

AIRLINE BUSINESS CONFIDENCE INDEX

APRIL 2014 SURVEY

KEY POINTS

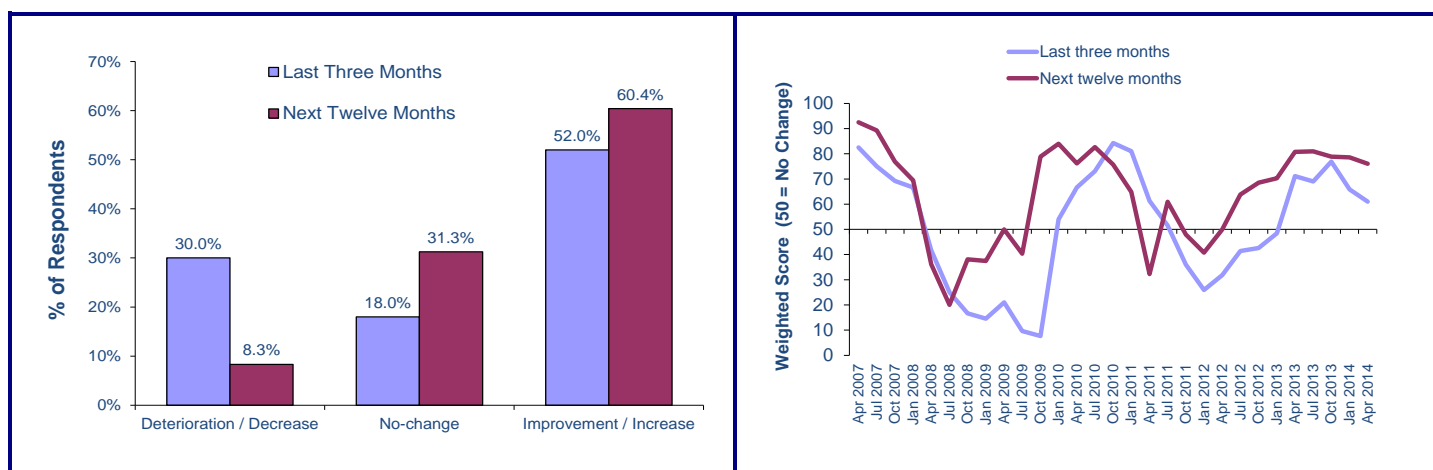
- Airline profit expectations remain strong and broadly in line with levels seen over the past year, according to IATA's quarterly survey of airline CFOs and heads of cargo in April;
- There is confidence that air transport volumes will continue to expand over the next 12 months, supporting an improved outlook for (passenger) yields. In addition, input costs are expected to decline.
- A majority (76%) of respondents expect passenger travel to expand over the year ahead, at a faster pace than in the January survey;
- Cargo volumes are also expected to grow during the year ahead - which is consistent with recent improvements in world trade growth and increases in business confidence – but at a slower rate than passenger demand;
- Input costs are reported to have declined during Q1, mostly as a result of cost cutting measures, and respondents expect the trend to continue over the next 12 months;
- Passenger yields are expected to increase slightly over the year ahead, improving on the January survey as the outlook for air travel growth picks-up;
- By contrast, cargo yields are expected to decline slightly, despite a view toward stronger volume growth ahead;
- Airline employment activity is reported to have been broadly stable during Q1 compared to a year ago, but a rise is expected in the year ahead, consistent with the positive profits outlook respondents are indicating.

PROFITABILITY OUTLOOK

How has profitability changed? How do you expect it to change over the next twelve months?

a) April 2014 survey

b) Compared to previous surveys



- With respect to recent past performance, respondents reported seeing better profitability in Q1 compared to the year ago period. Slightly more than half of the respondents indicated an improvement, but the proportion of respondents experiencing a fall in Q1 profits rose to 30%, compared to 25% in the January survey, bringing the rate of improvement in Q1 down compared to Q4. This is consistent with the recent slowdown in business confidence improvements, but it has not had any significant impact on the outlook, which remains positive.
- The results of the April survey show that a majority of respondents expect to see improvements in profitability over the next 12 months. The positive outlook has been broadly stable since the April 2013 survey. And while

the proportion of respondents expecting profits to improve in April (60%) is down on the January survey (70%), on balance confidence is near 2010 levels when the industry experienced strong financial performance.

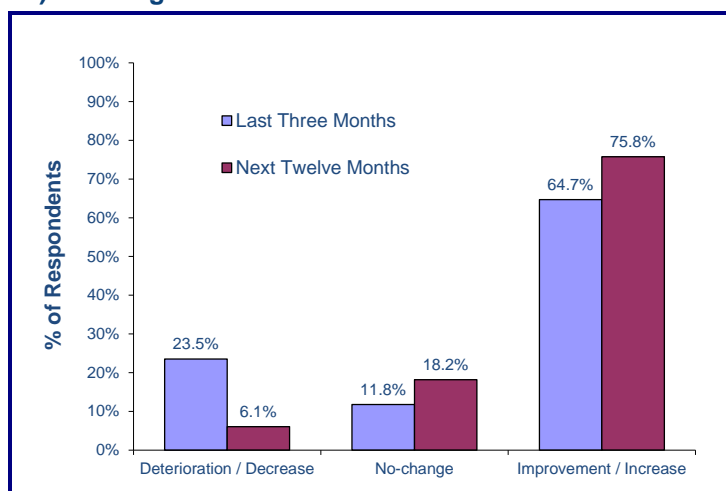
DEMAND GROWTH

- Passenger traffic increased during Q1 2014, according to survey responses about the past three months. The rate of improvement in April slowed compared to January - the proportion of respondents reporting a slowdown in growth in passenger travel increased from 10% in October to 24% in April.
- Looking ahead, the pick-up in the global economic cycle suggests growth in passenger volumes in the months ahead will be at least at the current rate. The proportion of survey respondents expecting a rise in traffic volumes is a significant 76%, a strong result and slightly up on January (72%).
- The survey results for cargo were positive and reflect important developments in the demand environment. Respondents reported seeing growth in air freight volumes over recent months, which is consistent with freight data. The outlook for cargo volumes remains positive with 56% of respondents expecting an increase in demand over the next 12 months. This is the biggest expected rate of increase since mid-2010, a very strong year for cargo.

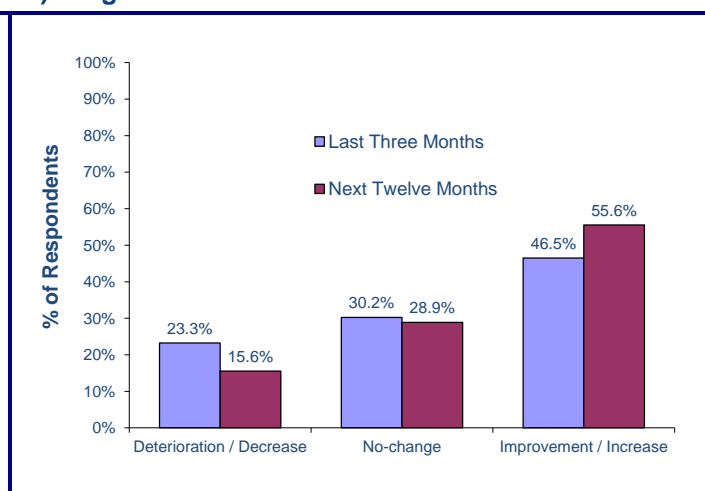


Recent and expected change in traffic volumes

a) Passenger



b) Cargo

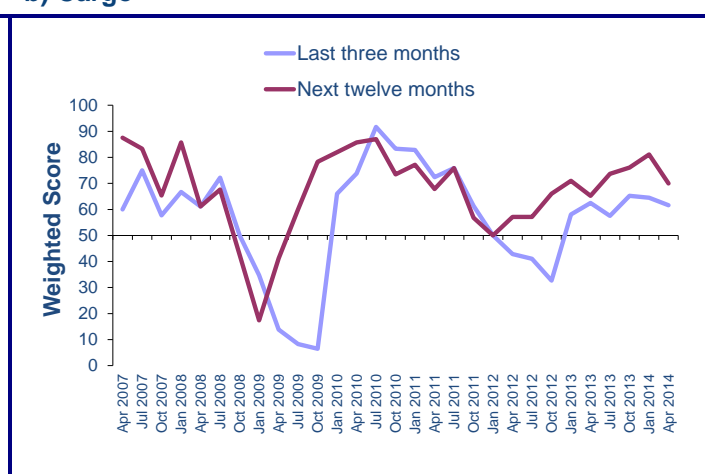


Compared to previous surveys

a) Passenger



b) Cargo

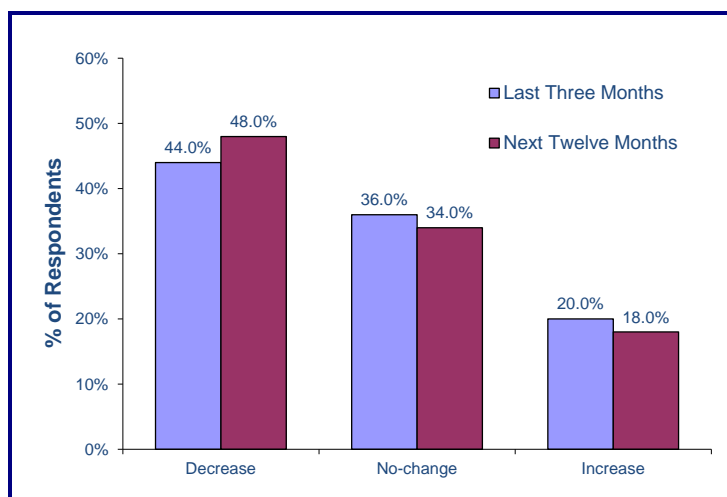


INPUT COSTS

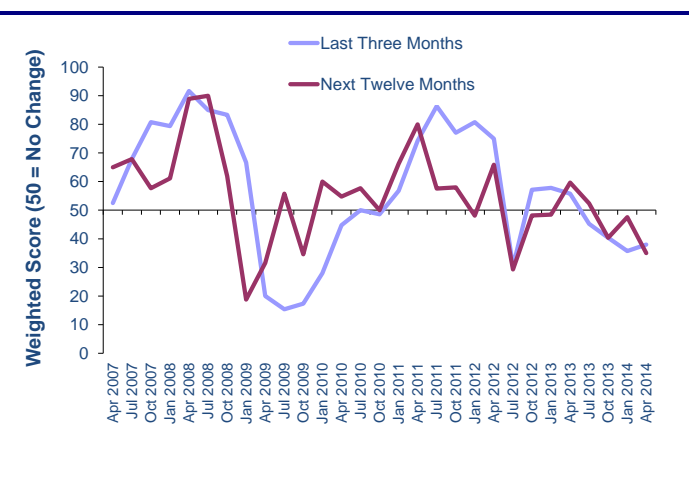
- Survey respondents indicated a decline in input costs during Q1. Although jet fuel prices remained high during the first 3 months of 2014, they did ease slightly compared to the end of 2013. But probably more notable than developments in jet fuel prices, survey respondents pointed to cost cutting initiatives as reasons for the fall in input costs in Q1 2014. The outlook with respect to input costs over the next 12 months is for further decline.

How have your unit input costs changed? How do you expect them to change over the next twelve months?

a) April 2014 survey



b) Compared to previous surveys

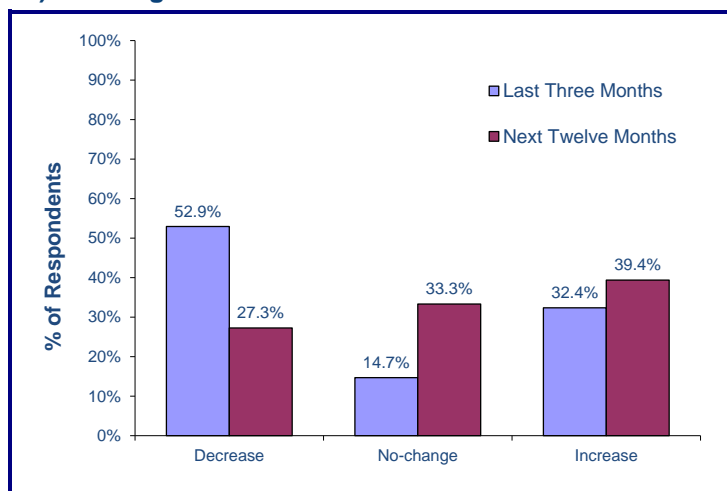


YIELD ENVIRONMENT

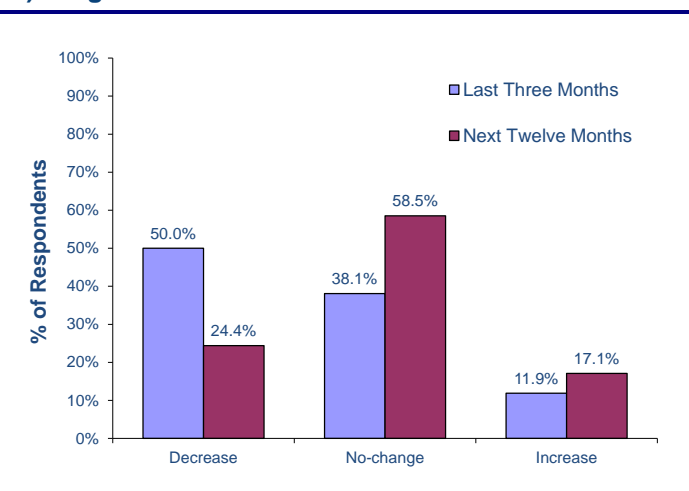
- The April survey results indicate that passenger yields declined slightly in Q1 2014 compared to the year ago period. The outlook has also moderated compared to the last survey, with yields expected to remain unchanged in the year ahead.
- Consistent with slight weakening in load factors over recent months, cargo yields were reported to have declined in Q1. The proportion of respondents seeing a decline in cargo yields increased in April (50%) compared to January (34%). The outlook for cargo yields also weakened slightly compared to the January survey – a majority of respondents (59%), expect to see no change over the next 12 months, but on balance there could be some decline with almost a quarter of the survey group indicating they expected to see cargo yields fall.

Recent and expected change in yields

a) Passenger

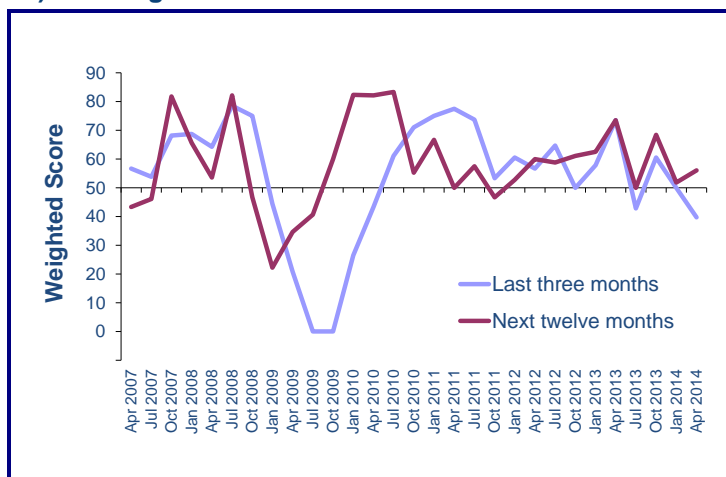


b) Cargo

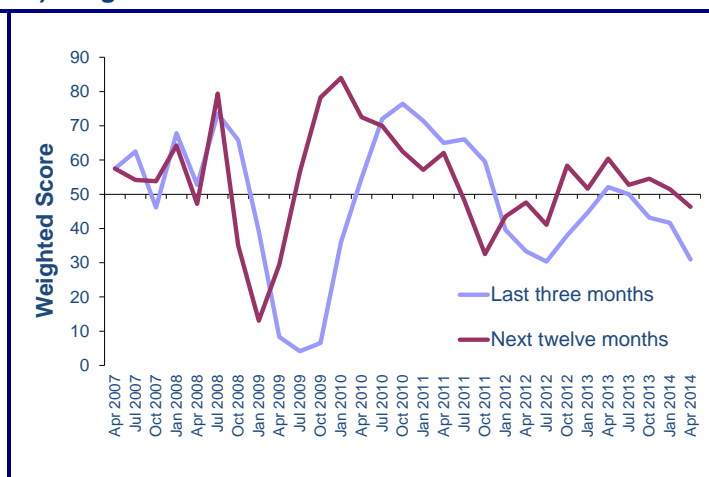


Compared to previous surveys

a) Passenger



b) Cargo

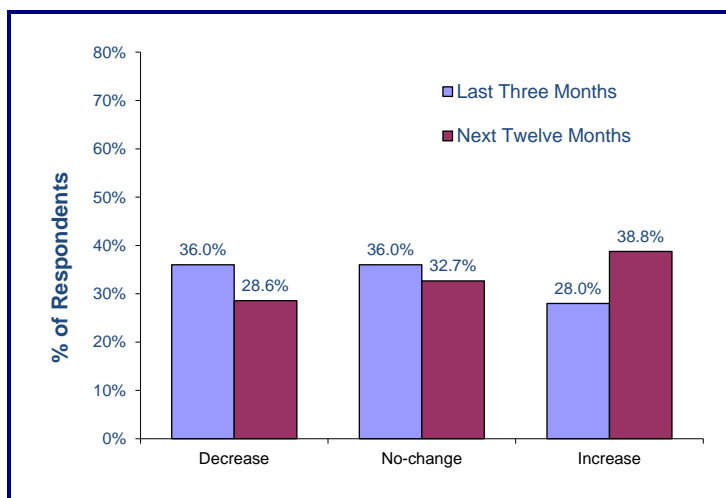


EMPLOYMENT

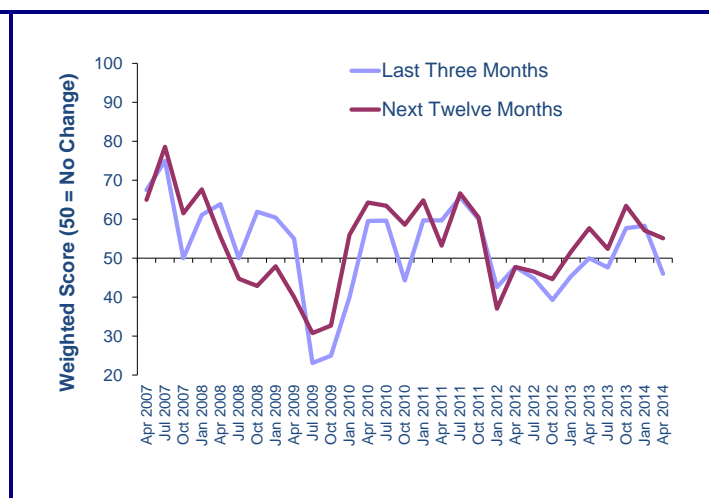
- CFOs and cargo heads indicated no change in employment during the first quarter of 2014 compared to the same period a year ago. Looking ahead however, there is an expectation that employment activity will increase over the next 12 months, consistent with the positive outlook for airline financial performance.

How has your employment level changed? How do you expect it to change over the next twelve months?

a) April 2014 survey



b) Compared to previous surveys



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