AEA MEETS MS BULC
COMMISSIONER FOR MOBILITY AND TRANSPORT

25 FEBRUARY 2015, BRUSSELS

AEA Members: To the power of 29

ADRIA
ADRIA AIRWAYS
AEGEAN
airBaltic
airberlin

AIRFRANCE
airmalta
Alitalia
Austrian
BRITISH AIRWAYS

brussels airlines
cargolux
CROATIA AIRLINES
CYPRUS AIRWAYS
DHL

FINNAIR
IBERIA
ICELANDAIR
KLM
POLISH AIRLINES
LOT

Lufthansa
Luxair
Meridiana
SAS
Scandinavian Airlines
SWISS

TAP PORTUGAL
TAROM
ROMANIAN AIR TRANSPORT
TNT
TURKISH AIRLINES
UIA

AEA FACTS AND FIGURES

29 member airlines
with 2,500 aircraft

11,600 flights/day

635 destinations in
160 countries

€100BN TOTAL TURNOVER

415 million passengers

365,000 employees

5.4 million tonnes of cargo

AEA ACTIVITIES

Single European Sky

Environment

Operations and safety

Market research

External relations

Consumers' rights

Infrastructure

Cargo

Security

AEA
ASSOCIATION OF EUROPEAN AIRLINES

Industry Brief

EUROPE IS A SIGNIFICANT ACTOR ON THE WORLD STAGE

742mill

Size of the population of Europe

EU28: 506 million

Source: : United Nations, Department of Economic and Social Affairs, Population Division, 'Demographic Yearbook'; Eurostat.

30%

Share of world GDP

EU28: 23% of GDP

Source:: IMF, World Economic Outlook database April 2014; Eurostat. Data for EU refers to current EU28 membership. GDP at current prices.

#1

world's largest merchandise export and import market

EU28 and Europe are larger than Asia (incl. China) and USA

Source: WTO World Trade Report, 2013

EUROPEAN AIR TRANSPORT MAKES A SIGNIFICANT CONTRIBUTION TO EUROPE'S ECONOMY

393

There are 393 **airlines registered in Europe**, ranging from very small operations to large international airlines, of which **92 operate services to destinations beyond the borders of Europe**.

Source: AEA research

€ 452bn

The contribution to European GDP by the industry, its supply chain and related economic activities, amounts to € 452 billion per year, or **€1.2 bn per day**.

Source: ATAG 'Aviation Benefits Beyond Borders', 2014. Relates to direct + indirect + induced effects

7mill

The industry gives **employment** to **7 million people**. Including the employment created by trade, tourism and other catalytic components linked to air transport activity, the number of jobs rises to **11.7 million** people.

Source: ATAG 'Aviation Benefits Beyond Borders', 2014.
Relates to direct + indirect + induced (7mill) + catalytic effects (11.7mill)

EUROPEAN AIR TRANSPORT CONNECTS THE REGIONS TO THE CENTRE & THE CONTINENT TO THE WORLD

9.5mill

There are 9.5 million **flights per year in European air space**, 27,000 a day, with peaks of 33,000 per day in the Summer period

Source: Eurocontrol

820mill

820 million **passengers travelled on European airlines** in 2013

Source: ICAO, 2013

120mill

120 million overseas residents (or 58% of all intra-regional tourists) **come to Europe every year**, all arriving by air

Source: AEA research based on UNWTO and Eurostat

1in3

1 in 3 **EU citizens** made **an overnight trip by air** in 2012, more than on any other public transport system

Source: AEA research based on Eurostat and population statistics

THE ECONOMY IS BUILT ON AND AROUND A GLOBAL AND EFFICIENT CARGO TRANSPORT SYSTEM

10mill

Europe is pivotal in the air cargo market. In 2012 around **48% of global trade transported**, or 10 million tonnes of goods, were carried **on routes to and from Europe**, of which 7 million were transported by European airlines in belly-hold or on all-cargo aircraft.

Source: 'The engine of Global Trade. Air cargo priorities of the Association of European Airlines'. 2013-2014

60%

European businesses rely on the rapid delivery of time-sensitive products and approximately 60% of **next-day delivery shipments** are delivered using aircraft

Source: Oxford Economics, 'The Economic Impact of Express Carriers in Europe', 2011

63%

63% of firms confirm that **access to air transport links are vital** or very important to investment decisions, which in turn generate further economic activity and jobs.

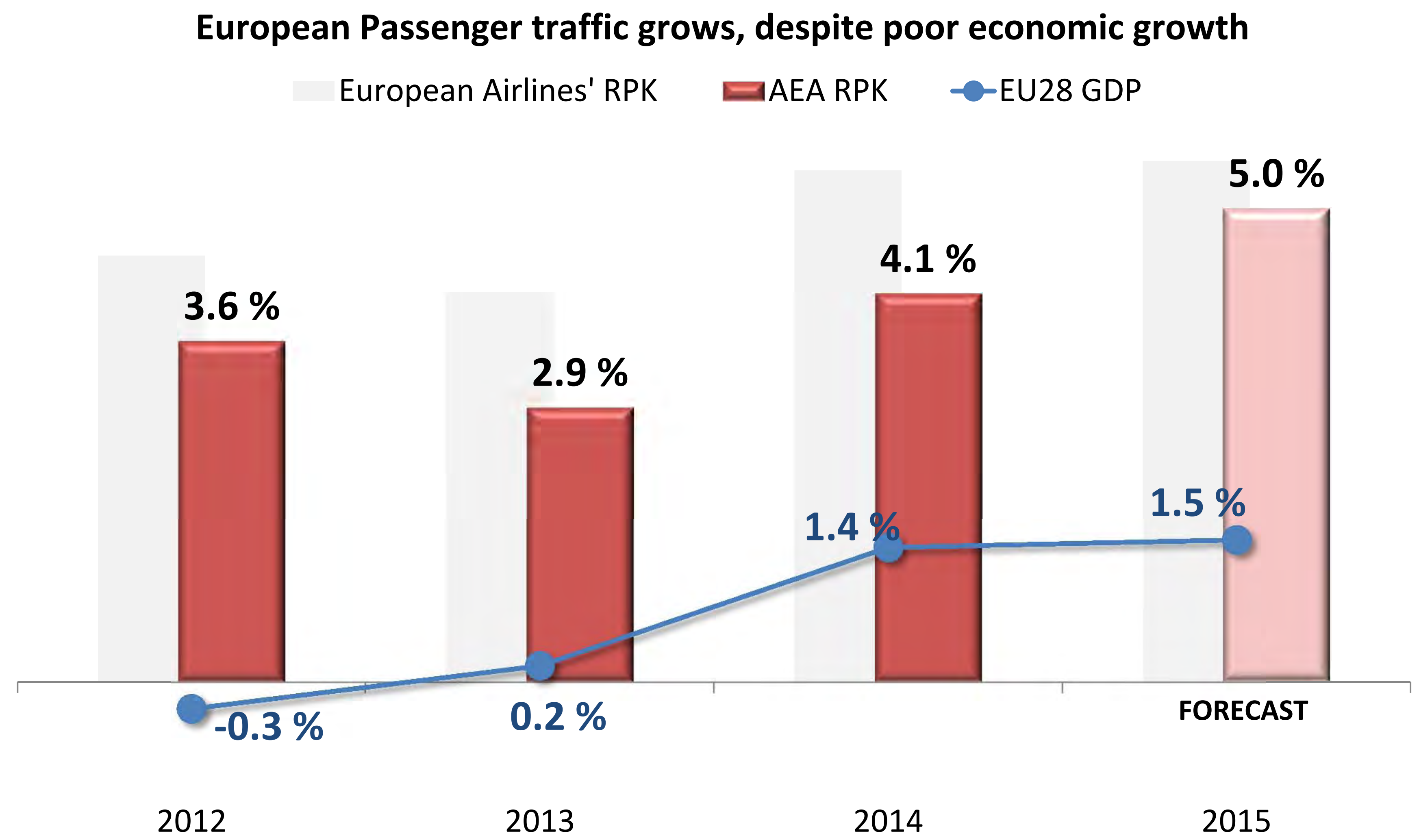
Source: IATA Economics Briefing No3 'Airline Network Benefits', 2006

2014 KEY AEA FIGURES

Final	2014/2013
Passenger Numbers	+2.9%
RPK	+4.1%
Passenger Load Factor	80.6%
Freight Tonne-Kms	+2.1%

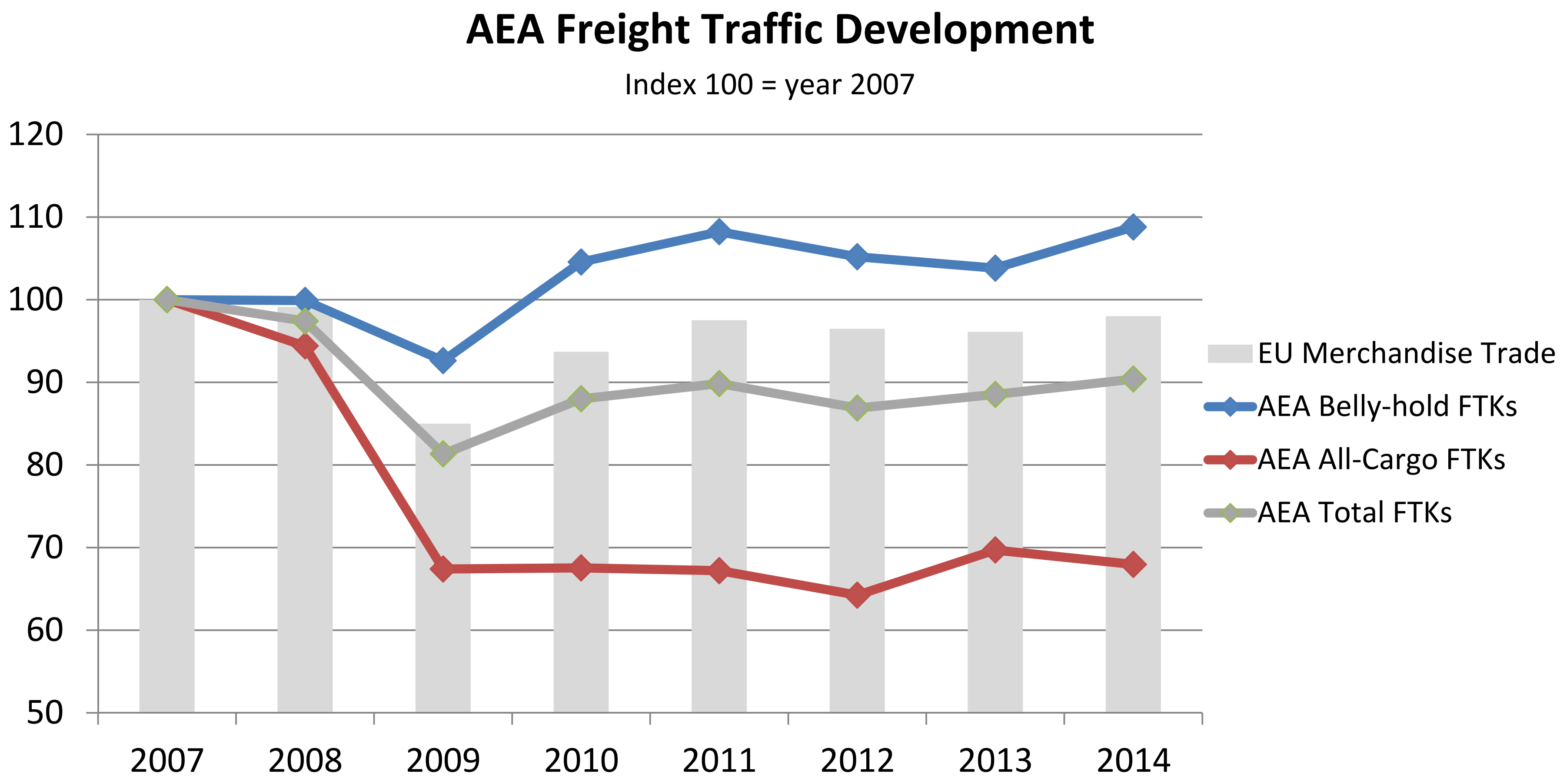
Estimates	2014/2013
Total Revenues	+1.0%
Total Expenses	+0.8%

PASSENGER TRAFFIC DE-COUPLING FROM EU ECONOMIC GROWTH



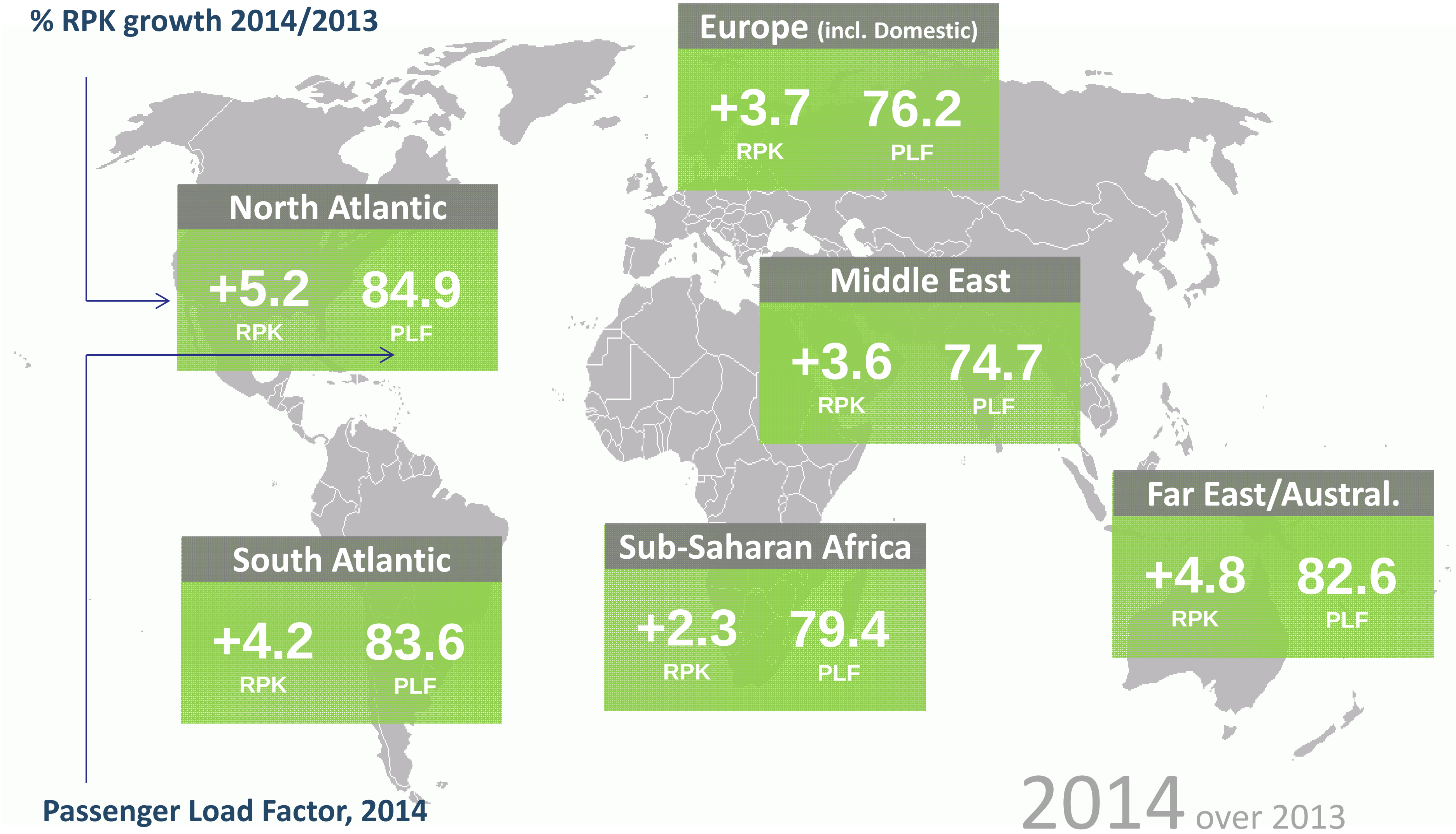
Source: GDP: IMF World Economic Outlook October 2014 & January 2015 update; RPK traffic data & forecast, AEA & IATA for European Airlines

TRADE AND ALL-CARGO TRAFFIC BELOW POTENTIAL



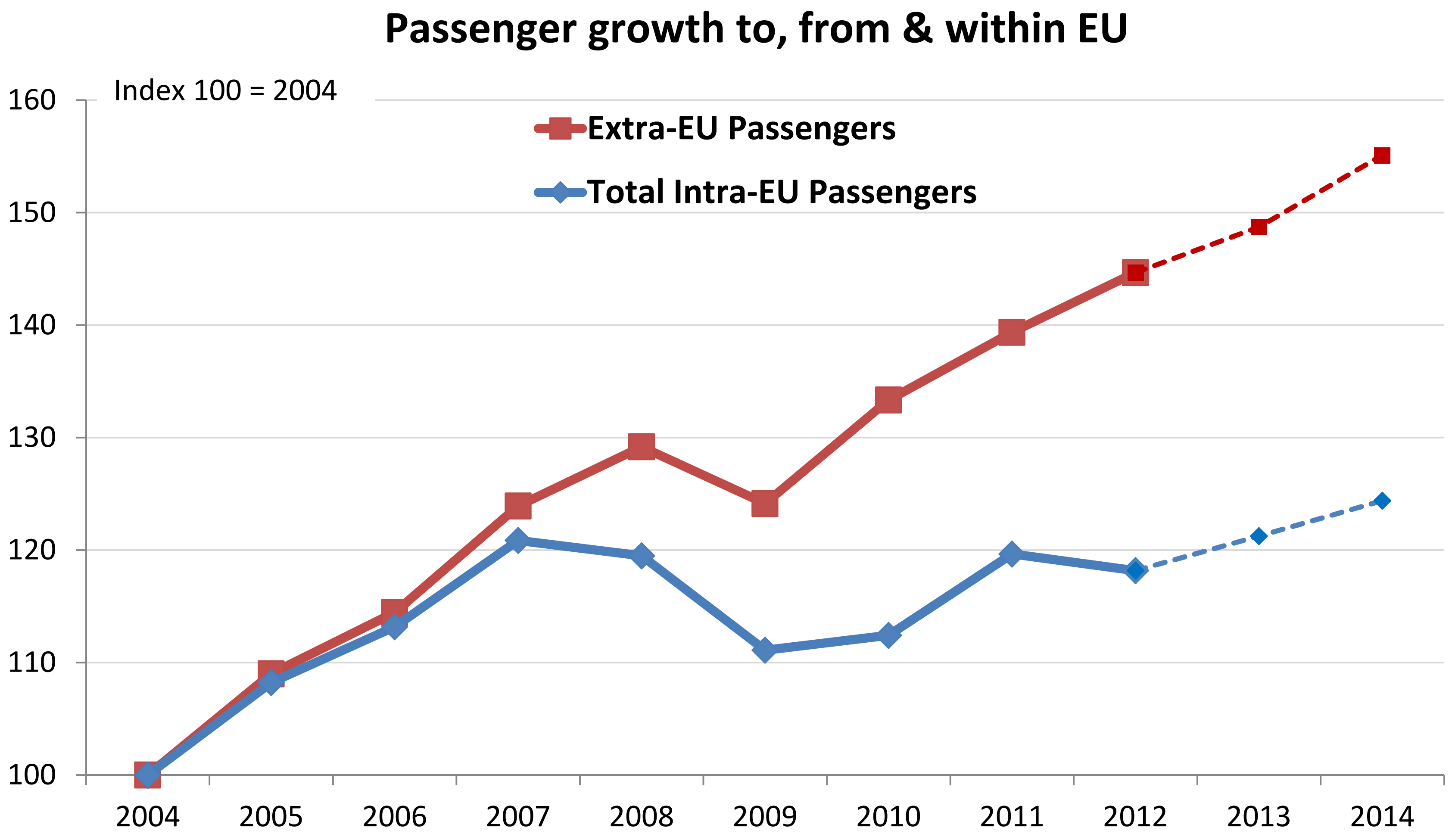
Source: CPB World Trade Monitor, AEA Freight tonne-kms belly-hold, all-cargo and total

AEA PASSENGER TRAFFIC GREW ACROSS ALL REGIONS



Source: AEA data

LONG HAUL PASSENGERS OF INCREASING IMPORTANCE TO EUROPE



Source: Eurostat actual up to 2012; AEA estimate for 2013, 2014

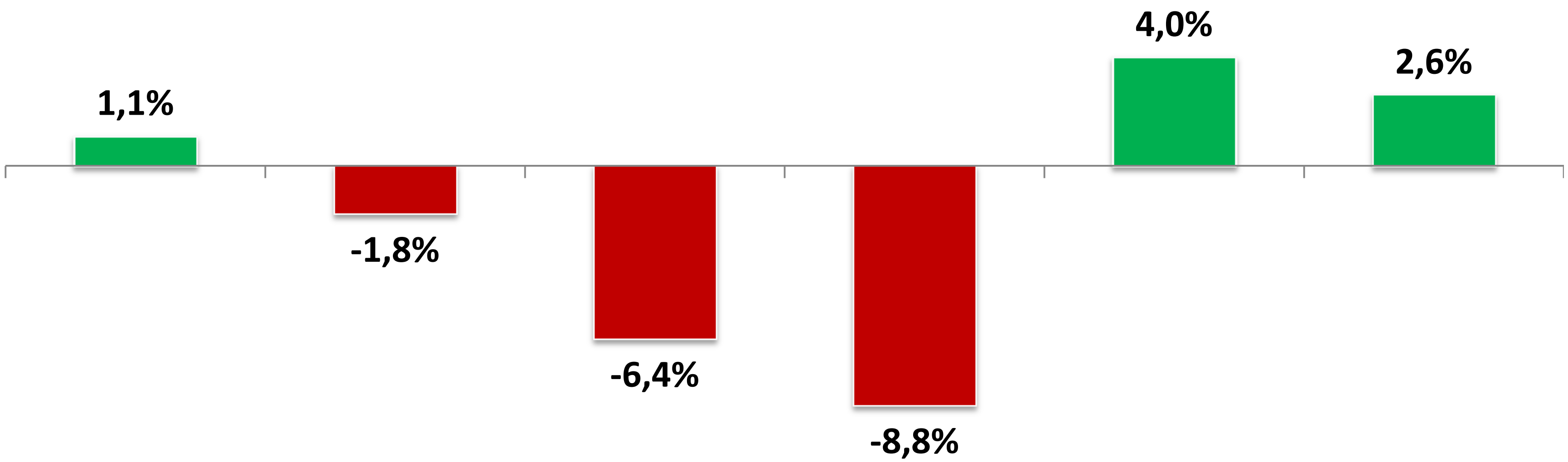
EU CARRIERS' SHARE OF INTERNATIONAL MARKETS

Market Share of EU Carriers on Routes to/from EU

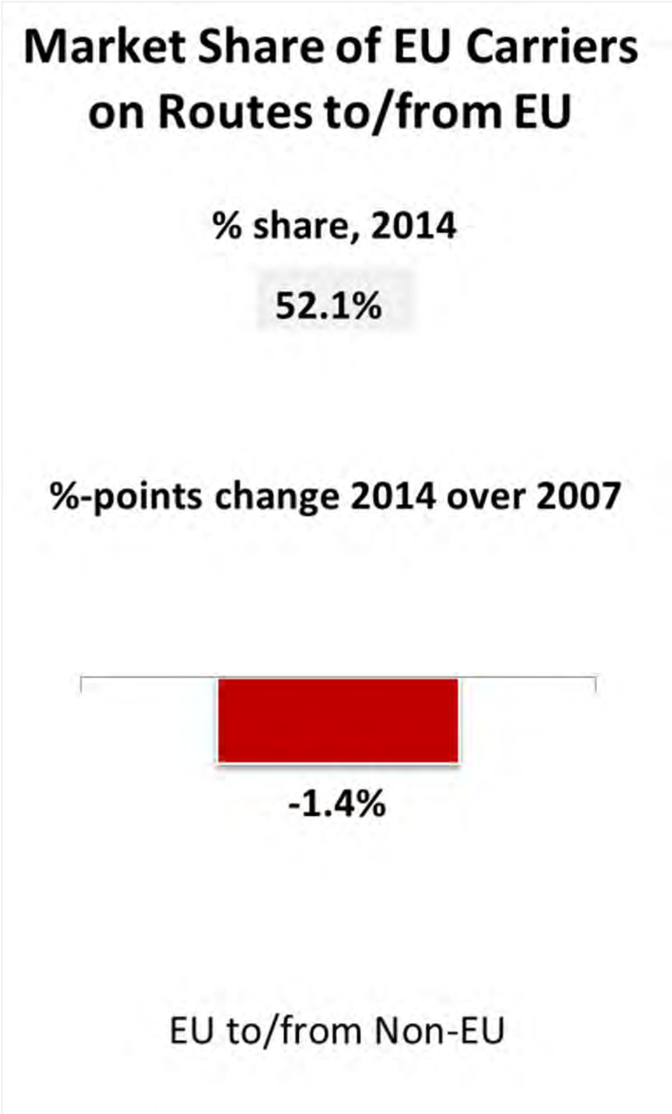
% share, 2014

North America	SE Asia	Indian Subcontinent	Middle East	Africa	South America
55.2 %	**31.1%**	**51.1 %**	**25.9 %**	**63.4 %**	**79.2 %**

%-points change 2014 over 2007



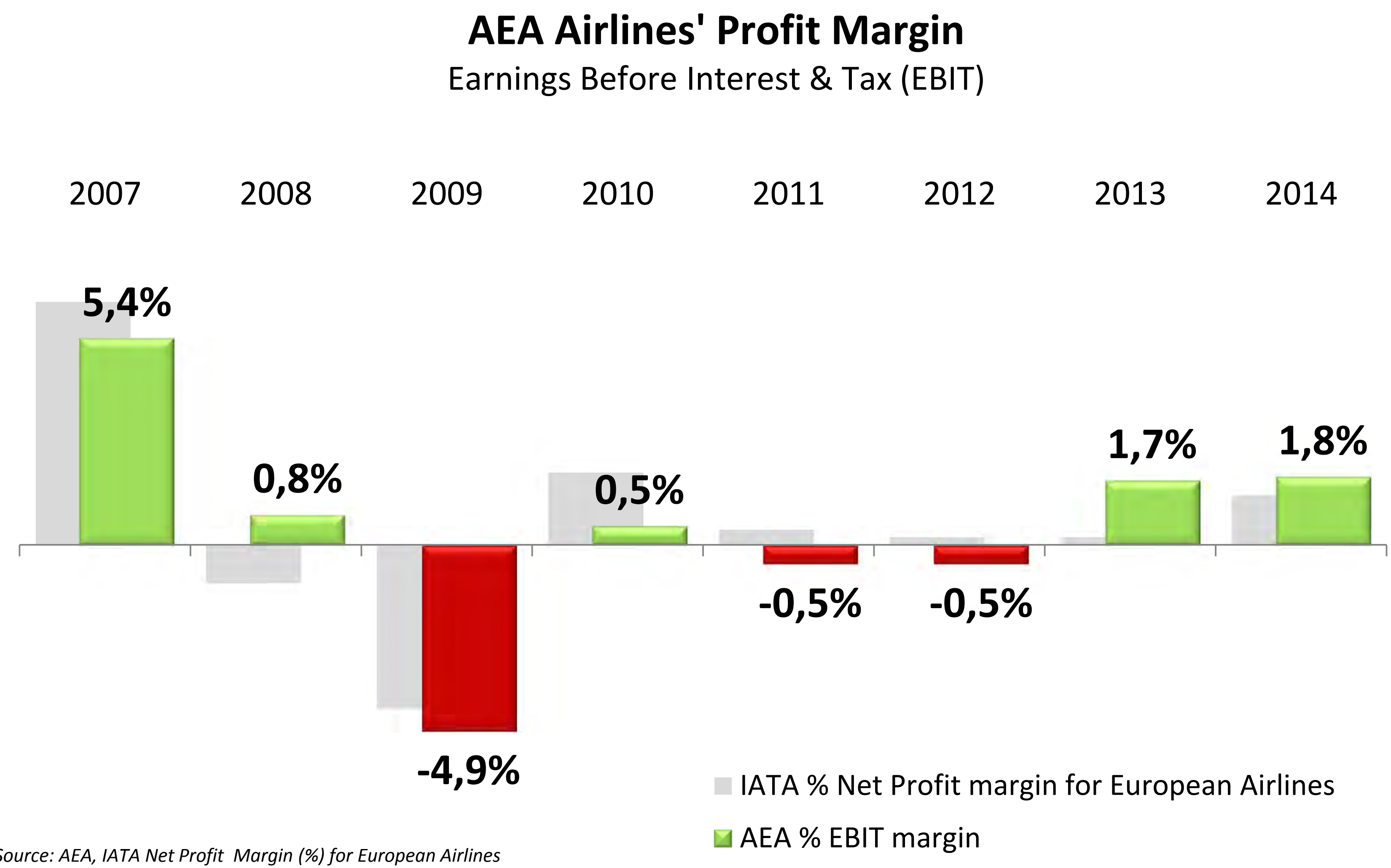
LOSS OF MARKET SHARE EQUALS LOSS OF ECONOMIC VALUE



= 30,000 flights

= 26,000 aviation jobs

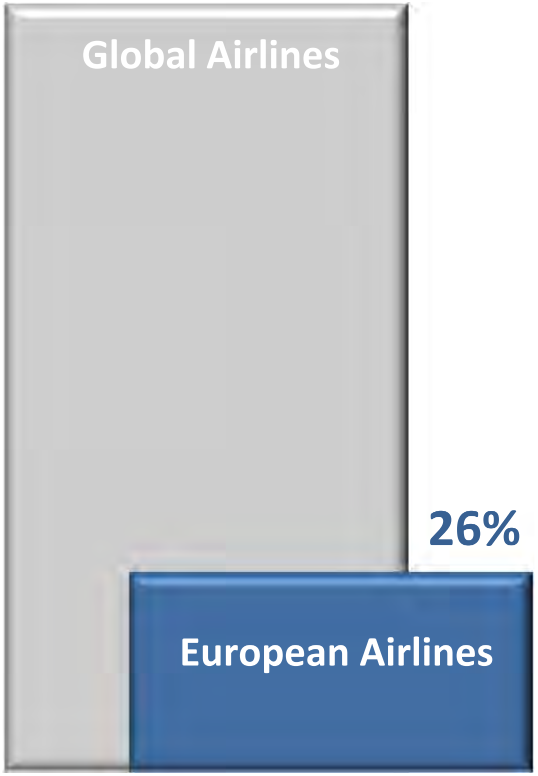
EUROPEAN AIRLINES' SUSTAINABILITY IS THREATENED



Source: AEA, IATA Net Profit Margin (%) for European Airlines

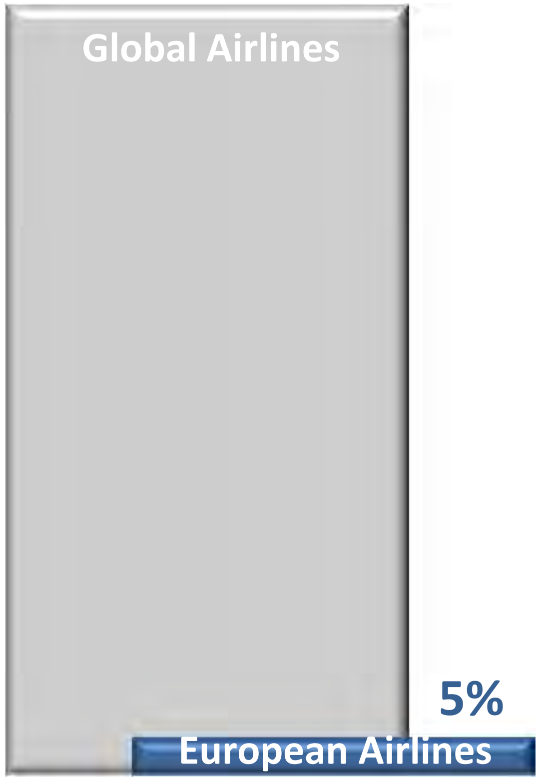
EUROPEAN AIRLINES ACCOUNT FOR 26% OF WORLD TRAFFIC, BUT JUST 5% OF WORLD AIRLINE PROFITS

Traffic (RTK)



Source: AEA research based on ICAO data. Refers to RTK, 2013.

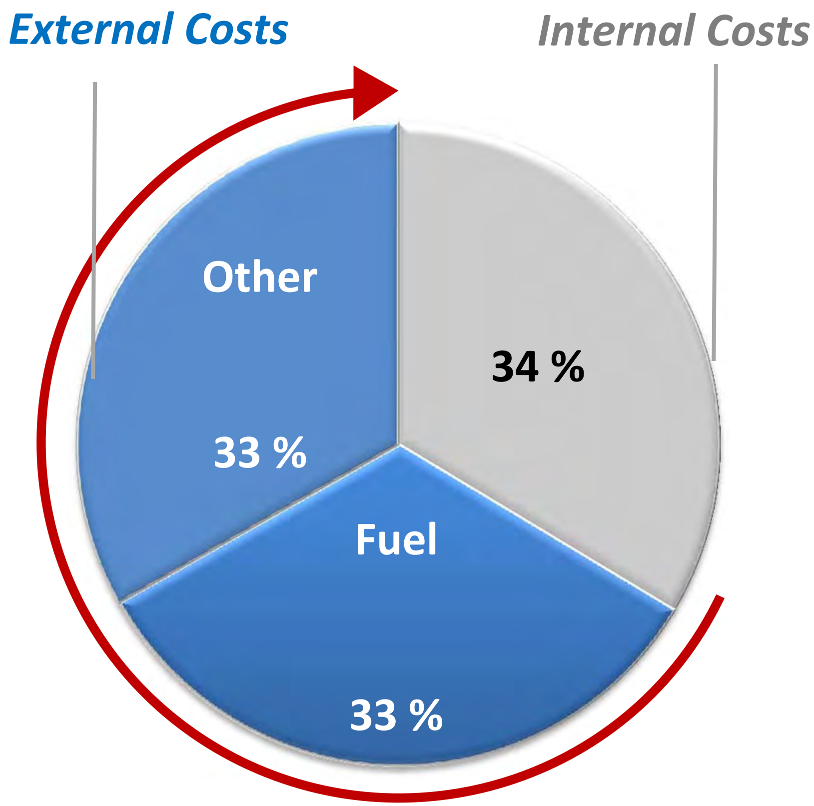
Net Profit



Source: AEA research based on IATA's 'Economic Performance of the airline Industry', June 2014. Refers to Net Profit, 2013.

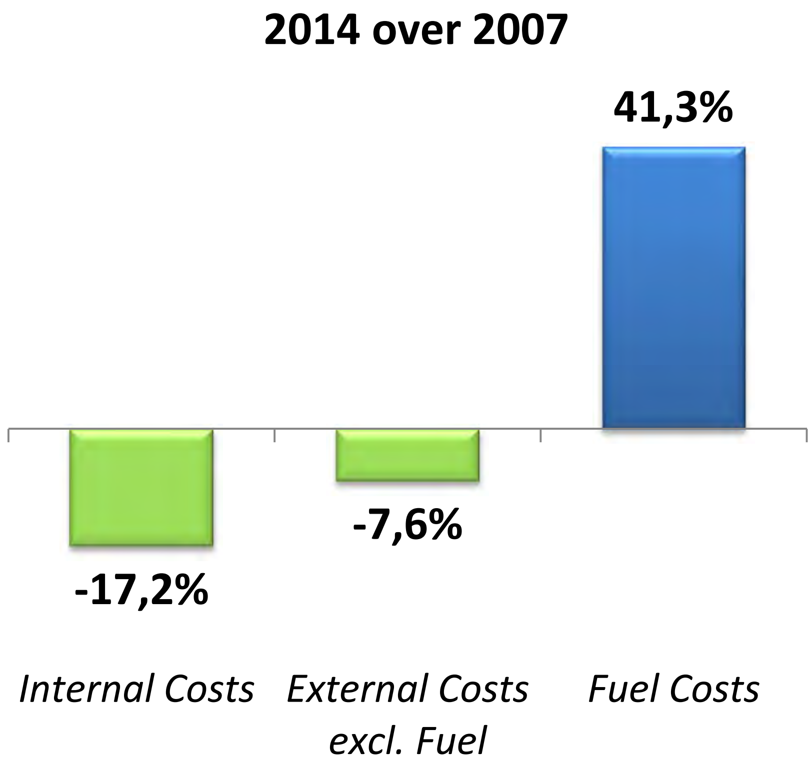
COMPETITION & FUEL COSTS DICTATE COST CUTTING

AEA AIRLINES' COST STRUCTURE & PROGRESS



Source: AEA data, reference year 2014 estimate

2014



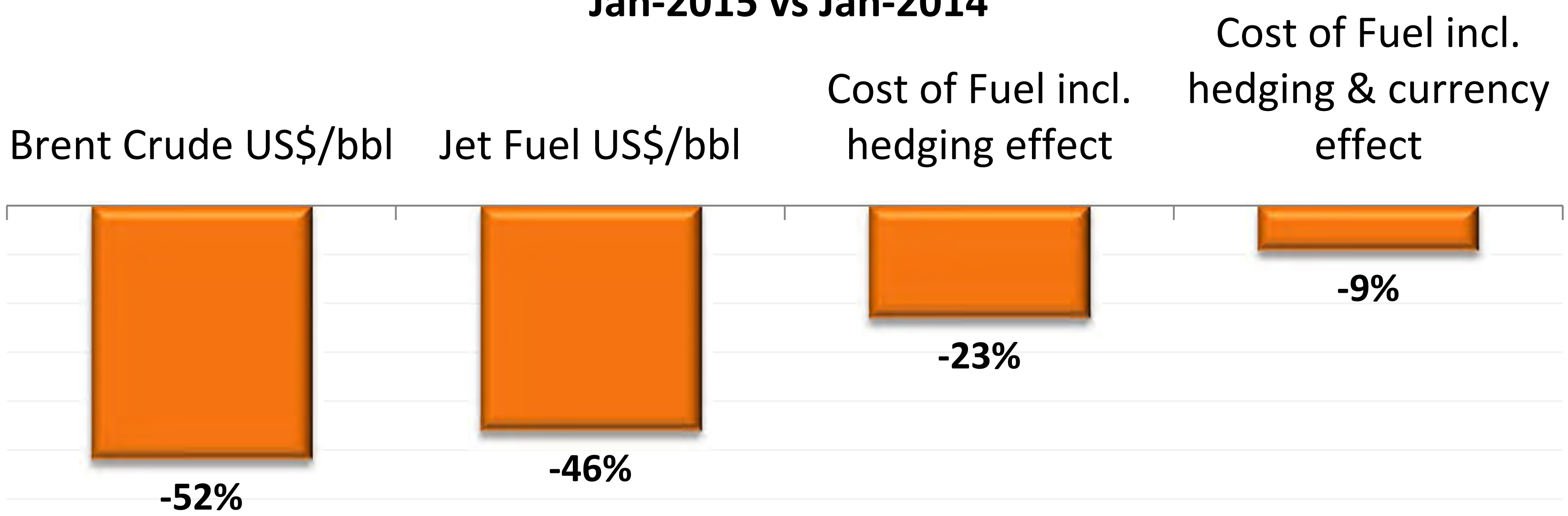
Source: AEA data

CHEAP OIL DOES NOT EQUAL LOWER FARES/HIGHER PROFIT (YET)

Why the effect of lower crude oil prices is not immediately apparent:

- Lower crude spot prices correlate with higher **jet fuel prices** (higher crack spread)
- Most airlines are locked into 6-12 month **hedging contracts** at prices well above market price, for 50% or more of near-term fuel need.
- The **€ is weakening against the US$**, increasing the cost of US$-denominated fuel
- Fuel accounts for a third of costs. **Other cost increases** may offset lower fuel.
- Airline fares are determined by **supply & demand**, not just crude oil prices.

Effect of Crude Oil drop on AEA Fuel Cost
Jan-2015 vs Jan-2014



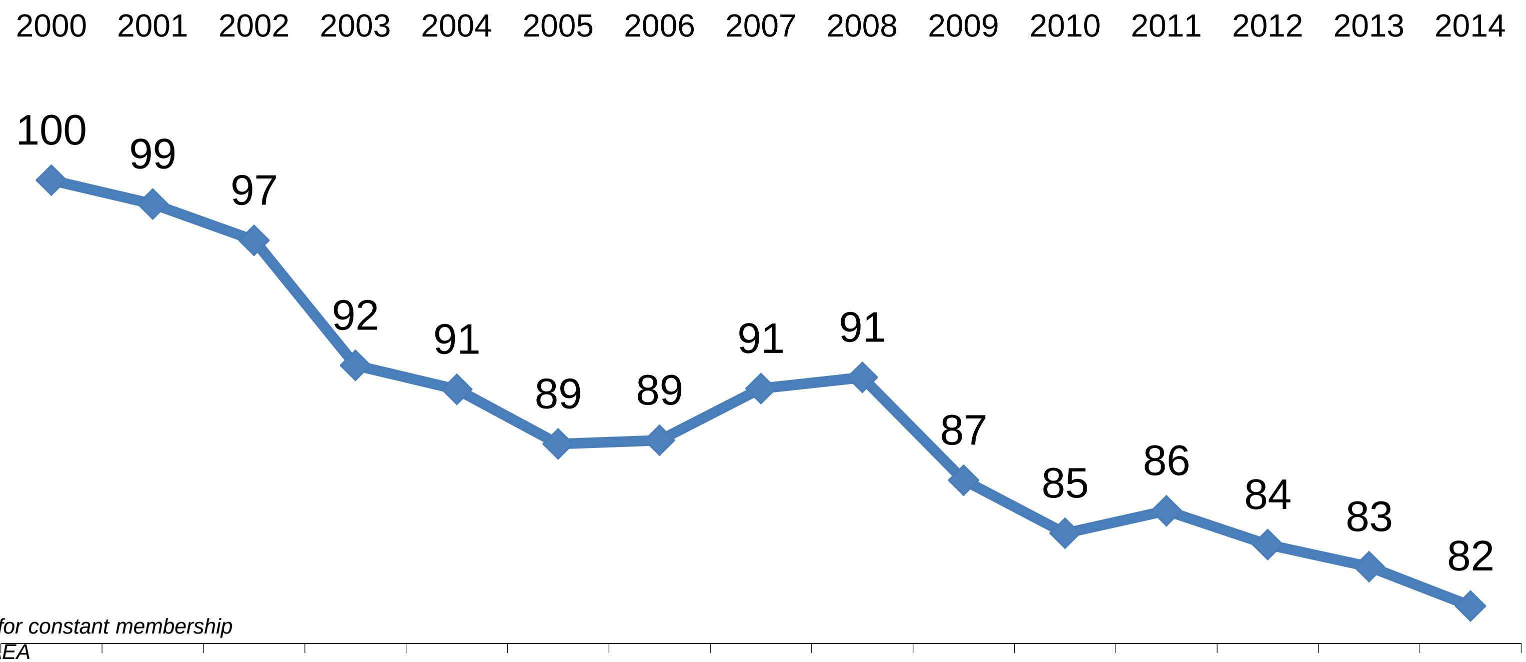
Source: AEA research, based on AEA data, OANDA, EIA

JUNCKER'S GOAL: GROWTH, JOBS AND PROSPERITY

AEA Member Airlines' Employment

Index 100 = year 2000

450,000 ← **80,000 job losses** → **370,000**



Adjusted for constant membership
Source: AEA

FORECASTING IN AN UNCERTAIN WORLD: 2015

ECB Quantitative Easing:
€ 1.1 trillion between Mar-15 and Sep-16.
What will the impact be on the European economy and demand?

Fuel prices:
Uncertainty breeds volatility. World GDP, oil production, political instabilities, hedging strategies,..
How will oil prices develop in 2015?

Political instabilities

EUROPE SHOULD NOT BE COMPLACENT

'THE LONGER YOU LIVE IN THE PAST, THE LESS FUTURE YOU HAVE TO ENJOY' *(UNKNOWN)*

FlightPath 2019

ASSOCIATION OF EUROPEAN AIRLINES

A Holistic Approach

Smarter Regulation

Reduce Burdens

Act on a Level Playing Field

Jobs

Growth

Prosperity

Juncker's Agenda for a new Europe

European Commission

AEA’s vision for the future

Flightpath 2019

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