

AIRLINES FINANCIAL MONITOR

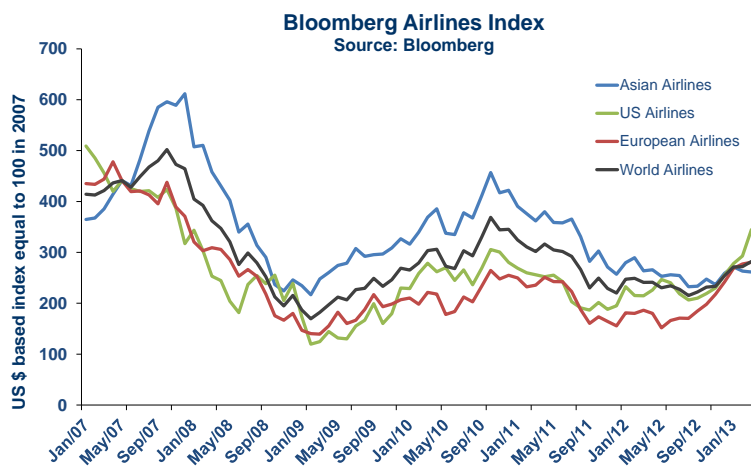
KEY POINTS

February-March 2013

- ↗ Airline share prices increased 4% in March helped by a drop in jet fuel prices, outperforming the market;
- ↗ Q4 2012 profits similar to year ago, but the earlier improvement in the US and Europe has paused;
- ↗ Jet fuel prices fell almost 10% in March compared to the February peak, with supply continuing to increase as demand growth easing on concerns about Eurozone debt problems;
- ↗ Passenger travel growth accelerated strongly in February, responding to the improved business environment. Air freight markets were able to maintain the modest improvement since October;
- ↗ Passenger and freight capacity both expanded as growth in the in-service fleet rebounded;
- ↗ But strong demand helped passenger loads factors reach record highs, while no rise in FTKs over the month saw freight load factors erode recent improvement;
- ↗ Passenger yields have shown renewed signs of increase, with current levels up 1% on a year ago.

Financial indicators

Airline share prices resume upward trend and outperform the market in March



- ↗ Airline industry share prices increased 4% in March compared to February, outperforming the broader market with the FTSE Global All Cap up 2% over the month. The rise in airlines share prices was supported by the fall in jet fuel prices over the month. US airlines' shares saw most improvement (up almost 20%) with solid performance for some US airlines and positive views on consolidation activity. As we write, share prices for some airlines reacted to cases of a new bird flu in China, with declines in April. Outside of this development, most performance indicators are moving in a positive direction.

Q4 data show profits similar to a year ago, with seasonal losses in the US and Europe

In US \$ Million

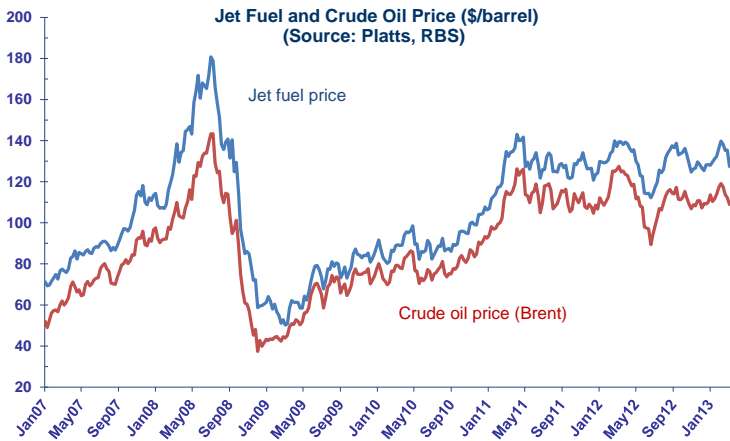
# Airlines	Region	Q4 2011		Q4 2012	
		Operating profit	Net post-tax profit	Operating profit	Net post-tax profit
15	North America	1156	301	1111	-53
23	Asia-Pacific	1508	590	1702	1739
15	Europe	172	-661	-229	-502
5	Latin America	645	372	178	-35
7	Others	43	100	110	167
65	Sample total	3524	702	2872	1316

- ↗ Q4 2012 financial results show that profits are similar to a year ago, but regions that were showing improvement earlier in the year are now making losses. North American airlines were impacted by Hurricane Sandy in October while in Europe airlines continue to face difficult economic conditions. Asia-Pacific airlines have shown the most improvement, with airlines in the region carrying a large part of the growth in passenger and cargo volumes seen since Q4.

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Fuel costs

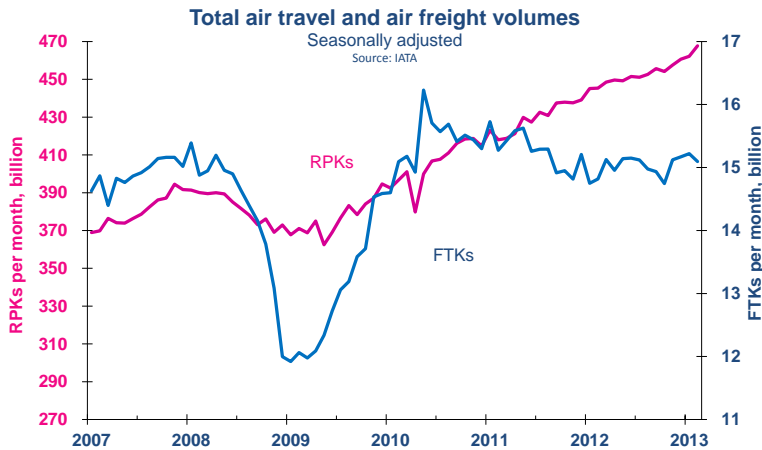
Jet fuel prices eased further in March, but still remain above \$120/b



➤ Jet fuel prices decreased in March, currently down almost 10% compared to the most recent peak in February – when prices were close to \$140/b. Nevertheless, prices remain high and well above \$120/b. The fall in prices in March has resulted from continued increases in non-OPEC supply, as well as concerns over another Eurozone banking crisis which placed downward pressure on the global economic recovery and demand for crude oil.

Demand

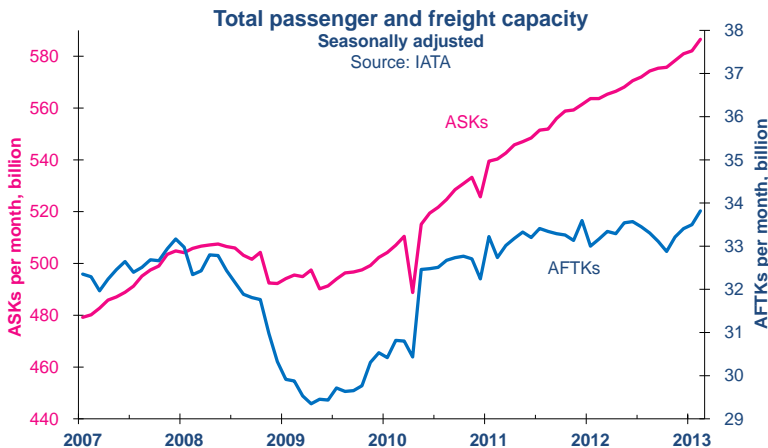
Passenger markets increase strongly as freight volumes remain stable



➤ The growth trend in global air travel continues to increase strongly. In February the size of the global air travel market expanded 1.2% compared to January, which equates to a double-digit annualized rate of growth. Air travel markets are responding to the overall improvement in the business environment over recent months. Air freight markets maintained the modest improvement since Q4, with the size of the market up 2.5% in February compared to October, despite a contraction of 0.8% over the month.

Capacity

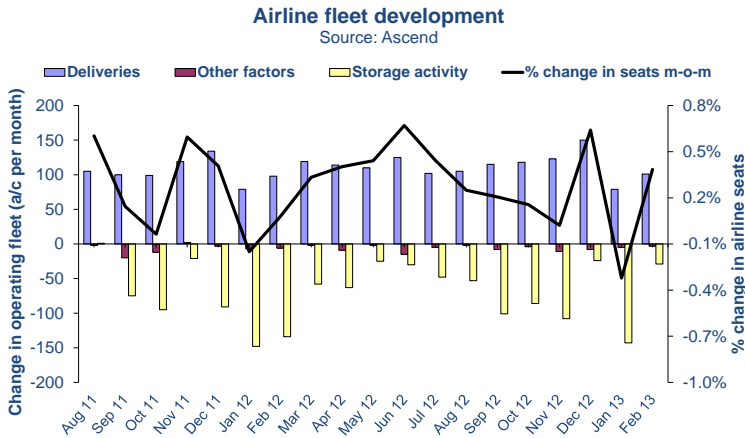
Passenger capacity continues to increase and AFTKs expand despite no demand rise



➤ Passenger capacity expansion picked up in February compared to January, increasing 0.8%, prompted by the acceleration in demand. But as has been the trend for many months, capacity increases are being kept below the growth in traffic.

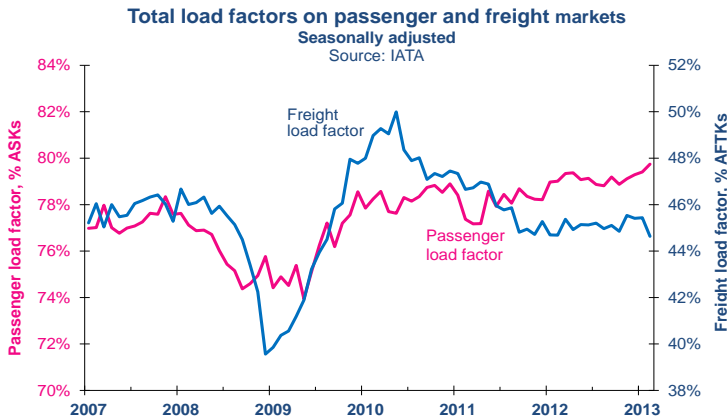
➤ Air freight capacity also increased over the month, 1.0% in February compared to January, but this was in contrast to the decline in traffic, placing downward pressure on load factors.

Growth in seats rebounds after seasonal decline in January



- Growth in seats rebounded in February after a contraction in January. Although there was an increase in new aircraft deliveries, most of the growth in seats resulted from aircraft coming out of storage.
- The current developments are typical of the seasonal fluctuations seen at this time of year. Growth in seats in February is running at about a 5% annualized rate. This is below the growth trend in demand seen over the month, which should help sustain aircraft utilization rates.

Passenger load factors reach record-highs while freight utilization drops



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- Strong growth in demand has helped load factors rise even higher in February, with seasonally adjusted loads for the total market reaching almost 80%, a new record high. Asia-Pacific and North American airlines saw the most improvement in load factors over the month, driven by strong demand in both cases.
- The contraction in volumes in February compared to January was exacerbated by an increase in capacity; causing load factors to slip 0.8% pt. Only Latin America airlines saw a rise in load factors over the month.

Yields

Passenger yields show improvement as market conditions tighten



- In the US passenger yields have started to show improvement over recent months, after staying relatively flat throughout the middle parts of 2012. The increase since Q4 2012 coincides with a stronger traffic demand and higher load factors. Globally, passenger fares have flattened over recent months. After the translation effect of the rising US dollar, they have been increasing in local currency terms and are above year ago levels.

Data tables

Year on Year Comparison	Feb 2013 vs. Feb 2012						YTD 2013 vs. YTD 2012					
	RPK	ASK	PLF	FTK	AFTK	FLF	RPK	ASK	PLF	FTK	AFTK	FLF
Africa	6.5%	3.1%	66.3%	2.0%	8.6%	23.5%	8.2%	4.5%	67.3%	2.0%	11.0%	21.7%
Asia/Pacific	7.8%	4.7%	78.0%	-14.7%	-8.6%	51.2%	3.6%	3.0%	77.1%	-4.3%	-5.0%	52.2%
Europe	0.7%	-2.0%	75.9%	-5.4%	-3.0%	46.8%	1.0%	-1.0%	76.0%	-2.2%	-0.2%	44.9%
Latin America	3.2%	1.8%	75.4%	2.9%	6.2%	35.5%	4.7%	3.3%	77.5%	1.5%	8.3%	34.0%
Middle East	9.8%	9.0%	77.8%	12.3%	7.7%	46.4%	11.5%	11.1%	78.3%	14.5%	10.1%	44.6%
North America	-0.3%	-3.3%	79.1%	-3.1%	-4.2%	35.5%	1.2%	-1.0%	79.1%	2.0%	-0.7%	34.6%
Total Market	3.7%	1.0%	77.3%	-6.2%	-3.4%	43.6%	3.1%	1.7%	77.1%	0.0%	-0.2%	42.9%

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.

IATA Economics
 5th April 2013