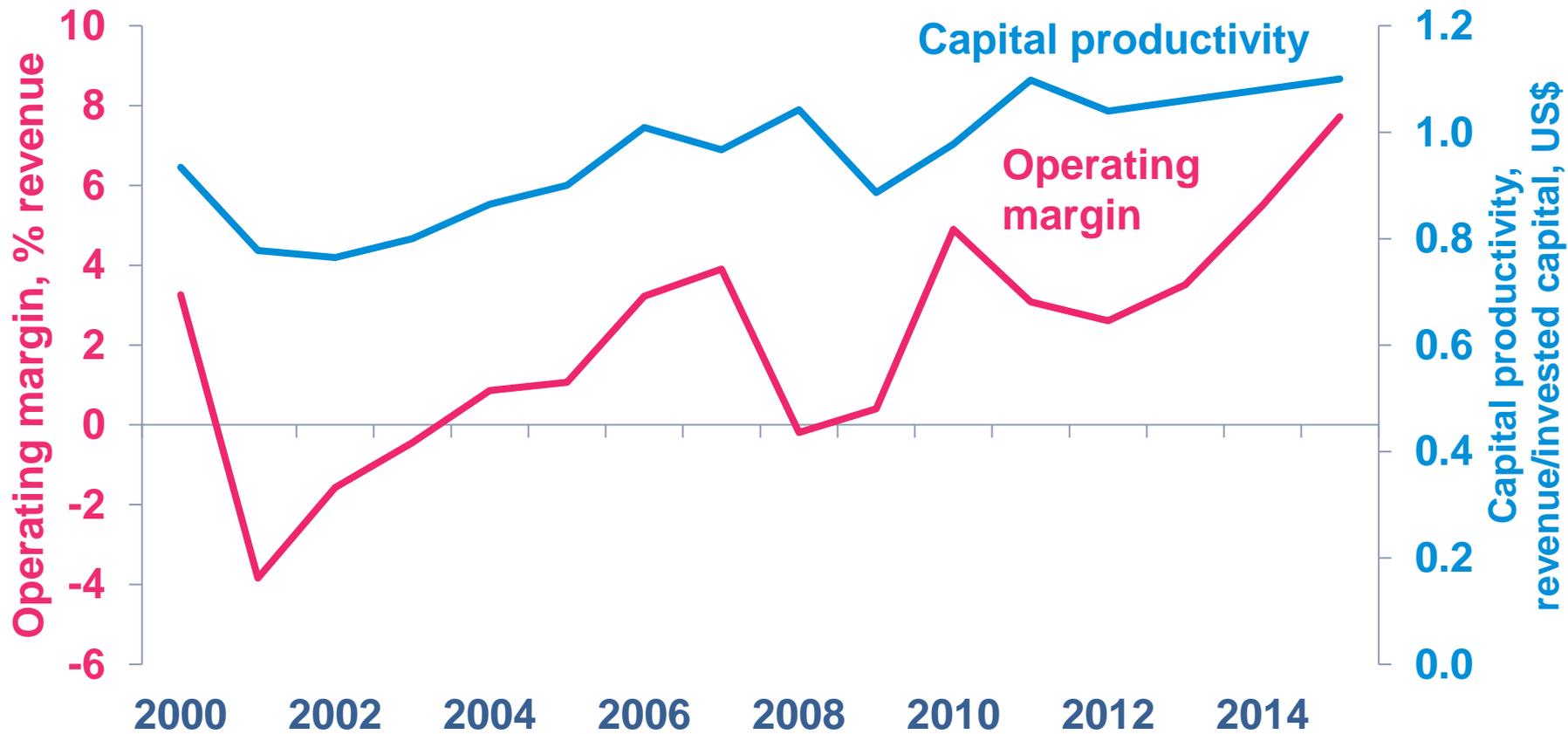
# Travel remains strong this year, but cargo is weak



# Airlines are now better utilizing their assets

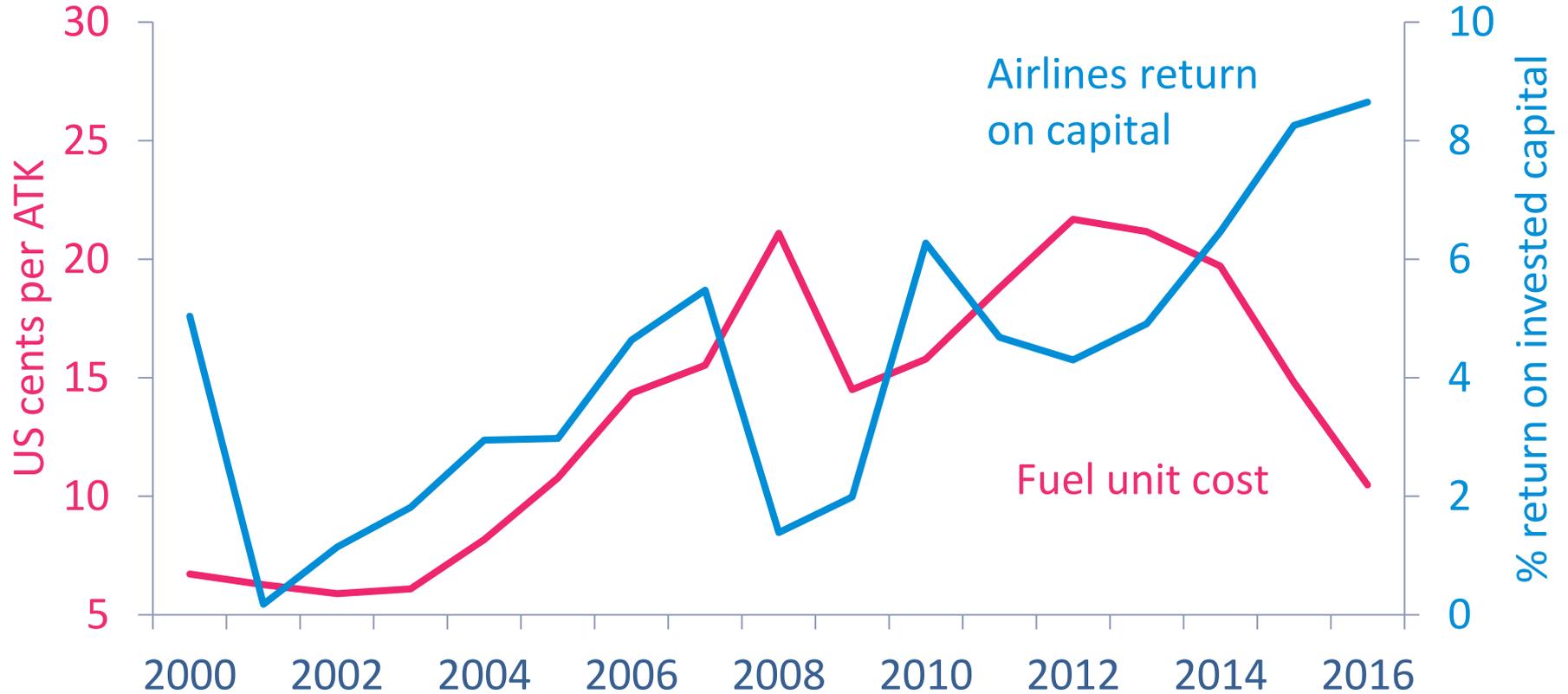


# Airlines are improving the productivity of capital



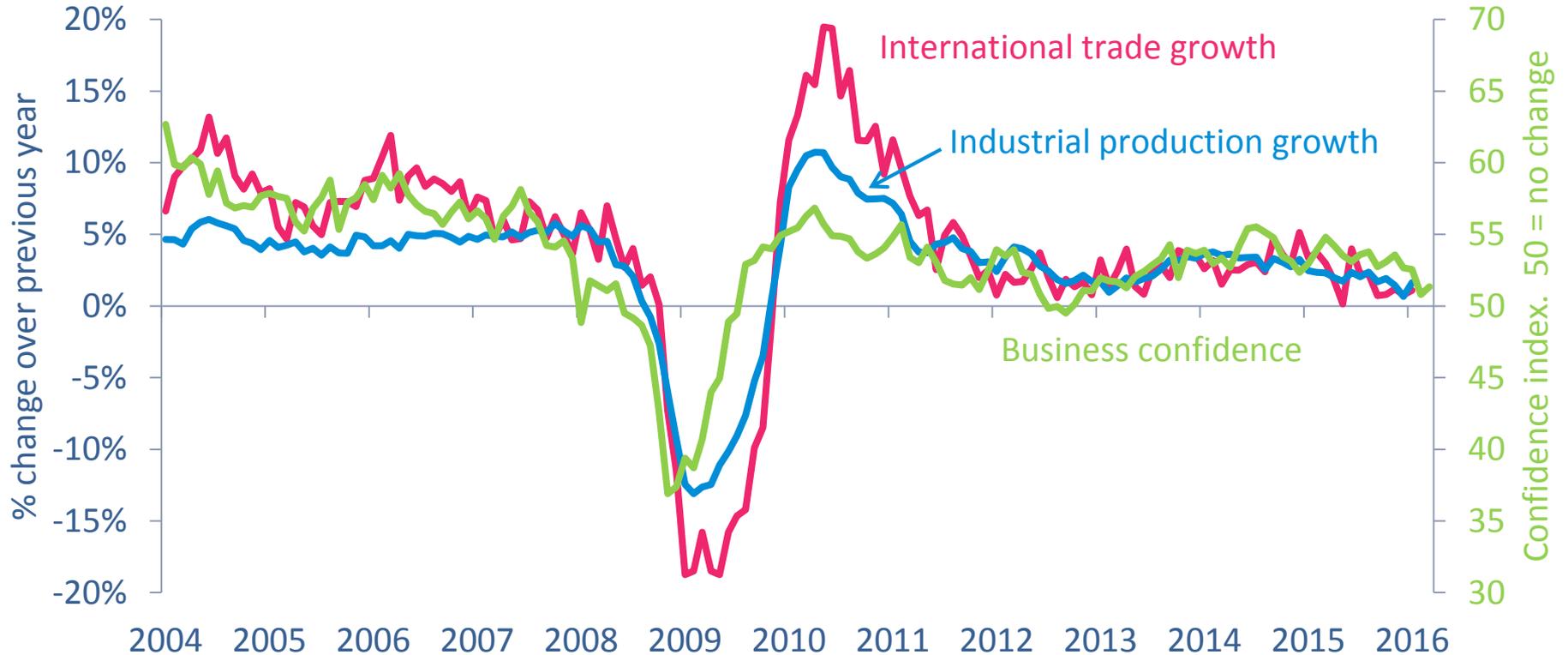
# But the role of low fuel prices is not clear-cut

Fuel unit costs and airline return on capital



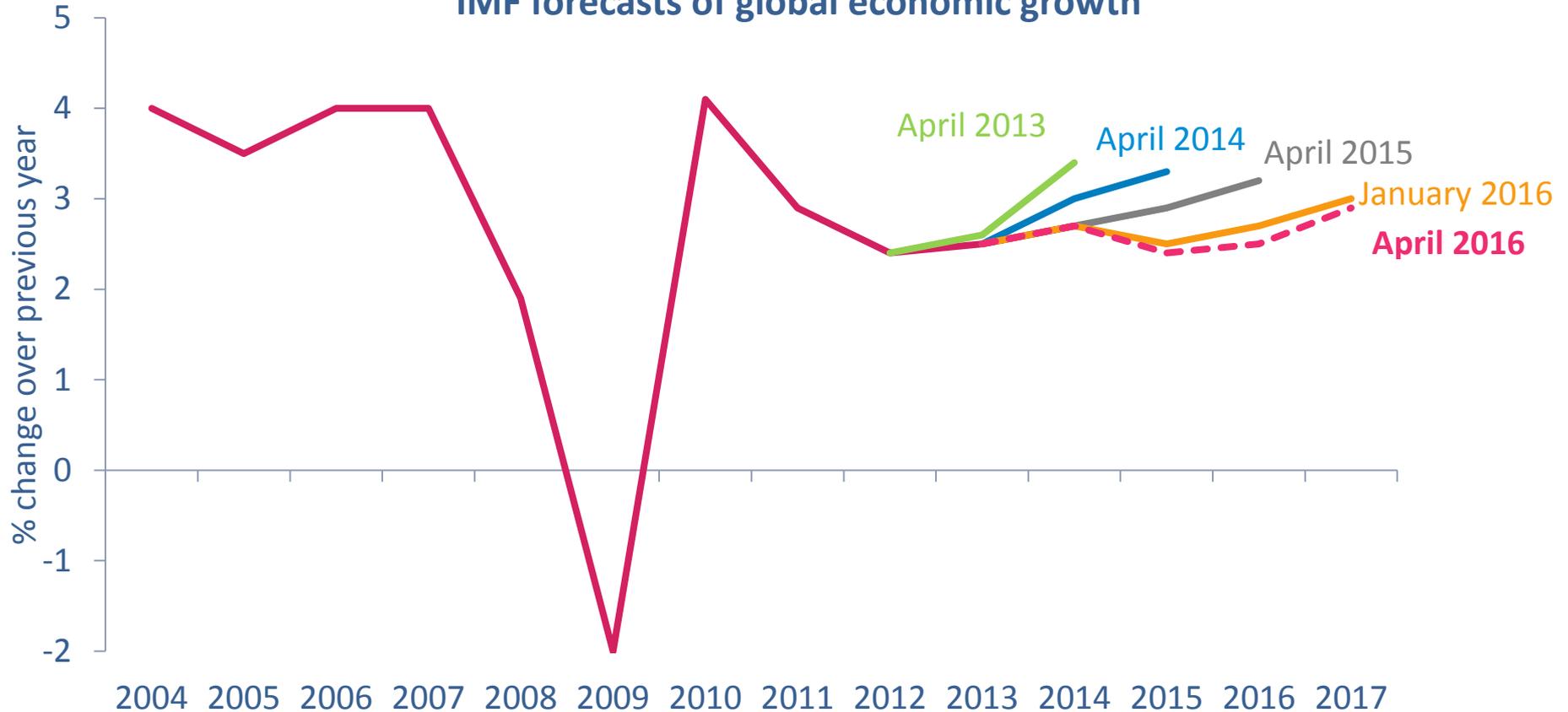
# While the already weak economic cycle is slowing

## Global economic cycle indicators

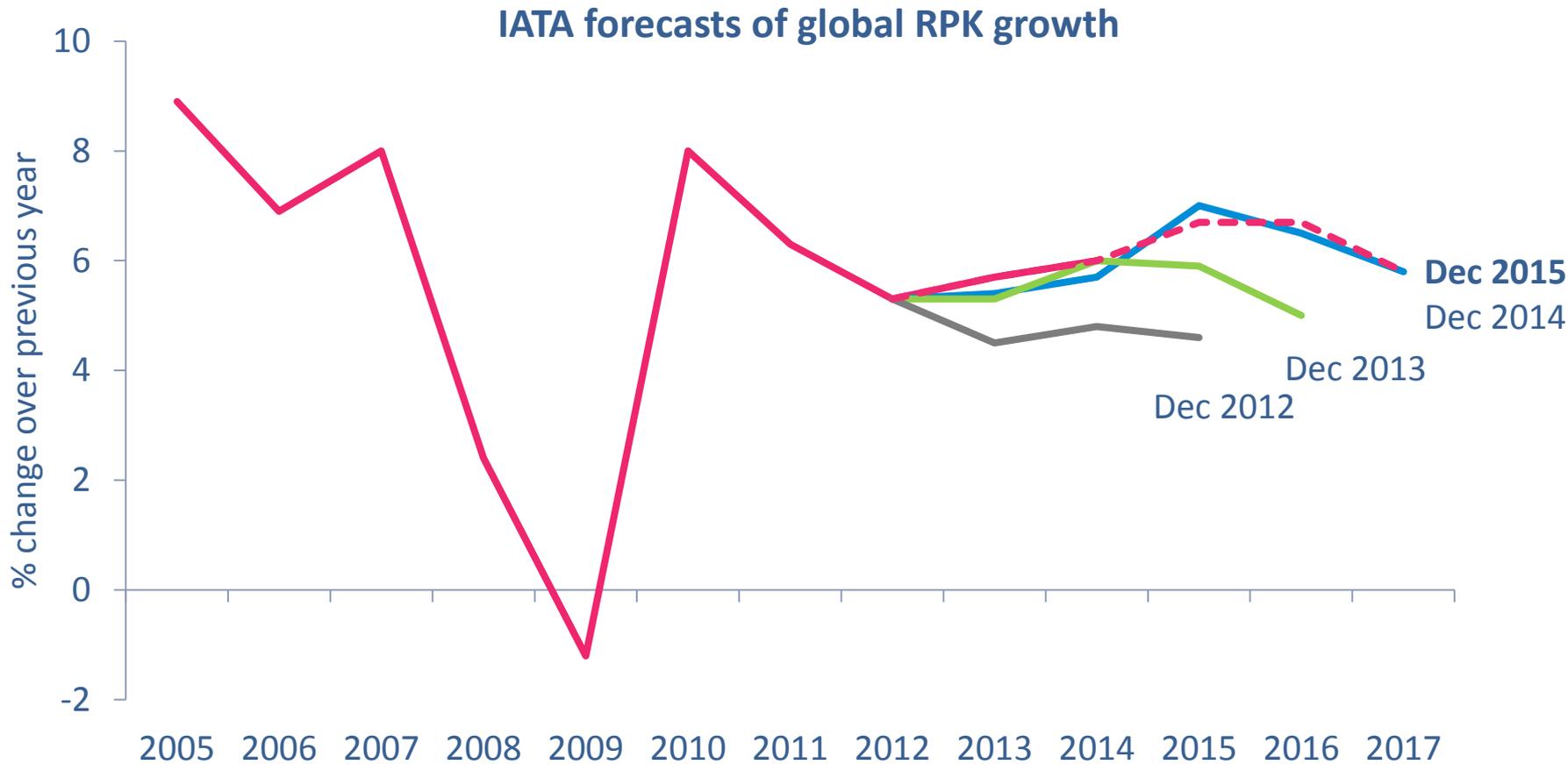


# World is stuck in a low economic growth path

IMF forecasts of global economic growth

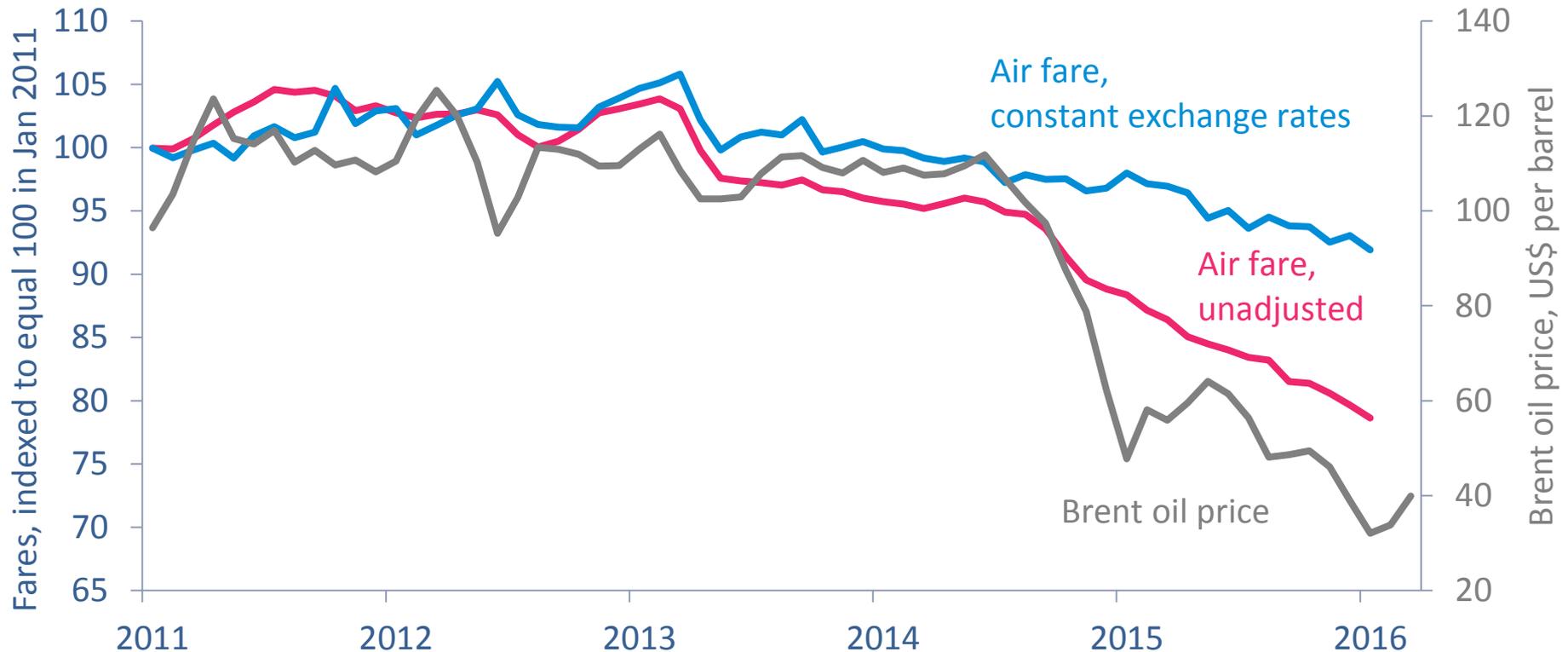


# Yet air travel growth is defying economic gravity



# Boosted temporarily by the fall in fuel prices

## Worldwide average air fare and oil prices



# This is an opportunity to create resilience

- Investors need to be paid to risk their capital
- Balance sheets take longer to repair than P&L
- Improvement due to more than low fuel prices
- Structural gains in asset utilization and capital productivity
- Better asset utilization dependent on network cooperation
- Better capital productivity dependent on ancillaries development
- But boost to traffic and profits from low fuel prices one-off
- Economic outlook weak and fragile
- Financial market volatility to continue
- FCF opportunity to create more resilient business models and finances