Key NAT Performance Trends

- Gaining Momentum
- Divergent Monetary Policy
- Safety and Security
- Growth Continues
Economic Outlook
Economic Upswing

• After a lackluster 2016, economic activity is projected to increase in 2017
• Improved outlook for advanced economies (US and global trade)
• Emerging economies increasingly important role: Improved forecasts for China (supportive policy) and Russia (higher oil prices bolster recovery)
• Growth has remained solid in the UK, where spending proved resilient since June 2016 referendum (Brexit)
• Uncertainties and risks remain: Protectionism, interest rate hikes

<table>
<thead>
<tr>
<th>Country</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>1.9</td>
<td>2.0</td>
</tr>
<tr>
<td>Denmark</td>
<td>1.5</td>
<td>1.7</td>
</tr>
<tr>
<td>France</td>
<td>1.4</td>
<td>1.6</td>
</tr>
<tr>
<td>Germany</td>
<td>1.6</td>
<td>1.5</td>
</tr>
<tr>
<td>Iceland</td>
<td>5.7</td>
<td>3.6</td>
</tr>
<tr>
<td>Ireland</td>
<td>3.5</td>
<td>3.2</td>
</tr>
<tr>
<td>Norway</td>
<td>1.2</td>
<td>1.9</td>
</tr>
<tr>
<td>Portugal</td>
<td>1.7</td>
<td>1.5</td>
</tr>
<tr>
<td><strong>UK</strong></td>
<td><strong>2.0</strong></td>
<td><strong>1.5</strong></td>
</tr>
<tr>
<td><strong>US</strong></td>
<td><strong>2.3</strong></td>
<td><strong>2.5</strong></td>
</tr>
<tr>
<td>Euro area</td>
<td>1.7</td>
<td>1.6</td>
</tr>
<tr>
<td><strong>World</strong></td>
<td><strong>3.5</strong></td>
<td><strong>3.6</strong></td>
</tr>
</tbody>
</table>

Source: IMF, World Economic Outlook – April 2017
Leading Economic Indicator – US

The Conference Board Leading Economic Indicator (2010=100)

Source: The Conference Board, April 2017
Note: Shaded area represents period of recession
Leading Economic Indicator – Euro Area

The Conference Board Leading Economic Indicator (2010=100)

Source: The Conference Board, March 2017
Note: Shaded area represents period of recession

Uptick since last Sep
Policy Challenges
Policy Challenges

• **U.S. Monetary Policies**
  – Normalization continues:
    • 3rd rate hike (March 2017) since 2006
    • 2 more hikes expected in 2017
  – Growth solid: 2016Q4 GDP 2.1%
  – Uncertainties ahead:
    • Budget outlook and congressional elections

• **Euro Area – Outlook improving**
  – Economic Growth: 2016 GDP 1.7% (still weak but growing)
  – Inflation picking up: 1.5 to 2% in 2017, after near zero in 2016
  – **ECB Stimulus**: QE extended to Dec 2017
    • €60 billion/month starting April 2017, cut from €80 billion
  – Brexit impact seems to be limited so far (Exit started Mar 2017)
Daily Spot Exchange Rate: $US/£ and $US/€

13% Decline (Jun 2016)

Source: U.S. Federal Reserve Board, April 07, 2017
Industry Outlook
Challenges for the Industry

• **Safety and Protectionism**
  – Restrictions on the carry-on of large electronic items
  – Potential impact of air travel ban
  “We remain concerned over the impact of any travel restrictions or closing of borders.”
  - Alexandre de Juniac, IATA’s Director General (April 2017)

• **Economic Opportunities**
  – Profits for 2016Q4 is $4.7 billion, compared to 2015Q4 of $2.7 billion
  – Operating profit margin at 10%, still high
US – European Crude Oil Price Spread

- Brent Spot Price
- WTI Spot Price
- Delta bought oil refinery (Apr-Jun 2012)
- US lifted oil export ban
- OPEC Cut
- IEA warnings, Iran export
- Inventories decline
- Upward trend

Source: Energy Information Administration, March 2017
Oil Prices Rise But Remain Low

- **Oil prices** reached 13-year lows around $30 in early 2016 before **recovering to just above $50 recently** (April 2017) for both the WTI Cushing and European Brent.

- **EIA forecast remain low** - WTI at $52 in 2017, $55 in 2018.

- Driving factors: Supply/demand factors, geopolitical events, exchange rate movements.

- **OPEC Cut**: Likely extended in May 2017 meeting.

- **Expectation**: Low oil (<$60/bbl) in the 2-3 years.

“It can be argued confidently that the market is already very close to balance.”

- The International Energy Agency, April 13, 2017
Operational Outlook
US to Europe Departures: Jan – Jun 2017

Change in Scheduled Departures

-200 to -100 (2)
-100 to 0 (4)
0 to 100 (7)
100 to 400 (5)
400 to 1,000 (4)

Source: Innovate

Iceland 37.6%
United Kingdom -1%
Ireland 18.2%
Belgium 7.7%
Netherlands 2.9%
Germany 5.1%
Luxembourg 4.8%
Czech Republic -21.3%
France 1.1%
Switzerland 4.9%
Austria -6%
Poland 21.3%
Spain 5.9%
Portugal 65.7%
Greece 58.4%
Finland -1.7%
Norway 16.0%
Sweden 12.7%
Ukraine 21.4%
Latvia 0%

Update: North Atlantic Trends (April 2017)
## US to Europe: Top Ten Scheduled Departures (Jan – June 2017)

<table>
<thead>
<tr>
<th>Destination Country</th>
<th>2016</th>
<th>2017</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>22,683</td>
<td>22,704</td>
<td>21</td>
<td>0.1%</td>
</tr>
<tr>
<td>Germany</td>
<td>11,198</td>
<td>11,766</td>
<td>568</td>
<td>5.1%</td>
</tr>
<tr>
<td>France</td>
<td>7,602</td>
<td>7,686</td>
<td>84</td>
<td>1.1%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>6,128</td>
<td>6,303</td>
<td>175</td>
<td>2.9%</td>
</tr>
<tr>
<td>Spain</td>
<td>3,421</td>
<td>3,623</td>
<td>202</td>
<td>5.9%</td>
</tr>
<tr>
<td>Ireland</td>
<td>3,017</td>
<td>3,566</td>
<td>549</td>
<td>18.2%</td>
</tr>
<tr>
<td>Italy</td>
<td>3,408</td>
<td>3,367</td>
<td>41</td>
<td>-1.2%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>3,035</td>
<td>2,887</td>
<td>148</td>
<td>-4.9%</td>
</tr>
<tr>
<td>Iceland</td>
<td>1,951</td>
<td>2,684</td>
<td>733</td>
<td>37.6%</td>
</tr>
<tr>
<td>Belgium</td>
<td>2,222</td>
<td>2,060</td>
<td>162</td>
<td>-7.3%</td>
</tr>
<tr>
<td><strong>All US-Europe</strong></td>
<td><strong>71,429</strong></td>
<td><strong>74,613</strong></td>
<td><strong>3,184</strong></td>
<td><strong>4.5%</strong></td>
</tr>
</tbody>
</table>

Source: Innovata, April 1, 2017
### US ↔ Europe Trends (Jan – Jun 2017)

<table>
<thead>
<tr>
<th>Destination: Europe Airport</th>
<th>Departures</th>
<th>Y/Y % Change</th>
<th>Destination: US Airport</th>
<th>Departures</th>
<th>Y/Y % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>LHR</td>
<td>17,709</td>
<td>-0.4%</td>
<td>JFK</td>
<td>15,828</td>
<td>1.0%</td>
</tr>
<tr>
<td>CDG</td>
<td>7,099</td>
<td>0.5%</td>
<td>EWR</td>
<td>8,105</td>
<td>1.3%</td>
</tr>
<tr>
<td>FRA</td>
<td>6,667</td>
<td>0.7%</td>
<td>ORD</td>
<td>6,246</td>
<td>-0.7%</td>
</tr>
<tr>
<td>AMS</td>
<td>6,277</td>
<td>4.3%</td>
<td>IAD</td>
<td>4,579</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

#### Busiest Airport Pairs (US to Europe)

<table>
<thead>
<tr>
<th>Pair</th>
<th>Total Flights</th>
<th>Y/Y % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>JFK - LHR</td>
<td>3,334</td>
<td>-5.8%</td>
</tr>
<tr>
<td>EWR - LHR</td>
<td>1,591</td>
<td>10.1%</td>
</tr>
<tr>
<td>ORD - LHR</td>
<td>1,493</td>
<td>-4.5%</td>
</tr>
</tbody>
</table>

Source: Innovata, April 2017
US Traffic continues growth

Source: BTS/Innovata, Global Insight, April 2017
2007-2016Q4 Economy and Traffic, NAT*/Euro Area

Source: ICAO/Innovata, Global Insight, April 2017

*Denmark, Ireland, Iceland, Norway, Portugal, UK, France, and Germany

"Brexit" No Show

20 months of Consecutive US Growth (adj. Feb’16)

(Gap closing)
US LF Peak ~83% 
Europe Peak ~76%

Source: BTS and AEA (Association of European Airlines), April 2017
Passengers Demand (2007-2016Q4)
Year-over-Year Change

Source: BTS, T100-Segment Data, April 2017
Air Cargo Demand (2007-2016Q4)
Year-over-Year Change

Source: BTS, T100-Segment Data, April 2017
2017 Global Regional Trends (Year-to-Date Feb)

Regional Traffic Statistics
Change in RPK and FTK: (Jan-Feb) 2017 vs. 2016

Source: IATA, April 2017
Outlook Improving:

• Global outlook for 2017-2018 has improved
• Financial markets are up and oil remains low
• Operational trends: US and Europe continue growth
• Aviation security threats persist, new issues