

# State of the Airline Industry

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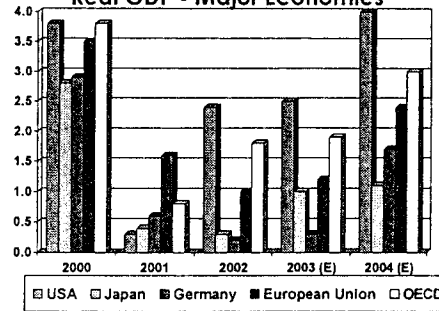
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## Economic and Market Background

### Economic Trends

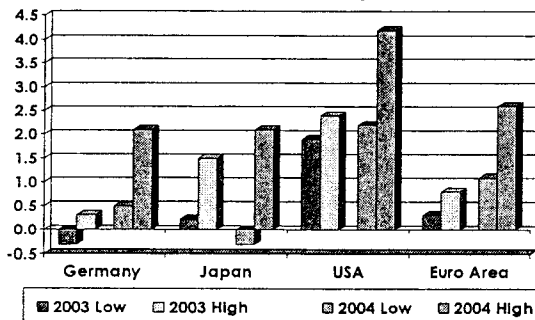
Real GDP - Major Economies



Source: OECD Economic Outlook, June 2003

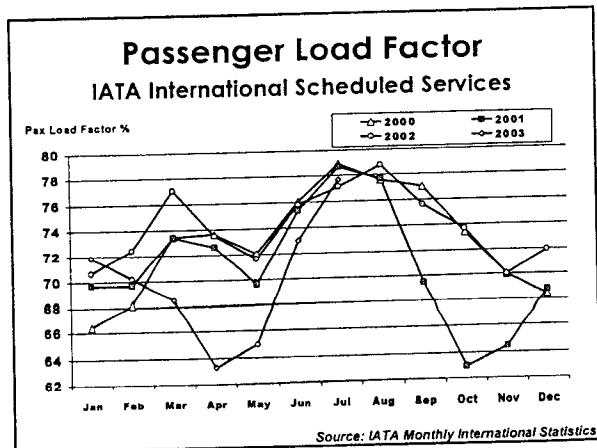
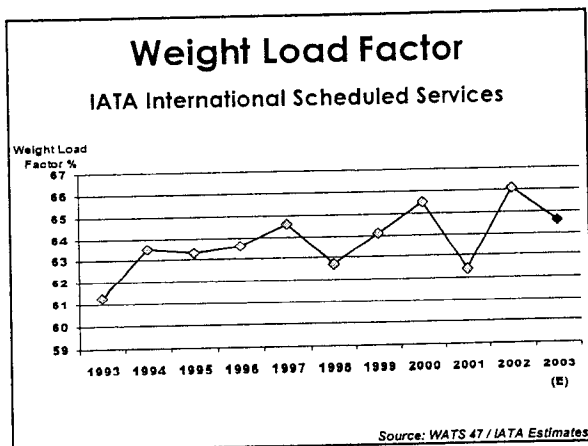
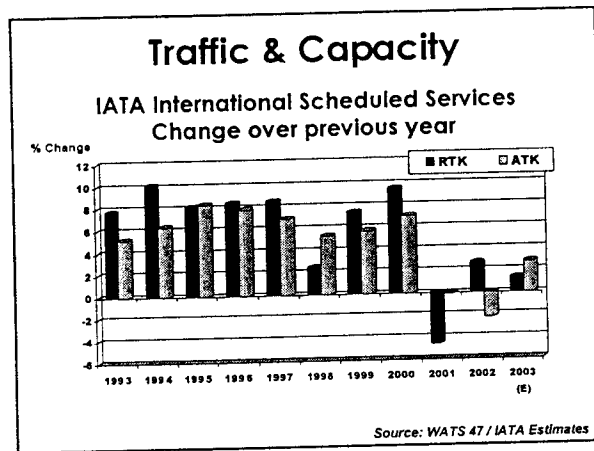
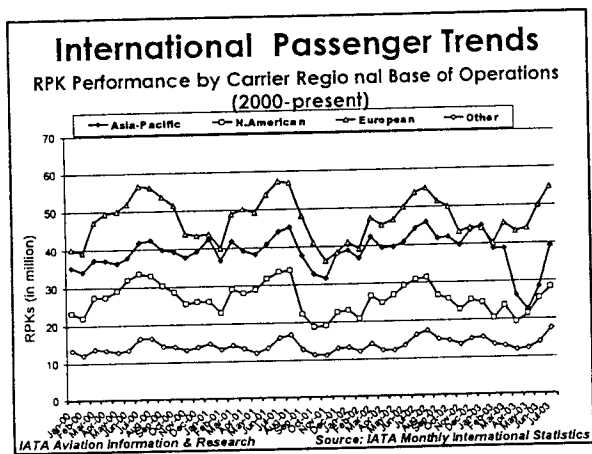
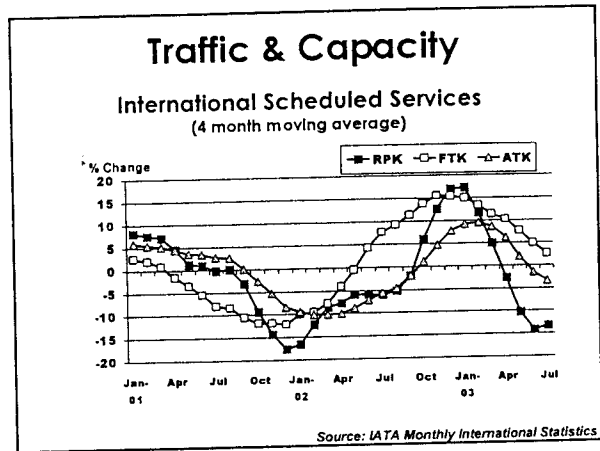
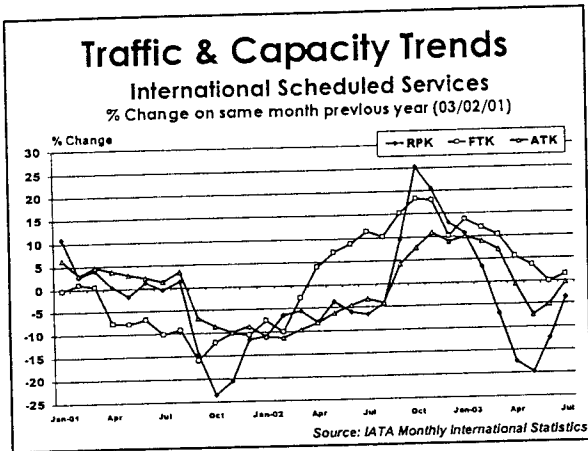
### Economic Forecast

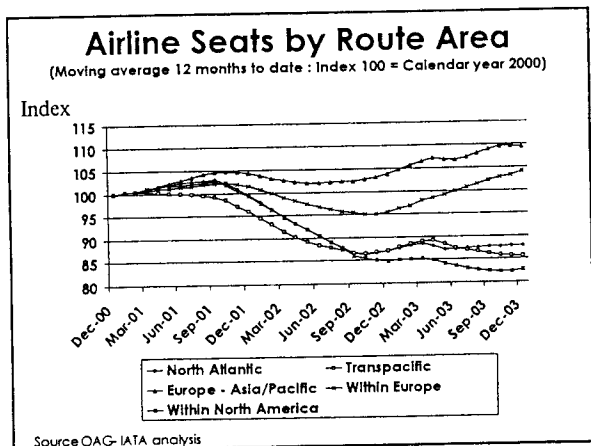
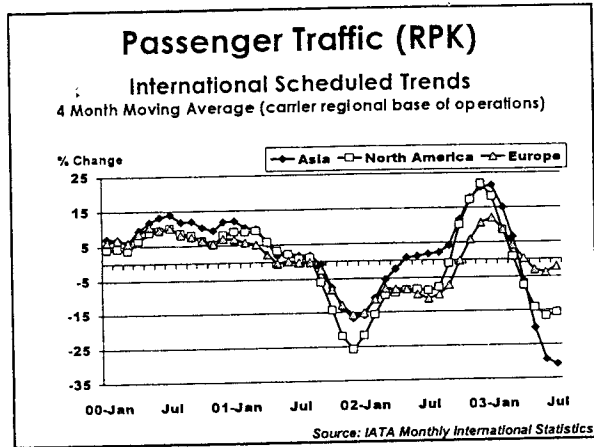
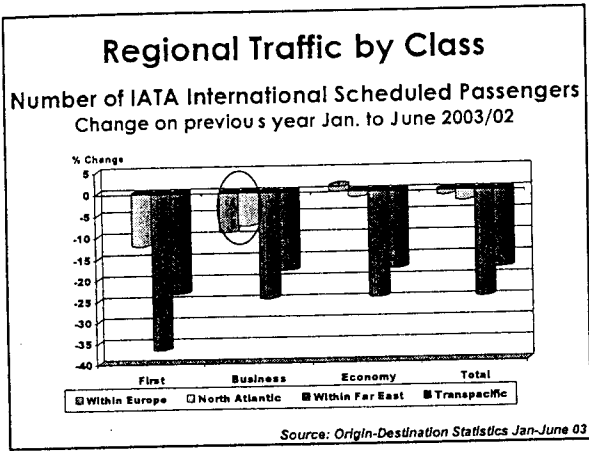
Real GDP, % change



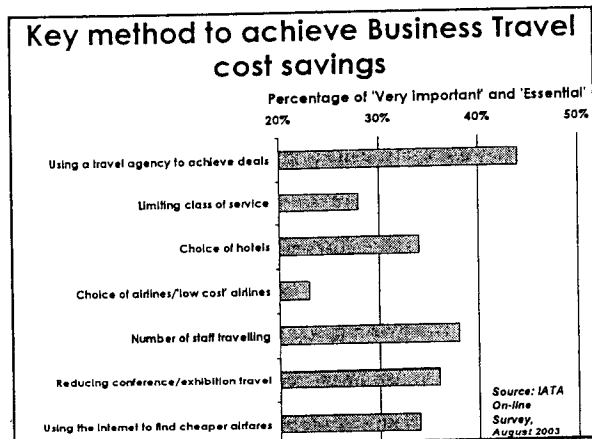
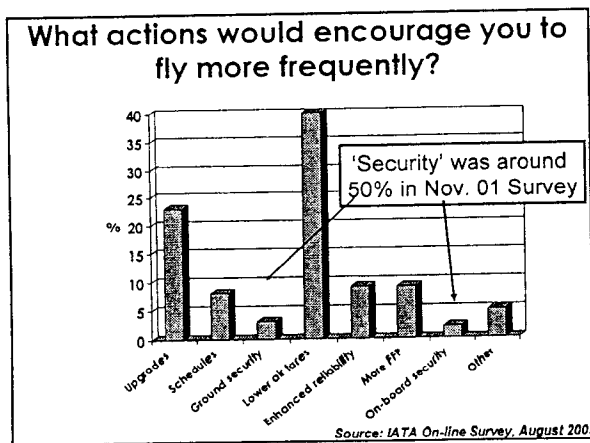
Source: Economist, August 2003

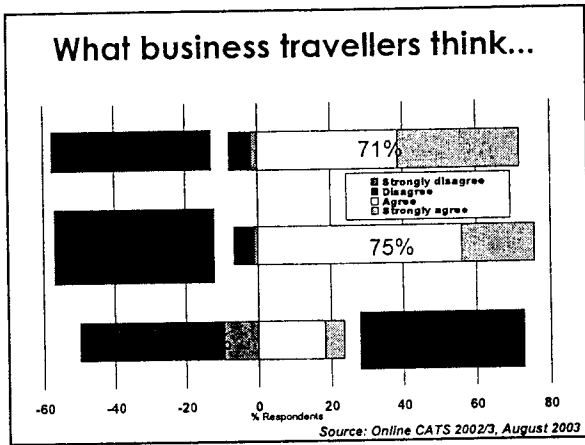
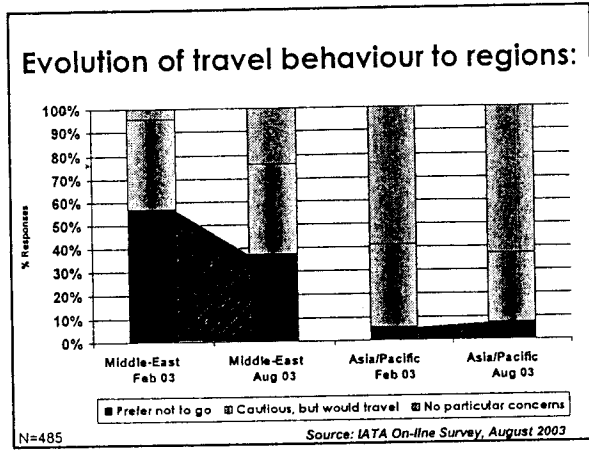
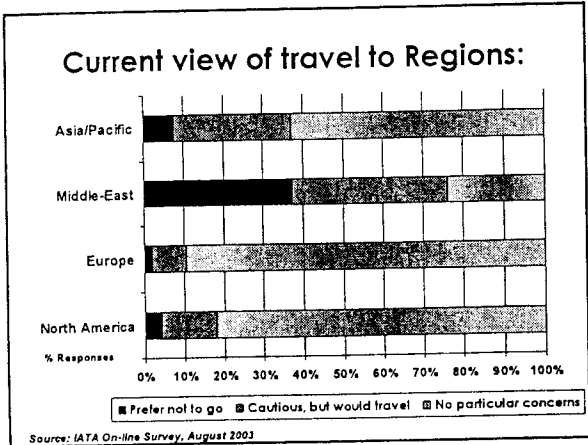
## Traffic and Capacity





## IATA Corporate Air Travel Survey



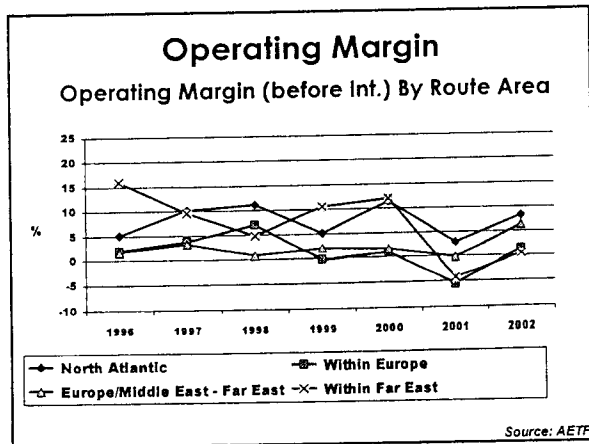


## Airline Economic Task Force Results

### AIRLINE ECONOMIC TASK FORCE

- Number of carriers included in analysis to date: 31 (38 expected)
- Represents: 33% (41% expected) of total IATA international scheduled operations in 2002
- With addition of US DoT coverage will increase to 55% of total IATA international scheduled operations in 2002

Source: AETF



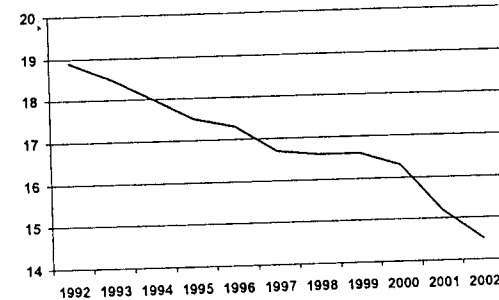
### Largest Cost Increases 2002 v 2001 (Change in Cost per RTK)

- Flight Equipment Insurance +70.2%
- Load Insurance +34.2%
- Airport Charges +19.3%
- Air Navigation Charges +12.9%

Source: AETF

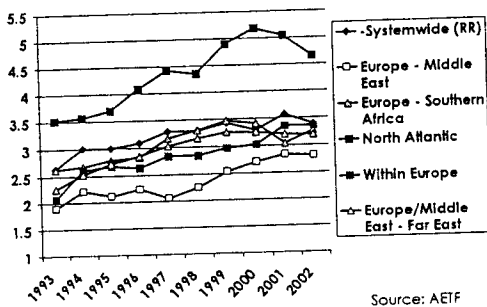
### Ticketing, Sales & Promotion Costs

Share of total Operating Expenses - AETF Airlines  
%



Source: AETF

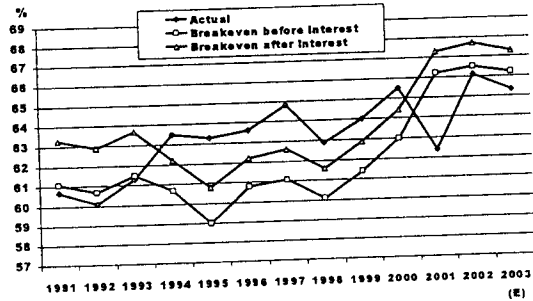
### Ratio of Business to Economy yield



Source: AETF

### Load Factor

Actual and Breakeven Load Factors

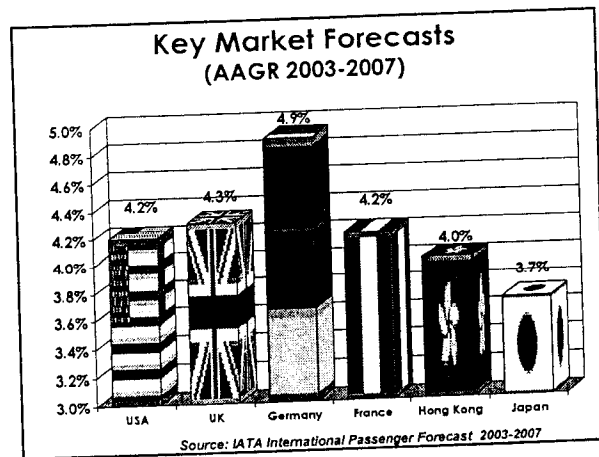
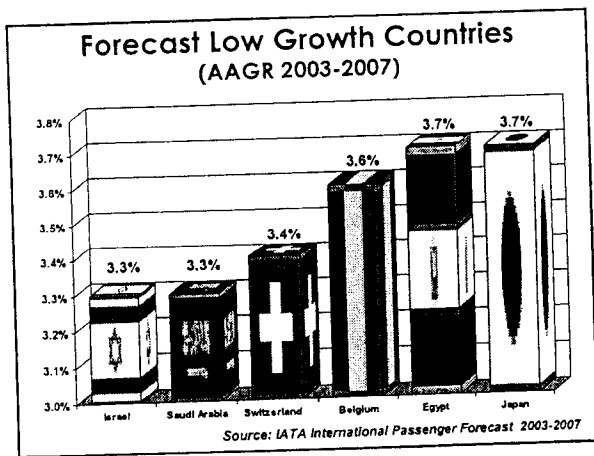
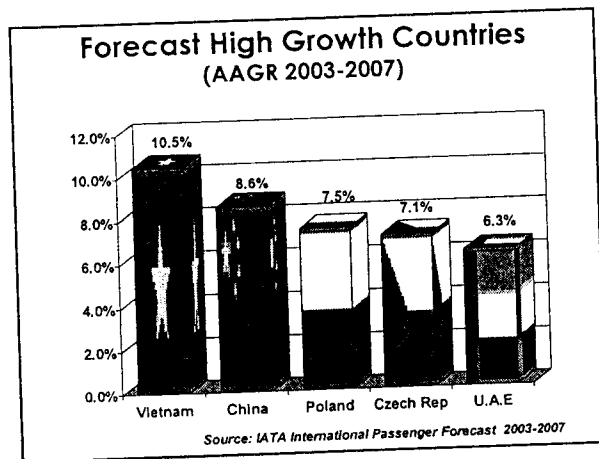
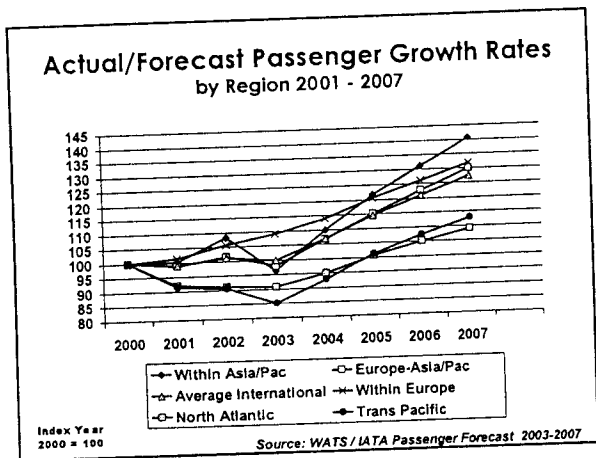
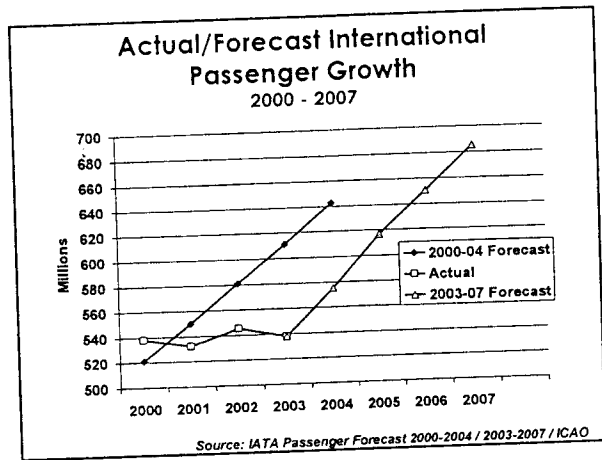
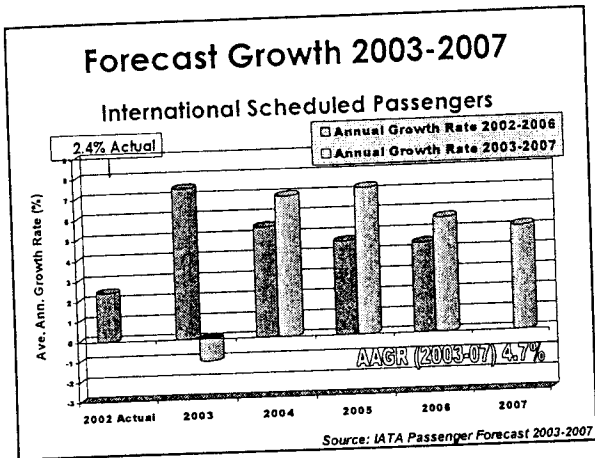


Source: WATS, IFS 2003

## IATA PASSENGER FORECAST 2003 - 2007

### Coverage & Participation

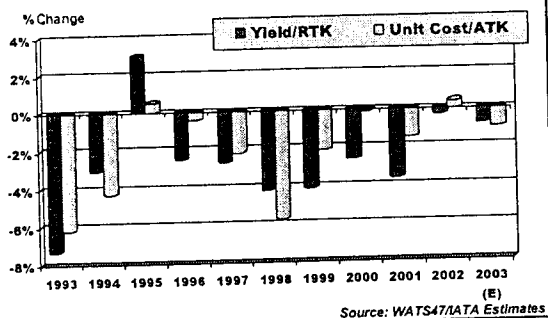
- 1721 Unduplicated Country Pairs
- 84 Participants
- Participants include airlines, civil aviation organisations, airports and manufacturers



# OUTLOOK 2003/2004

## Yield and Unit Cost

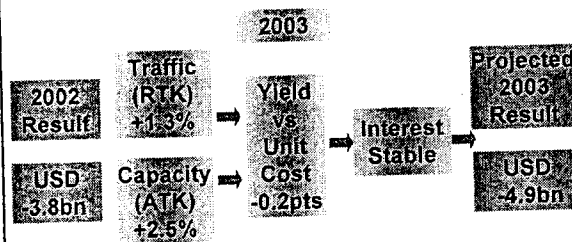
Change on Previous Year



## Scenarios For 2003 - 2004

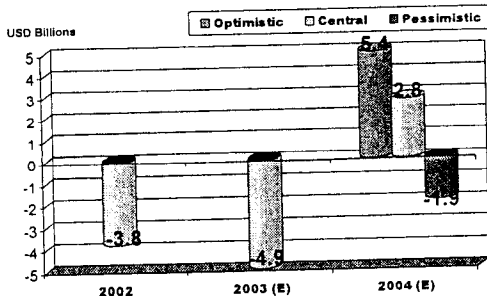
% Changes	Optimistic	Central	Pessimistic
<b>2003</b>			
Traffic		1.3	
Capacity		2.5	
Yield		-0.8	
Unit Cost		-1.0	
<b>2004 (based on 2003 central scenario)</b>			
Traffic	8.0	7.0	6.5
Capacity	5.0	6.0	5.5
Yield	1.0	1.8	0.5
Unit Cost	-2.0	-1.9	-1.8

## Current Outlook



## Projected Net Profitability

Current View - September 2003



## Summary

- Traffic recovery period starting - diversity in underlying regional market factors. Yield recovery weak
- 2004 needs to see a substantial change in yield/unit cost differentials AND traffic growth to achieve profitability
- Corporate travel sector still cautious, but 'postponed demand' may be beneficial
- An opportunity to turn 2004 growth into profitability