

AIRLINES FINANCIAL MONITOR

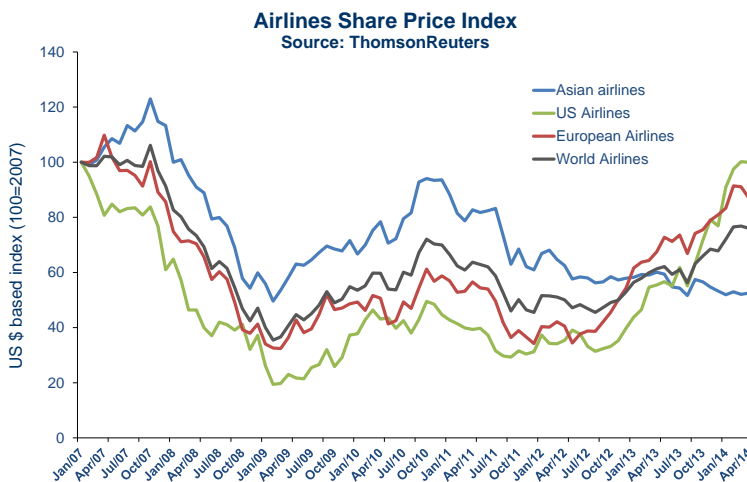
KEY POINTS

March-April 2014

- Worldwide airline share prices flattened in March-April, but there is variation among regions reflecting trends in financial performance;
- Initial Q1 financial results show strong gains in US airlines' performance, but further declines in Asia Pacific;
- Jet fuel prices rose in April as a result of rising tensions in Ukraine, which threaten to disrupt crude oil supplies;
- US passenger yields declined in Q1, likely hampered by temporary weather-related slowdown, and weakness continues in other regions;
- Growth in air transport volumes has slowed alongside a pause in demand improvements, but indicators suggest economic upturn is sustainable;
- Expansion in available seats picked-up in March as new deliveries increased and net storage activity fell;
- Growth in seats now far exceeds the trend in passenger demand, which could weakened aircraft utilization rates;
- Passenger loads have slipped as a result of the rise in capacity, but freight load factors have reversed prior fall.

Financial indicators

Global airline shares flattened in March-April, but still up 12% so far this year



- Worldwide airline shares slipped by 1% in April compared to March. The growth trend in global airline shares flattened in March and April, but there has been significant variation among regions. Shares of Asia Pacific airlines saw the most declines in April compared to March, down 4%. Weakness in financial performance caused the drop - Asia Pacific carriers continue to see slow cargo demand. North American airlines experienced a small 1% rise in airline share over the month – the region continues to show improvements in financial performance.

Initial Q1 financial results positive for US carriers but weak in Asia Pacific

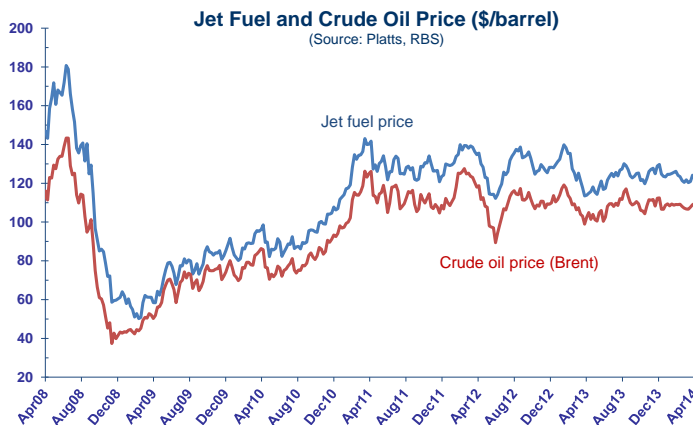
In US \$ Million

# Airlines		Q1 2013		Q1 2014	
		Operating profit	Net post-tax profit	Operating profit	Net post-tax profit
11	North America	507	-485	1582	426
9	Asia-Pacific	440	254	-211	0
1	Europe	-602	-850	-617	-843
1	Latin America	14	-10	2	-7
1	Others	16	13	0	7
23	Sample total	375	-1078	756	-417

- Initial Q1 financial results indicate that airlines are continuing to improve financial performance, particularly at the operating level. The sample of 23 airlines shows operating profits up more than 100% on a year ago, driven by the performance of North American airlines. By contrast airlines in Asia Pacific continue to show weakness. Carriers in this region are seeing declines at the operating and net level, largely reflecting weakness in cargo demand.

Fuel costs

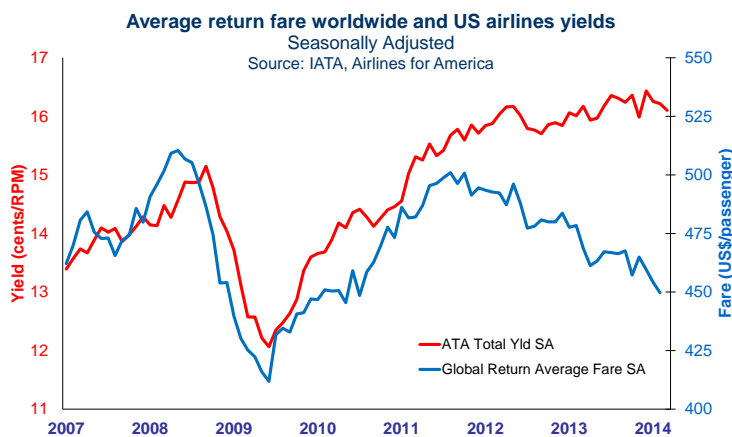
Jet fuel prices rose back above \$120/bbl in April as a result of supply concerns



- Jet fuel prices started to edge up again in April, after slight easing in March compared to February. Jet fuel prices rose back above \$120/bbl in April, remaining well within the high range of the past 3 years. Jet fuel prices have been trending in a tight and high band since early 2011, averaging \$127/bbl during the period. The recent rise in crude oil prices largely reflects rising tensions in Ukraine, which threaten to disrupt supplies. The impact on price could have been greater if it was not for the progress toward operation at a Libyan port.

Yields

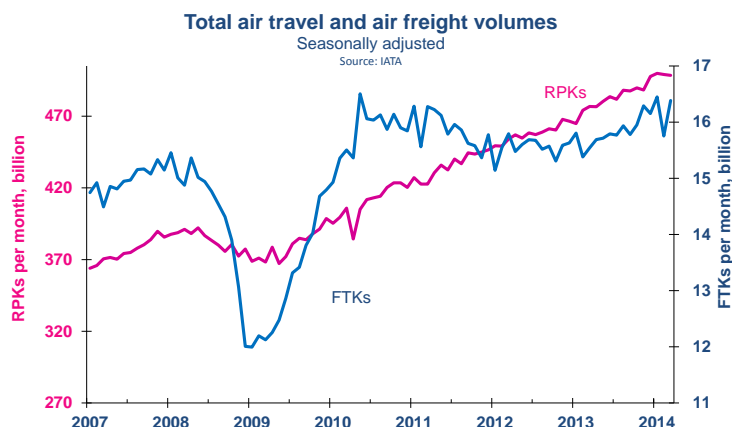
Passenger yields decline in Q1 in the US, and remain weak in other regions



- The trend in US passenger yields has weakened over recent months. The recent weakness in yields, however, is likely caused by the weather-related slowdown throughout Q1. Underlying demand drivers remain positive.
- By contrast, the weak trend in global fares in US\$ appears to be continuing. The trend in global fares reflects weakness in Asia as well exchange rate distortions. The fare data excludes fuel surcharges and ancillary revenues, which provide some offset to the decline in core fare yields.

Demand

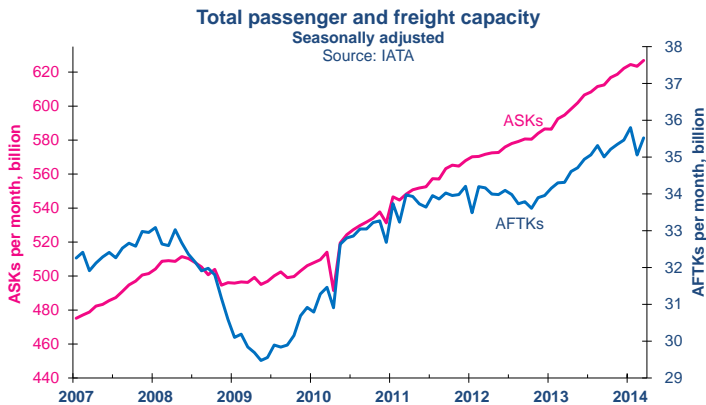
Growth trends in air transport have slowed alongside a pause in demand improvements



- Air freight markets rebounded in March compared to February. However, FTK volumes in March are slightly below January, meaning there has been no increase in levels in 2014. Growth in air travel slowed in March, with little change in RPKs compared to February, showing a slowdown in the growth trend compared to Q4 2013. This pause in air transport growth trends is consistent with recent flattening in business confidence and world trade. However, indicators suggest the global economic upturn is sustainable, and should provide support for air transport growth ahead.

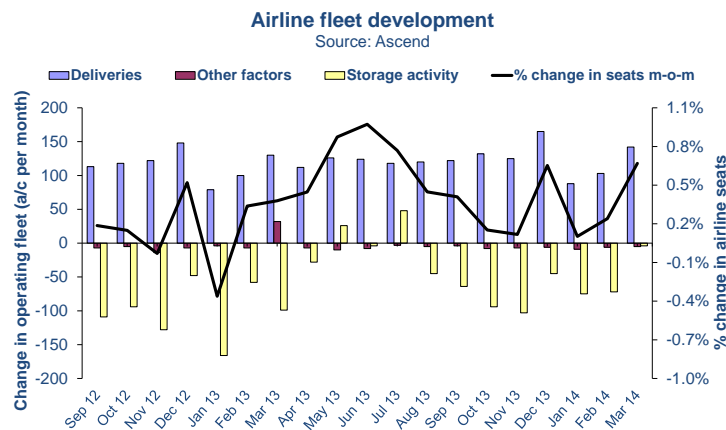
Capacity

Passenger and freight capacity both increase in March, after slowdown in February



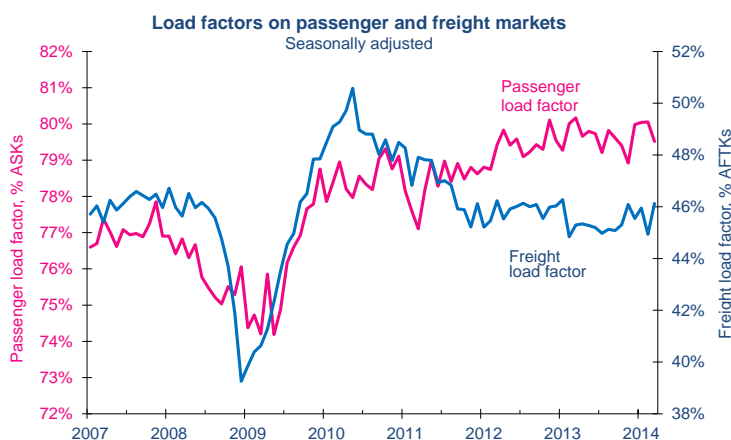
➤ ASKs and AFTKs both increased in March compared to February. The rise in passenger capacity came largely through domestic markets, but it was not enough to offset the moderation in traffic, causing loads to slip slightly. The rise in air freight capacity was consistent with the rebound in demand. Growth in AFTKs has moderated since mid-2013, but the increases have nonetheless been significant enough to keep load factors restricted, despite some improvement in demand over the same period.

Growth in seats accelerated as new deliveries increased and storage activity eased



➤ Growth in available seats picked-up further in March compared to February. The acceleration over the past three months comes has resulted from increases in the number of new aircraft deliveries. In March, there were 142 new aircraft delivered (compared to 103 in February) with a net 4 aircraft going into storage, (compared to 72 in February). Growth in seats in March rose to an annualized rate of about 7%. This rate of increase far exceeds the recent slowdown in demand, if the trend continues we could see downward pressure on aircraft utilization rates.

Passenger loads slipped on capacity rise, but freight loads reversed prior fall



➤ Passenger load factors slipped slightly in March compared to February, reflecting the moderation in volumes over the month. But prior acceleration in the growth trend has kept passenger load factors at high levels, close to 80% on a seasonally adjusted basis.

➤ Recent improvements in air freight load factors have moderated slightly, but levels are still the above the low point seen during mid-2013. There was a rebound in load factors in March compared to February, but there have been no further gains on January levels. Overall however, levels are low and barely above 45%.

Data tables

Year on Year Comparison	Mar 2014 vs. Mar 2013						YTD 2014 vs. YTD 2013					
	<i>RPK</i>	<i>ASK</i>	<i>PLF</i>	<i>FTK</i>	<i>AFTK</i>	<i>FLF</i>	<i>RPK</i>	<i>ASK</i>	<i>PLF</i>	<i>FTK</i>	<i>AFTK</i>	<i>FLF</i>
Africa	-3.1%	3.4%	66.3%	5.9%	5.5%	30.9%	-0.5%	3.4%	67.0%	1.5%	4.4%	29.2%
Asia/Pacific	2.6%	6.5%	76.5%	6.9%	7.5%	58.3%	7.0%	8.0%	77.5%	3.8%	7.0%	53.4%
Europe	2.7%	5.1%	78.6%	5.1%	1.3%	51.7%	5.2%	5.9%	77.0%	5.3%	2.2%	49.0%
Latin America	7.4%	3.4%	78.4%	0.0%	2.3%	43.2%	7.1%	3.5%	79.6%	4.4%	1.1%	40.5%
Middle East	9.7%	10.3%	79.8%	13.2%	4.7%	49.5%	13.3%	12.2%	80.2%	11.5%	8.3%	45.8%
North America	1.6%	2.9%	83.6%	1.9%	-0.3%	36.5%	1.8%	1.6%	81.6%	0.7%	-0.9%	35.3%
Total Market	3.1%	5.3%	79.0%	5.9%	3.4%	48.7%	5.6%	5.8%	78.5%	4.4%	3.6%	45.6%

RPK: Revenue-Passenger-Kilometers; ASK: Available-Seat-Kilometers; PLF: Passenger-Load-Factor; FTK: Freight-Tonne-Kilometers; AFTK: Available Freight Tonne Kilometers; FLF: Freight Load Factor;
All Figures are expressed in % change Year on Year except PLF and FLF which are the load factors for the specific month.

AIRLINE INDUSTRY FORECAST 2013 - 2017
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IATA Economics
 9th May 2014