

Aviation Leadership Summit

Antwerp, 16 October 2015

Dr Temel Kotil
CEO of Turkish Airlines
AEA President 2014-2015



WELCOME TO THE AEA LEADERSHIP SUMMIT 2015



PALMA NON SINE PULVERE (NO REWARD WITHOUT EFFORT)



AEA has met with
Commissioners
Parliamentarians
Transport Ministers
and many
Industry Stakeholders

500 meetings and
events representing
members' interests



AIR TRANSPORT IS GOOD AT **CREATING VALUE**



€ **452** billion

annual contribution
of air transport
to European GDP

€ **1.2** billion

every day

Source: ATAG 2014, refers to direct, indirect & induced effects of air transport



AIR TRANSPORT CREATES **EMPLOYMENT**



11.7 million

jobs in Europe
thanks to air
transport

= **1** in **40**
working population

Source: AEA research based on ATAG 2014, direct, indirect, induced & tourism effects,
UN population statistics



AIR TRANSPORT CREATES **CONNECTIVITY**



Source: AEA research based on Innovata, 2014

European airlines
connect **Europe**

and connect
Europe to the world
serving

120 countries

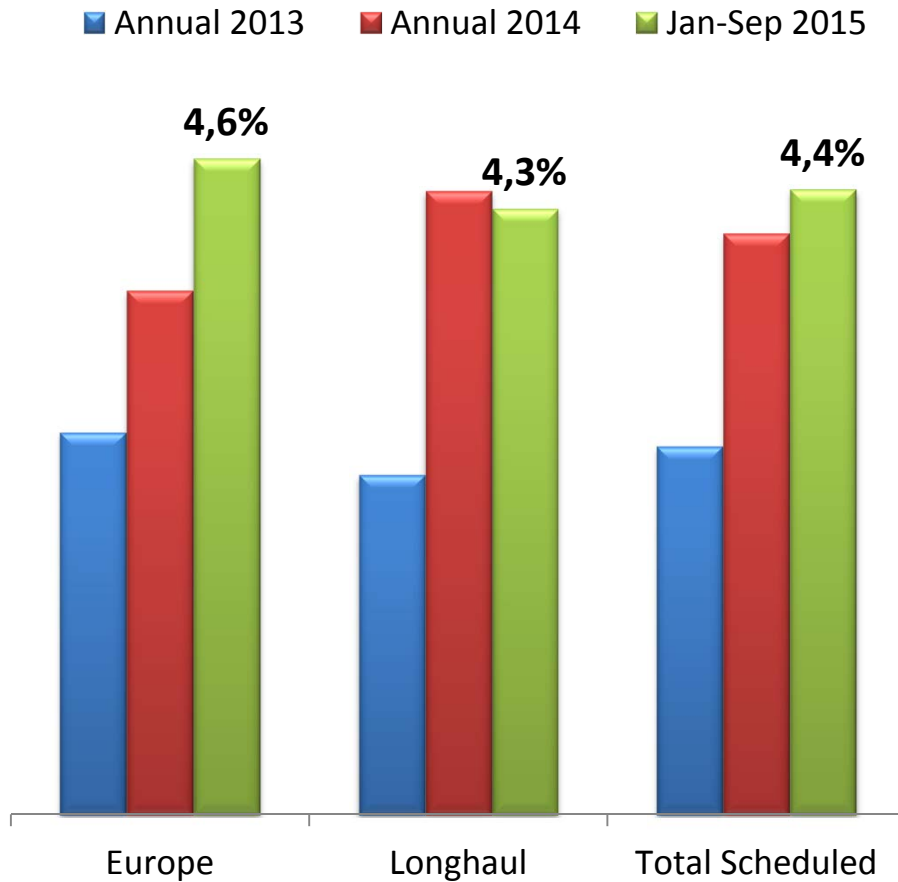
(excluding European countries)

across the globe



AEA PASSENGER TRAFFIC RESULTS

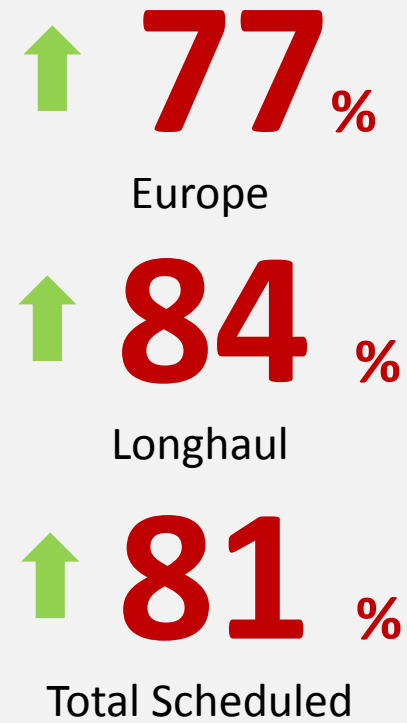
AEA Passenger Traffic (RPK) % Growth



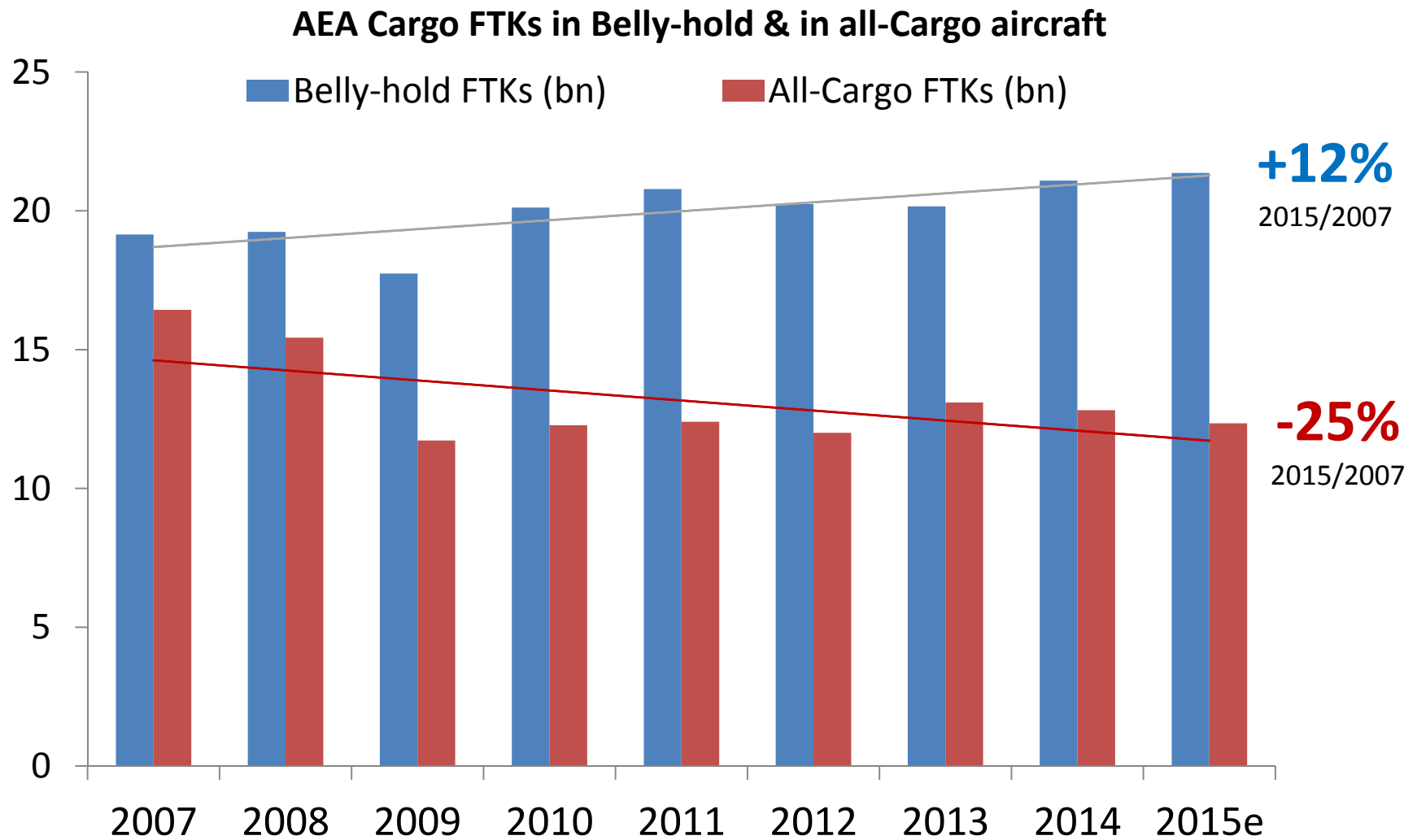
Source: AEA, excluding impact of AF strike in September 2014/2015

Passenger Load Factors

Jan-September 2015
compared to annual 2014

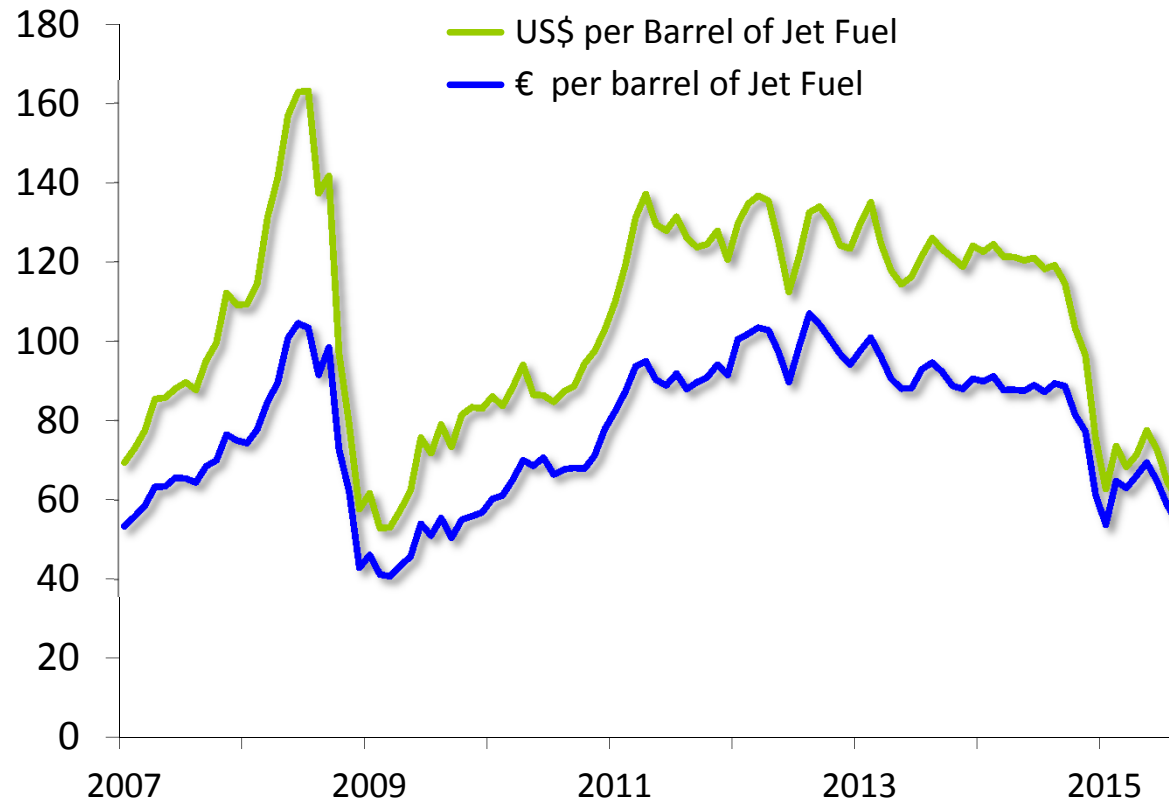


ALL-CARGO TRAFFIC REMAINS A CHALLENGE



FUEL BILLS LAG SPOT PRICE DEVELOPMENTS

Jet Fuel Price Barometer



Source: AEA Research based on US EIA and Oanda. Fuel is US Gulf Coast Kerosene-Type Jet Fuel Spot Price FOB.

Price reduction \neq
Cost reduction

August 2015/2014

-58%

Brent Crude Spot Price

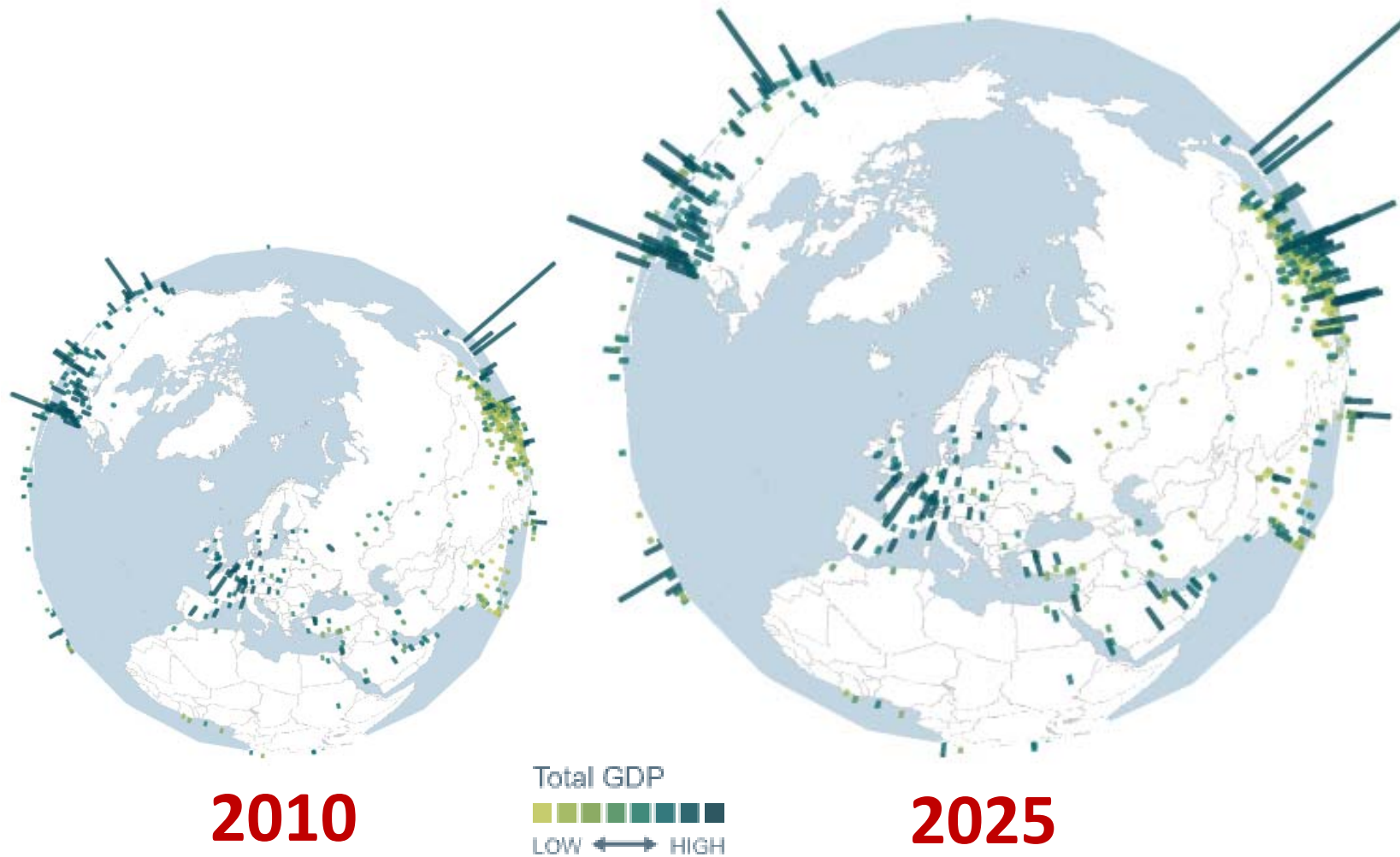
But,

- taking into account
- Hedging contracts
 - Refiners' margin
 - Currency effects

=
Actual cost reduction

-3%

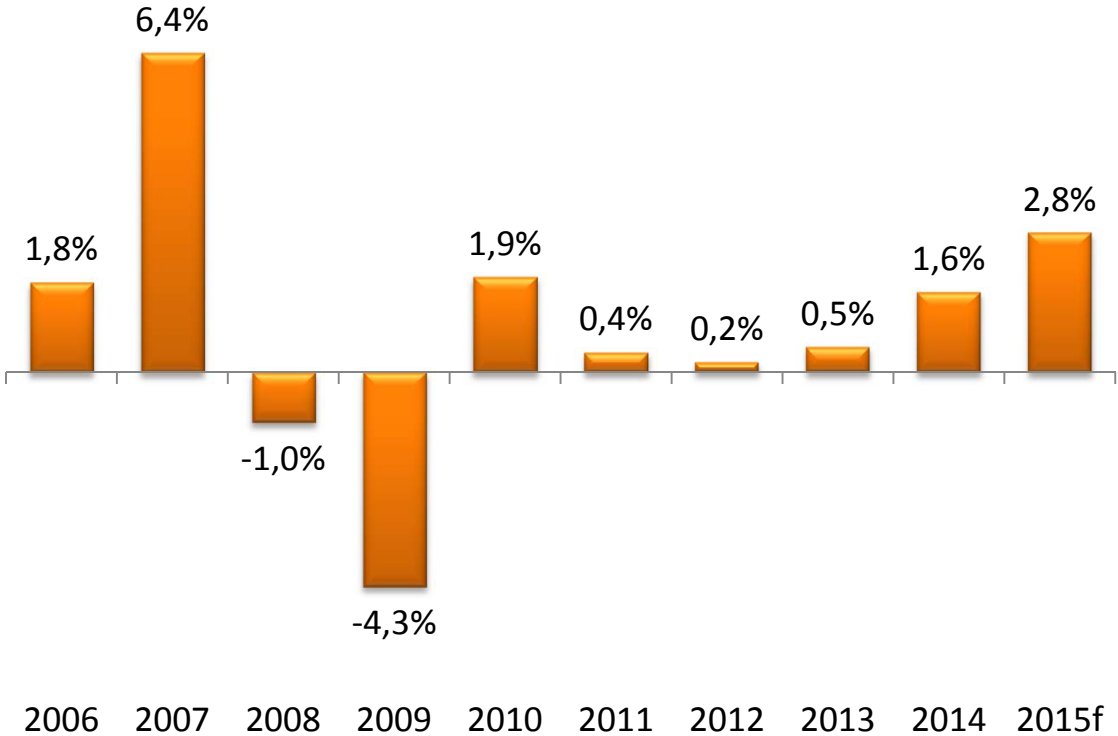
THE IMPLICATIONS OF SHIFTING GRAVITY ARE **PROFOUND**



Source: McKinsey Global Institute, *Urban world: Mapping the economic power of cities*

FINANCIAL OUTLOOK FOR EUROPEAN AIRLINES

European airlines' Net Profit Margin
as % of revenue



10-Year average



vs

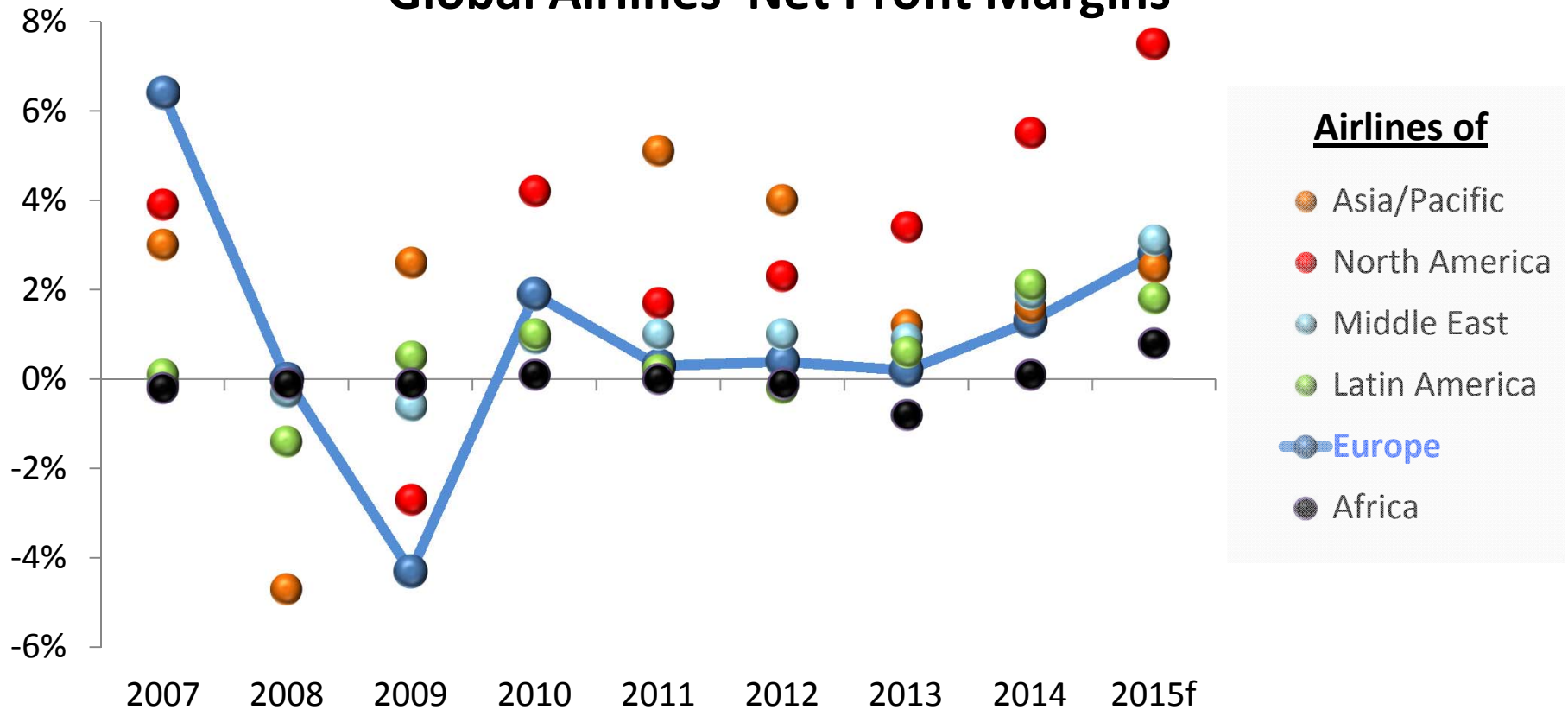
7-10%

Required to attract
Investment (WACC)

Source: IATA Economic Performance of the Industry, mid-year 2015

EUROPEAN AIRLINES VERSUS OTHER REGIONS

Global Airlines' Net Profit Margins



Source AEA research based on ICAO and IATA
 Europe = AEA airlines + Largest LCCs + Russian Airlines

THE **DECISIONS** OF TODAY....



**“The decisions
taken by this
generation of
regulators
will shape the
industry
–for better or worse–
well into the future.”**