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The airline top 50

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THE AIRLINE TOP 50

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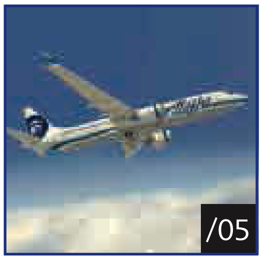
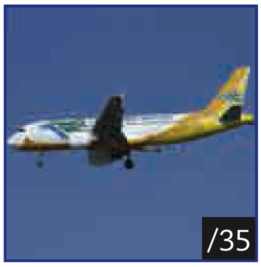




EDITORIAL

An elite group


Dickon Harris
EDITOR

Michael Duff
MANAGING DIRECTOR,
THE AIRLINE ANALYST

Welcome to the second annual Airline Top 50. It is a supplement that presents the 50 best performing airlines from across the world based on reported financial results over the past 15 months.

Airfinance Journal's sister website, *The Airline Analyst*, has reviewed the financial reports of nearly 150 airlines to provide definitive lists of the best airlines of 2012. Once again we provide lists of the Top 50 carriers on various parameters, including revenue, net income, Rask-Cask margin, passenger yield and return on equity. Put simply, *The Airline Top 50* is an invaluable snapshot of the aviation winners of 2012.

In addition to providing a list by key criteria, we also display our own selection of the 50 best airlines last year complete with profiles. Picking 'best of' lists is always a controversial process. After last year's supplement was released we received various questions from the market. How are these carriers picked? Who decides this list, etc? These are all sensible questions that we will try to answer here succinctly.

The 50 airlines we showcase in our profiles are the finest examples of carriers offering sustainable, and profitable, growth. Airlines with big strategic footprints but which are in the middle of restructuring programmes and/or making losses are not included. Nor are airlines whose financials are not in the public domain. There is a strong, but not perfect, correlation between profitability and the selection of the 50 airlines. However, size is not a prerequisite: small airlines performing outstandingly in niche markets are included.

The gap

Airline profits have always been fairly modest. Last year global airlines made an estimated net profit of $7.6 billion, and the International Air Transport Association (Iata) forecasts them to make post-tax profits of just $10.6 billion in 2013. That is a global net profit margin of only 1%. Airlines last year made about the same level of profit as they did in 2006. As Iata points out, this is despite the fact that carriers are still operating in a high-cost environment and that the cost of oil is $40 a barrel higher than it was in 2006.

What these figures conceal, however, is the gap between the winners and the rest. The Top 50 airlines made an aggregate net profit of $14.3 billion in 2012. This tells us that the rest made aggregate losses of $6.7 billion. Other statistics reveal some more detail about the gap. The Airline Top 50 as a group made a net income margin of 4.1% – not fantastic when compared to other industries, but a lot better than the overall figure of 1%. They also had lower leverage, higher fixed-charge cover and much higher returns on capital employed. We will be expanding on this analysis in the next issue of *Airfinance Journal.*

Variations by geography and business model

Geographically, the strongest regions were Japan, North America, the Middle East and the rest of Asia-Pacific. The three largest Japanese carriers again demonstrated the strongest drivers of profitable growth. Of course, they now have three new low-cost entrants to face. While it may be that the new entrants will stimulate new demand rather than take away existing customers, this is a development to watch.

In North America the improved results from Air Canada reinforced the strong showing from the Canadian airlines. While all US carriers benefited from consolidation and capacity constraint, large restructuring costs for AMR and UAL had an impact on financial performance.

Results from the Middle East were mixed, with some outstanding results offset by airlines in need of restructuring. The Chinese carriers reported strong results for 2012, though leverage is of some concern. Results in the rest of the Asia-Pacific were varied, with legacy carriers needing to work hard to regain their former levels of profitability – and hoping for a return to growth in the air cargo market. The Asia-Pacific low-cost carriers, by contrast, continued to grow strongly and profitably, though competition is heating up.

The weakest regions were Europe and South Asia. The European airline industry is going through drastic restructurings of the largest carriers such as Lufthansa, IAG and Air France-KLM, as well as smaller national airlines such as Cyprus Airways, Lot, CSA Czech Air and Air Malta. We should expect more pain and casualties before this process is over.

By contrast the European low-cost carriers go from strength-to-strength, and many make the Airline Top 50 list. Performance by the Indian carriers was extremely weak, but Indigo performed well enough to make the Top 50 list. In the rest of the world the weak market in Brazil pulled down Gol and Latam. Copa, however, continued its stable growth and the other Latin carriers performed quite well.

The Airline Top 50 is a fluid list. Aviation is at a particularly volatile time with new entrants, increasing penetration of low-cost carrier models, numerous initial public offerings, many restructurings, new sources of liquidity springing up and new aircraft types on the horizon.

This year's winners deserve recognition for their 2012 performance but they will have to work hard to keep their respective positions in 2013.

Dickon Harris
Editor,
Airfinance Journal

Michael Duff
Managing Director,
The Airline Analyst

Americas

AIR CANADA	
FYE 31/12/12	US$m
Summary Financial Performance	
Passenger Revenue	10,657.6
Cargo Revenue	484.4
Other Revenue	888.4
Total Revenue	12,030.3
EBITDAR	1,317.2
Net Income	126.1
EBITDAR Margin (EBITDAR/Total Revenue)	11.0%
Summary Operating Drivers	
RPKs (m)	89,554
ASKs (m)	108,259
Passenger Load Factor	82.7%
Number of passengers (000)	34,900
Average Trip Length (RPKs/Passengers) (kms)	2,566
Unit Costs & Revenues	
Passenger Yield per RPK	11.90
Total Revenue per ASK ('RASK')	11.11
Total Operating Cost/ASK ('CASK')	10.83
RASK-CASK Margin	0.29
Employee Costs as % of Total Revenue	17.4%
Debt & Liquidity	
Adjusted Net Debt	4,582.8
Total Net Fixed Charges	-580.7
Unrestricted Cash/Total Revenues	16.7%
EBITDAR/Net Fixed Charges (x)	2.3x
Capitalisation & Leverage	
Book Equity	-3317.3
Equity Market Capitalisation	785.0
Adjusted Net Debt/EBITDAR (x)	3.5x
Adjusted Net Debt/Book Equity (x)	N/A
Cash Flow	
Free Cash Flow	185.6

Air Canada – Canada

Air Canada has an equity market capitalization of $785 million, making it the 50th-largest airline in the world on this measure.

The airline has a capacity purchase agreement with Chorus Aviation and commercial agreements with other regional airlines (which operate under the brand name Air Canada Express) to provide feeder services.

As of the end of last November Air Canada operated a fleet of 205 aircraft with an average age of 12.4 years, consisting of 12 777-300s, six 777-200s, 30 767-300s, eight A330-300s, 10 A321s, 41 A320s, 38 A319s, 45 E190s and 15 E175s. Of the total, 77 aircraft were on operating lease, 19 were on finance lease and the remaining 109 were owned.

Air Canada has outstanding purchase commitments with Boeing for the acquisition of 37 787s and five 777s, after the exercise of its purchase rights.

In 2013 Air Canada became one of a handful of non-US airlines to issue an enhanced equipment trust certificate in a deal worth $714.5 million.

Alaska Airlines – USA

Alaska Air had a strong year reporting a net income of $316 million for 2012, or $4.40 per diluted share, compared with net income of $245 million, or $3.33 per diluted share, last year.

The airline carried a record number of passengers in 2012 and achieved a record load factor of 85.9%, up 1.4 points from the previous year. In addition, the carrier has purchase agreements for 50 new 737 aircraft, including 37 of Boeing's new 737 Max aircraft, with deliveries expected in 2015 through to 2024.

In 2012 the Alaska Air Group declared a two-for-one stock split and the distribution of additional shares. The group's board authorized a $300 million share repurchase programme, which should be completed by December 2014.

ALASKA AIRLINES	
FYE 31/12/12	US$m
Summary Financial Performance	
Passenger Revenue	4,030.0
Cargo Revenue	111.0
Other Revenue	516.0
Total Revenue	4,657.0
EBITDAR	950.0
Net Income	316.0
EBITDAR Margin (EBITDAR/Total Revenue)	20.4%
Summary Operating Drivers	
RPKs (m)	43,464
ASKs (m)	50,577
Passenger Load Factor	85.9%
Number of passengers (000)	25,897
Average Trip Length (RPKs/Passengers) (kms)	1,678
Unit Costs & Revenues	
Passenger Yield per RPK	9.27
Total Revenue per ASK ('RASK')	9.21
Total Operating Cost/ASK ('CASK')	8.08
RASK-CASK Margin	1.13
Employee Costs as % of Total Revenue	24.2%
Debt & Liquidity	
Adjusted Net Debt	708.0
Total Net Fixed Charges	-143.0
Unrestricted Cash/Total Revenues	26.9%
EBITDAR/Net Fixed Charges (x)	6.6x
Capitalisation & Leverage	
Book Equity	1,421.0
Equity Market Capitalisation	4,272.0
Adjusted Net Debt/EBITDAR (x)	0.7x
Adjusted Net Debt/Book Equity (x)	0.5x
Cash Flow	
Free Cash Flow	179.0

Americas

ALLEGIANT TRAVEL COMPANY	
FYE 31/12/12	US$m
Summary Financial Performance	
Passenger Revenue	586.0
Cargo Revenue	0.0
Other Revenue	322.7
Total Revenue	908.7
EBITDAR	193.9
Net Income	78.6
EBITDAR Margin (EBITDAR/Total Revenue)	21.3%
Summary Operating Drivers	
RPKs (m)	10,483
ASKs (m)	12,050
Passenger Load Factor	87.0%
Number of passengers (000)	6,987
Average Trip Length (RPKs/Passengers) (kms)	1,500
Unit Costs & Revenues	
Passenger Yield per RPK	5.59
Total Revenue per ASK ('RASK')	7.54
Total Operating Cost/ASK ('CASK')	6.41
RASK-CASK Margin	1.13
Employee Costs as % of Total Revenue	14.7%
Debt & Liquidity	
Adjusted Net Debt	-177.8
Total Net Fixed Charges	-7.8
Unrestricted Cash/Total Revenues	36.2%
EBITDAR/Net Fixed Charges (x)	25.0x
Capitalisation & Leverage	
Book Equity	401.7
Equity Market Capitalisation	1,724.0
Adjusted Net Debt/EBITDAR (x)	-0.9x
Adjusted Net Debt/Book Equity (x)	-0.4x
Cash Flow	
Free Cash Flow	65.9

Allegiant Air – USA

Allegiant Air is an American low-cost carrier owned by Allegiant Travel Company. In November the carrier operated 58 MD-80s and six Boeing 757-200s.

In July 2012 Allegiant Air agreed to lease nine A319s from Gecas, which are scheduled to deliver between 2012 and 2015. Allegiant Air will also lease and eventually purchase 10 A319s from Cebu Pacific Air.

In November 2011 the airline entered into an agreement with SAS to purchase up to 13 MD-80s and 12 JT8D-219 spare engines in 2012 and 2013.

Allegiant has been consistently profitable over the past couple of years, with net profit growing from $9 million in 2006 to $49 million in 2011. Allegiant Travel Company made a net profit of $78.6 million in 2012. The revenue reported at the year-end was $908 million.

Allegiant Travel Company is a publicly traded company listed on Nasdaq. It had a market capitalization of $1.4 billion as of 6th May 2013.

Atlas Air Worldwide Holdings – USA

Atlas Air Worldwide Holdings is a holding company with its headquarters in Purchase, New York. The company, through its subsidiaries, provides air cargo assets, outsourced aircraft operating services (ACMI, CMI and dry leases) and other value-added services to airline companies, freight forwarders, express delivery providers and the US military and charter brokers.

The company reported an adjusted net income of $127 million for the 2012 full year, a rise of 17% compared with 2011. Last year the group acquired four 747-8F aircraft for its ACMI operations, a third 767-300ER passenger aircraft for its AMC Charter operations and a 737-300 cargo aircraft for its dry-leasing business.

As a result, the company's total revenues grew by 18% in 2012 to $1.64 billion over 2011, as the group added new aircraft to its fleet and increased operations.

Ebitdar (earnings before interest, taxes, depreciation, amortization and rent) expenses went up by 26% to $453 million, with an Ebitdar margin of 28%, up from 26%.

ATLAS AIR WORLDWIDE	
FYE 31/12/12	US$m
Summary Financial Performance	
Passenger Revenue	0.0
Cargo Revenue	0.0
Other Revenue	1,646.0
Total Revenue	1,646.0
EBITDAR	452.7
Net Income	129.9
EBITDAR Margin (EBITDAR/Total Revenue)	27.5%
Summary Operating Drivers	
RPKs (m)	N/A
ASKs (m)	N/A
Passenger Load Factor	N/A
Number of passengers (000)	N/A
Average Trip Length (RPKs/Passengers) (kms)	N/A
Unit Costs & Revenues	
Passenger Yield per RPK	N/A
Total Revenue per ASK ('RASK')	N/A
Total Operating Cost/ASK ('CASK')	N/A
RASK-CASK Margin	N/A
Employee Costs as % of Total Revenue	17.9%
Debt & Liquidity	
Adjusted Net Debt	2,213.3
Total Net Fixed Charges	-192.3
Unrestricted Cash/Total Revenues	25.5%
EBITDAR/Net Fixed Charges (x)	2.4x
Capitalisation & Leverage	
Book Equity	1,288.1
Equity Market Capitalisation	1,042.0
Adjusted Net Debt/EBITDAR (x)	4.9x
Adjusted Net Debt/Book Equity (x)	1.7x
Cash Flow	
Free Cash Flow	-293.5

Americas

AVIANCATACA	
FYE 31/12/12	US$m
Summary Financial Performance	
Passenger Revenue	3,596.9
Cargo Revenue	468.6
Other Revenue	103.1
Total Revenue	4,168.6
EBITDAR	705.6
Net Income	191.7
EBITDAR Margin (EBITDAR/Total Revenue)	16.9%
Summary Operating Drivers	
RPKs (m)	29,072
ASKs (m)	36,545
Passenger Load Factor	79.6%
Number of passengers (000)	23,093
Average Trip Length (RPKs/Passengers) (kms)	1,259
Unit Costs & Revenues	
Passenger Yield per RPK	12.37
Total Revenue per ASK ('RASK')	11.41
Total Operating Cost/ASK ('CASK')	10.65
RASK-CASK Margin	0.76
Employee Costs as % of Total Revenue	14.4%
Debt & Liquidity	
Adjusted Net Debt	3,442.8
Total Net Fixed Charges	-379.8
Unrestricted Cash/Total Revenues	10.7%
EBITDAR/Net Fixed Charges (x)	1.9x
Capitalisation & Leverage	
Book Equity	1,141.1
Equity Market Capitalisation	371.0
Adjusted Net Debt/EBITDAR (x)	4.9x
Adjusted Net Debt/Book Equity (x)	3.0x
Cash Flow	
Free Cash Flow	-190.0

AviancaTaca – Colombia

AviancaTaca Holding is the holding company of both Colombia's Avianca and El Salvador's Grupo Taca. AviancaTaca is the third-largest airline group in Latin America, and operates 62 aircraft, including 57 A320-family jets and five A330s.

Last year it reported an 8.3% rise in its total revenue to $4.1 billion and a net income of $191.7 million. During 2012 the company incorporated 14 new jet aircraft: two Airbus A330s, four A319s, seven A320s and one A330F exclusively for cargo.

It also announced a firm order for 15 ATR 72-600 aircraft and the rights to purchase 15 more, which will be assigned to cover regional routes within Colombia and short- and medium-haul markets in Central America. The deal, including the options, is valued at close to $700 million. The deliveries of the firm order will start in June. Last year the carrier introduced 14 new routes in its services.

Chorus Aviation – Canada

Canada-based Chorus Aviation is the parent company of regional airline Jazz Aviation, which operates two airline divisions: Air Canada Express and Jazz. Although the firm is seeking to diversify its revenue streams in the future, the great majority of revenues are sourced from Air Canada Express.

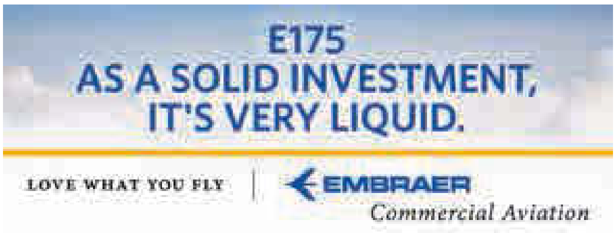
Chorus Aviation operates a fleet of 130 aircraft, including 51 regional jets, 64 turboprop aircraft and 15 Q400s. The average age of the fleet is 15.8 years. The airline owns 63 aircraft, and has 60 on operating lease and seven on finance lease.

Last July Chorus Aviation revealed that it would finance its order for six Q400s under the now cancelled Export Development Canada scheme. Because the aircraft were purchase options on an order placed before the scheme ended, the financing was allowed to be grandfathered under the deal.

Chorus Aviation has enjoyed an average 5.1% revenue increase for the latest three periods.

CHORUS AVIATION	
FYE 31/12/12	US$m
Summary Financial Performance	
Passenger Revenue	1,690.0
Cargo Revenue	0.0
Other Revenue	8.0
Total Revenue	1,698.0
EBITDAR	283.3
Net Income	100.4
EBITDAR Margin (EBITDAR/Total Revenue)	16.7%
Summary Operating Drivers	
RPKs (m)	N/A
ASKs (m)	10,271
Passenger Load Factor	N/A
Number of passengers (000)	N/A
Average Trip Length (RPKs/Passengers) (kms)	N/A
Unit Costs & Revenues	
Passenger Yield per RPK	N/A
Total Revenue per ASK ('RASK')	16.53
Total Operating Cost/ASK ('CASK')	15.29
RASK-CASK Margin	1.24
Employee Costs as % of Total Revenue	24.1%
Debt & Liquidity	
Adjusted Net Debt	1,037.7
Total Net Fixed Charges	-115.3
Unrestricted Cash/Total Revenues	6.9%
EBITDAR/Net Fixed Charges (x)	2.5x
Capitalisation & Leverage	
Book Equity	131.1
Equity Market Capitalisation	462.0
Adjusted Net Debt/EBITDAR (x)	3.7x
Adjusted Net Debt/Book Equity (x)	7.9x
Cash Flow	
Free Cash Flow	-27.1

Americas



COPA HOLDINGS	
FYE 31/12/12	US$m
Summary Financial Performance	
Passenger Revenue	2,163.1
Cargo Revenue	0.0
Other Revenue	0.0
Total Revenue	2,249.4
EBITDAR	564.2
Net Income	326.5
EBITDAR Margin (EBITDAR/Total Revenue)	25.1%
Summary Operating Drivers	
RPKs (m)	20,115
ASKs (m)	26,662
Passenger Load Factor	75.5%
Number of passengers (000)	7,140
Average Trip Length (RPKs/Passengers) (kms)	2,817
Unit Costs & Revenues	
Passenger Yield per RPK	10.75
Total Revenue per ASK ('RASK')	8.44
Total Operating Cost/ASK ('CASK')	6.93
RASK-CASK Margin	1.51
Employee Costs as % of Total Revenue	11.0%
Debt & Liquidity	
Adjusted Net Debt	1,134.7
Total Net Fixed Charges	-93.6
Unrestricted Cash/Total Revenues	29.0%
EBITDAR/Net Fixed Charges (x)	6.0x
Capitalisation & Leverage	
Book Equity	1,536.5
Equity Market Capitalisation	5,680.0
Adjusted Net Debt/EBITDAR (x)	2.0x
Adjusted Net Debt/Book Equity (x)	0.7x
Cash Flow	
Free Cash Flow	N/A

Copa – Panama

Copa has boasted steady growth over the past decade. The carrier's operating revenues have increased from $300 million in 2001 to $2.2 billion in 2012, while its operating margins also increased, from 8.6% to 17.9% over the same period. It has also managed to ensure low operating costs. Copa's operating cost per available seat-mile, excluding costs for fuel and fleet impairment charges, was $7.04 in 2010, $6.73 in 2011 and $6.77 in 2012.

As of December 31 Copa operated a fleet consisting of 83 aircraft: 18 737-700 Next-Generation (NG) aircraft, 39 737-800NGs and 26 Embraer 190s. The carrier has firm orders, including purchase and lease commitments, for 35 additional 737NGs and options for an additional 14 of the type. The carrier leases 28% of its fleet.

In January the airline entered into sale/lease-backs for four 737-800s set to deliver in 2013 with MC Aviation Partners and four 737-800 aircraft with 2014 deliveries to SMBC Aviation Capital.

Delta – USA

In what has been a good 12 months overall for US carriers Delta rose through the rankings this year and is the world's largest airline by equity market capitalization ($15.2 billion).

The airline shows strong operating cash flows with an adjusted net debt/Ebitdar (earnings before interest, taxes, depreciation, amortization and rent) of 2.6 times and a respectable Rask (revenue per air seat km)-Cask (cost per air seat km) margin of 0.70 US cents.

In June 2012 Delta purchased a 4.17% stake in Mexico's Grupo Aeromexico in a deal worth $65 million, which gives Delta a seat on Grupo Aeromexico's board. The transaction is part of a global contract the carriers signed last year to create an alliance in Latin America. The alliance also includes a new maintenance, repair and overhaul facility, which is due to open in Mexico this year.

Delta still has a considerable amount of orders, including 100 Boeing 737-900ERs, set to deliver by 2018. Last year the airline also purchased seven MD-90s from Japan Airlines and agreed to lease 88 717-200s from AirTran Airways.

DELTA AIR LINES	
FYE 31/12/12	US$m
Summary Financial Performance	
Passenger Revenue	31,807.0
Cargo Revenue	990.0
Other Revenue	3,873.0
Total Revenue	36,670.0
EBITDAR	4,437.0
Net Income	1,009.0
EBITDAR Margin (EBITDAR/Total Revenue)	12.1%
Summary Operating Drivers	
RPKs (m)	310,562
ASKs (m)	370,817
Passenger Load Factor	83.8%
Number of passengers (000)	164,572
Average Trip Length (RPKs/Passengers) (kms)	1,887
Unit Costs & Revenues	
Passenger Yield per RPK	10.24
Total Revenue per ASK ('RASK')	9.89
Total Operating Cost/ASK ('CASK')	9.19
RASK-CASK Margin	0.70
Employee Costs as % of Total Revenue	20.8%
Debt & Liquidity	
Adjusted Net Debt	11,511.0
Total Net Fixed Charges	-1,084.0
Unrestricted Cash/Total Revenues	9.2%
EBITDAR/Net Fixed Charges (x)	4.1x
Capitalisation & Leverage	
Book Equity	-2,131.0
Equity Market Capitalisation	15,179.0
Adjusted Net Debt/EBITDAR (x)	2.6x
Adjusted Net Debt/Book Equity (x)	N/A
Cash Flow	
Free Cash Flow	480.0

Americas

GRUPO AEROMEXICO	
FYE 31/12/11	US$m
Summary Financial Performance	
Passenger Revenue	2,931.6
Cargo Revenue	175.9
Other Revenue	171.5
Total Revenue	3,279.1
EBITDAR	564.4
Net Income	109.6
EBITDAR Margin (EBITDAR/Total Revenue)	17.2%
Summary Operating Drivers	
RPKs (m)	23,484
ASKs (m)	30,724
Passenger Load Factor	76.4%
Number of passengers (000)	14,812
Average Trip Length (RPKs/Passengers) (kms)	1,585
Unit Costs & Revenues	
Passenger Yield per RPK	12.48
Total Revenue per ASK ('RASK')	10.67
Total Operating Cost/ASK ('CASK')	9.99
RASK-CASK Margin	0.68
Employee Costs as % of Total Revenue	20.1%
Debt & Liquidity	
Adjusted Net Debt	2,655.8
Total Net Fixed Charges	-379.0
Unrestricted Cash/Total Revenues	8.7%
EBITDAR/Net Fixed Charges (x)	1.5x
Capitalisation & Leverage	
Book Equity	614.4
Equity Market Capitalisation	1,022.0
Adjusted Net Debt/EBITDAR (x)	4.7x
Adjusted Net Debt/Book Equity (x)	4.3x
Cash Flow	
Free Cash Flow	47.4

Grupo Aeromexico – Mexico

Grupo Aeromexico is a Mexican holding company whose subsidaries include Aeromexico and Aeromexico Cargo. The group secured total revenues of $3.27 billion, an increase of 10.5% on 2011, and earned a net income of $109.6 million.

The airline operates a fleet of 116 aircraft with an average age of nine years, consisting of four 777s, seven 767s, 45 737s, 38 ERJ145s, three E170s and 19 E190s. The majority of the fleet is on operating lease. Last November Grupo Aeromexico finalized a purchase agreement with Boeing to purchase up to 90 737-8 Max aircraft in a deal worth $9 billion at list prices. In January the carrier finalized an order for six 787-9 Dreamliners, with purchase rights for four additional 787s. The order is believed to be the largest for a domestic Mexican airline. During the first nine months of 2012 the company inducted six E190s financed by Brazilian Development Bank.

Hawaiian Airlines – USA

Hawaiian Airlines is the largest airline in Hawaii, and the 11th-largest commercial airline in the US. It is wholly owned by a holding company, Hawaiian Holdings, which is listed on Nasdaq.

Hawaiian operates a fleet of 43 aircraft, with an average age of 11.4 years. Those consist of 18 717-200s, 16 767-300s and nine A330-200s.

During the first nine months of 2012 Hawaiian took delivery of two new A330-200s and borrowed $133 million to finance a portion of the purchase price. It also took delivery of two 717-200s and one A330-200 on finance lease, as well as one A330-200 on operating lease.

In March 2013 Hawaiian signed a firm order for 16 A321s from Airbus. The carrier has a further 13 A330s and six A350s on order to be delivered by 2020.

The carrier made a net income of $53 million in 2012. As of 6th May 2013 Hawaiian Holdings had a market capitalization of $281 million.

HAWAIIAN AIRLINES	
FYE 31/12/12	US$m
Summary Financial Performance	
Passenger Revenue	1,767.0
Cargo Revenue	0.0
Other Revenue	195.3
Total Revenue	1,962.4
EBITDAR	308.8
Net Income	53.2
EBITDAR Margin (EBITDAR/Total Revenue)	15.7%
Summary Operating Drivers	
RPKs (m)	19,662
ASKs (m)	23,637
Passenger Load Factor	83.2%
Number of passengers (000)	9,484
Average Trip Length (RPKs/Passengers) (kms)	2,073
Unit Costs & Revenues	
Passenger Yield per RPK	8.99
Total Revenue per ASK ('RASK')	8.30
Total Operating Cost/ASK ('CASK')	7.78
RASK-CASK Margin	0.53
Employee Costs as % of Total Revenue	19.2%
Debt & Liquidity	
Adjusted Net Debt	1,045.6
Total Net Fixed Charges	-131.2
Unrestricted Cash/Total Revenues	20.7%
EBITDAR/Net Fixed Charges (x)	2.4x
Capitalisation & Leverage	
Book Equity	268.6
Equity Market Capitalisation	281.0
Adjusted Net Debt/EBITDAR (x)	3.4x
Adjusted Net Debt/Book Equity (x)	3.9x
Cash Flow	
Free Cash Flow	-5.6

Americas

JETBLUE	
FYE 31/12/12	US$m
Summary Financial Performance	
Passenger Revenue	4,550.0
Cargo Revenue	0.0
Other Revenue	432.0
Total Revenue	4,982.0
EBITDAR	746.0
Net Income	128.0
EBITDAR Margin (EBITDAR/Total Revenue)	15.0%
Summary Operating Drivers	
RPKs (m)	54,014
ASKs (m)	64,494
Passenger Load Factor	83.8%
Number of passengers (000)	28,956
Average Trip Length (RPKs/Passengers) (kms)	1,865
Unit Costs & Revenues	
Passenger Yield per RPK	8.42
Total Revenue per ASK ('RASK')	7.72
Total Operating Cost/ASK ('CASK')	7.17
RASK-CASK Margin	0.56
Employee Costs as % of Total Revenue	21.0%
Debt & Liquidity	
Adjusted Net Debt	3,674.0
Total Net Fixed Charges	-282.0
Unrestricted Cash/Total Revenues	14.7%
EBITDAR/Net Fixed Charges (x)	2.6x
Capitalisation & Leverage	
Book Equity	1,888.0
Equity Market Capitalisation	1,873.0
Adjusted Net Debt/EBITDAR (x)	4.9x
Adjusted Net Debt/Book Equity (x)	1.9x
Cash Flow	
Free Cash Flow	-137.0

JetBlue – USA

JetBlue is the sixth-largest passenger carrier in the US based on revenue passenger miles. As of the end of last September JetBlue operated a fleet of 123 A320s and 52 Embraer 190s, 111 of which are owned – 60 of those are under operating lease and four under capital lease. The average age of the fleet is 6.6 years.

The airline has firm orders for 18 A320s, 30 A321s, 40 A320neos and 32 Embraer E190s scheduled for delivery until 2021.

In October 2011 JetBlue and Airbus signed a purchase agreement, allowing the carrier to substitute 30 of its 52 outstanding classic A320 orders with the larger A321s.

Jet Blue is set to take seven E190s in 2013. Fitch Ratings expects the carrier to use Brazilian export credit agency financing to fund its E190 deliveries.

The carrier reported revenues of nearly $4.6 billion for 2012. It made a net profit of $128 million.

SkyWest – USA

Utah-based SkyWest is the holding company for two major regional airlines: SkyWest Airlines and ExpressJet Airlines. Skywest also has investment in Trip Linhas Aereas of Brazil and a 30% stake in Air Mekong of Vietnam.

The group had a total fleet of 739 aircraft as of September 2012. Those consisted of 268 CRJ200s, 249 ERJ-145s, 132 CRJ700s, 48 CRJ900s and 42 turboprops.

In December SkyWest and Mitsubishi Aircraft signed an agreement in principle for 100 Mitsubishi Regional Jets. Deliveries are scheduled to begin in 2017.

Last September SkyWest entered into a capacity purchase agreement with American Airlines to operate 23 Bombardier CRJ200s.

SkyWest Airlines reported revenues of $3.4 billion and net profit of $51.2 million in 2012. SkyWest is listed on Nasdaq and has a market capitalization of $748 million.

SKYWEST, INC.	
FYE 31/12/12	US$m
Summary Financial Performance	
Passenger Revenue	2,978.6
Cargo Revenue	0.0
Other Revenue	555.8
Total Revenue	3,534.4
EBITDAR	751.6
Net Income	51.2
EBITDAR Margin (EBITDAR/Total Revenue)	21.3%
Summary Operating Drivers	
RPKs (m)	48,422
ASKs (m)	59,994
Passenger Load Factor	80.7%
Number of passengers (000)	58,804
Average Trip Length (RPKs/Passengers) (kms)	823
Unit Costs & Revenues	
Passenger Yield per RPK	6.15
Total Revenue per ASK ('RASK')	5.89
Total Operating Cost/ASK ('CASK')	5.61
RASK-CASK Margin	0.28
Employee Costs as % of Total Revenue	33.2%
Debt & Liquidity	
Adjusted Net Debt	3,621.2
Total Net Fixed Charges	-403.1
Unrestricted Cash/Total Revenues	19.5%
EBITDAR/Net Fixed Charges (x)	1.9x
Capitalisation & Leverage	
Book Equity	1,387.2
Equity Market Capitalisation	748.0
Adjusted Net Debt/EBITDAR (x)	4.8x
Adjusted Net Debt/Book Equity (x)	2.6x
Cash Flow	
Free Cash Flow	224.0

Americas

SOUTHWEST AIRLINES	
FYE 31/12/12	US$m
Summary Financial Performance	
Passenger Revenue	16,093.0
Cargo Revenue	160.0
Other Revenue	835.0
Total Revenue	17,088.0
EBITDAR	2,011.0
Net Income	421.0
EBITDAR Margin (EBITDAR/Total Revenue)	11.8%
Summary Operating Drivers	
RPKs (m)	165,561
ASKs (m)	206,217
Passenger Load Factor	80.3%
Number of passengers (000)	109,347
Average Trip Length (RPKs/Passengers) (kms)	1,514
Unit Costs & Revenues	
Passenger Yield per RPK	9.72
Total Revenue per ASK ('RASK')	8.29
Total Operating Cost/ASK ('CASK')	7.89
RASK-CASK Margin	0.39
Employee Costs as % of Total Revenue	27.8%
Debt & Liquidity	
Adjusted Net Debt	3,024.0
Total Net Fixed Charges	-474.0
Unrestricted Cash/Total Revenues	17.4%
EBITDAR/Net Fixed Charges (x)	4.2x
Capitalisation & Leverage	
Book Equity	6,992.0
Equity Market Capitalisation	10,019.0
Adjusted Net Debt/EBITDAR (x)	1.5x
Adjusted Net Debt/Book Equity (x)	0.4x
Cash Flow	
Free Cash Flow	483.0

Southwest – USA

The original low-cost airline had a tremendous year in 2012. One of the world's largest airlines, Southwest's net income increased from $178 million, or $0.23 per diluted share, in 2011 to $421 million, or $0.56 per diluted share.

The airline's profit (excluding special items) of $417 million grew 26% compared with 2011 and represents the carrier's 40th consecutive year of profitability.

The carrier states it is on track to integrate fully with AirTran, which it acquired in May 2011, by the end of 2014. Last year it claimed to have realized $142 million of net, annualized, pre-tax synergies, and states it expects to achieve its $400 million target in 2013.

The carrier is expanding its fleet and intends receiving an additional 20 737-800s by the end of 2013 and a further 24 by the end of 2014.

In May 2012 Southwest agreed a $100 million deal to cover all the costs for five new gates and a customs facility at Houston Hobby Airport.

Spirit – USA

Spirit is a US-based ultra-low-cost carrier, with its headquarters in Fort Lauderdale, Florida.

The airline has shown strong upward profitability trajectory over the past five years, albeit with the benefit of some large non-operating items. The carrier reported a record $103.8 million last year despite being affected by Hurricane Sandy in the last quarter of 2012.

Spirit's return on invested capital (before taxes and excluding special items) was 26.5% for the year ended December 31 2012. Spirit ended 2012 with $416.8 million in unrestricted cash and demonstrated a healthy Rask-Cask margin of 0.91 US cents for the consolidated year. The carrier's total operating revenue increased 23.1% to $1.3 billion last year compared with the same period in 2011 on a 21.3% increase in available seat-miles.

The carrier operates 45 A320-family aircraft, which are all on lease. The airline has 30 classic A320s and 45 A320neos on firm order set to be delivered between 2016 and 2021.

SPIRIT AIRLINES	
FYE 31/12/12	US$m
Summary Financial Performance	
Passenger Revenue	782.8
Cargo Revenue	0.0
Other Revenue	535.6
Total Revenue	1,318.4
EBITDAR	325.4
Net Income	108.5
EBITDAR Margin (EBITDAR/Total Revenue)	24.7%
Summary Operating Drivers	
RPKs (m)	15,552
ASKs (m)	18,258
Passenger Load Factor	85.2%
Number of passengers (000)	10,423
Average Trip Length (RPKs/Passengers) (kms)	1,492
Unit Costs & Revenues	
Passenger Yield per RPK	5.03
Total Revenue per ASK ('RASK')	7.22
Total Operating Cost/ASK ('CASK')	6.31
RASK-CASK Margin	0.91
Employee Costs as % of Total Revenue	16.6%
Debt & Liquidity	
Adjusted Net Debt	731.8
Total Net Fixed Charges	-142.6
Unrestricted Cash/Total Revenues	31.6%
EBITDAR/Net Fixed Charges (x)	2.3x
Capitalisation & Leverage	
Book Equity	582.5
Equity Market Capitalisation	2,000.0
Adjusted Net Debt/EBITDAR (x)	2.2x
Adjusted Net Debt/Book Equity (x)	1.3x
Cash Flow	
Free Cash Flow	77.2

Americas

US AIRWAYS	
FYE 31/12/12	US$m
Summary Financial Performance	
Passenger Revenue	12,305.0
Cargo Revenue	155.0
Other Revenue	1,371.0
Total Revenue	13,831.0
EBITDAR	2,162.0
Net Income	637.0
EBITDAR Margin (EBITDAR/Total Revenue)	15.6%
Summary Operating Drivers	
RPKs (m)	117,994
ASKs (m)	142,306
Passenger Load Factor	82.9%
Number of passengers (000)	82,546
Average Trip Length (RPKs/Passengers) (kms)	1,429
Unit Costs & Revenues	
Passenger Yield per RPK	10.43
Total Revenue per ASK ('RASK')	9.72
Total Operating Cost/ASK ('CASK')	9.09
RASK-CASK Margin	0.63
Employee Costs as % of Total Revenue	20.2%
Debt & Liquidity	
Adjusted Net Debt	10,369.0
Total Net Fixed Charges	-1335.0
Unrestricted Cash/Total Revenues	17.2%
EBITDAR/Net Fixed Charges (x)	1.6x
Capitalisation & Leverage	
Book Equity	790.0
Equity Market Capitalisation	2,753.0
Adjusted Net Debt/EBITDAR (x)	4.8x
Adjusted Net Debt/Book Equity (x)	13.1x
Cash Flow	
Free Cash Flow	242.0

US Airways – USA

Arizona-based US Airways was founded in 1979 and merged with America West in 2008. It is the fifth-largest airline in the US by domestic revenue passenger miles.

It has a number of wholly owned subsidies: Piedmont Airlines, PSA Airlines, Material Services Company and Airways Assurance Limited.

As of last September US Airways operated a mainline fleet of 338 aircraft. Its wholly owned regional airline subsidiaries operated a further 238 regional jets and 44 turboprops.

US Airways had purchase agreements with Airbus for 134 aircraft, consisting of 97 A320-family aircraft, 22 A350s and 15 A330-200s. Those are scheduled to deliver by 2019.

In May 2012 US Airways issued enhanced equipment trust certificates worth $623 million for the refinancing of two aircraft owned by US Airways and the financing of 12 Airbus aircraft to be delivered.

US Airways' net income in 2012 was $637 million. It posted revenues of $13.8 billion.

WestJet – Canada

WestJet is the second-largest Canadian airline. The low-cost carrier is the fourth-highest-rated airline, according to The Airline Analyst ratings, and operates 737 aircraft exclusively. The airline took delivery of its 103rd Boeing 737 in March, and has an additional 32 737 confirmed deliveries to 2018.

The carrier has a new regional, WestJet Encore, which is set to start service this year with seven Bombardier Q400s being delivered in 2013. WestJet has signed an $820 million commitment letter with Export Development Canada to support the purchase of its Bombardier Q400s. The carrier has 20 firm orders for Q400s, with an additional 25 options.

WestJet is looking at financing alternatives for five 737-800 deliveries this year. Despite the success of Air Canada's recent issuance, the carrier has ruled out accessing the enhanced equipment trust certificate market for the deliveries.

WESTJET	
FYE 31/12/12	US$m
Summary Financial Performance	
Passenger Revenue	3,110.3
Cargo Revenue	0.0
Other Revenue	0.0
Total Revenue	3,402.0
EBITDAR	729.1
Net Income	240.6
EBITDAR Margin (EBITDAR/Total Revenue)	21.4%
Summary Operating Drivers	
RPKs (m)	29,391
ASKs (m)	35,508
Passenger Load Factor	82.8%
Number of passengers (000)	17,423
Average Trip Length (RPKs/Passengers) (kms)	1,687
Unit Costs & Revenues	
Passenger Yield per RPK	10.58
Total Revenue per ASK ('RASK')	9.58
Total Operating Cost/ASK ('CASK')	8.53
RASK-CASK Margin	1.05
Employee Costs as % of Total Revenue	1.4%
Debt & Liquidity	
Adjusted Net Debt	712.8
Total Net Fixed Charges	-202.4
Unrestricted Cash/Total Revenues	41.1%
EBITDAR/Net Fixed Charges (x)	3.6x
Capitalisation & Leverage	
Book Equity	1,461.4
Equity Market Capitalisation	3,282.0
Adjusted Net Debt/EBITDAR (x)	1.0x
Adjusted Net Debt/Book Equity (x)	0.5x
Cash Flow	
Free Cash Flow	409.5

Asia/Australasia

AIRASIA	
FYE 31/12/12	US$m
Summary Financial Performance	
Passenger Revenue	1,111.6
Cargo Revenue	0.0
Other Revenue	568.5
Total Revenue	1,680.1
EBITDAR	586.6
Net Income	631.7
EBITDAR Margin (EBITDAR/Total Revenue)	34.9%
Summary Operating Drivers	
RPKs (m)	22,731
ASKs (m)	28,379
Passenger Load Factor	80.1%
Number of passengers (000)	19,679
Average Trip Length (RPKs/Passengers) (kms)	1,155
Unit Costs & Revenues	
Passenger Yield per RPK	4.89
Total Revenue per ASK ('RASK')	5.92
Total Operating Cost/ASK ('CASK')	4.71
RASK-CASK Margin	1.21
Employee Costs as % of Total Revenue	11.6%
Debt & Liquidity	
Adjusted Net Debt	2,525.0
Total Net Fixed Charges	-154.3
Unrestricted Cash/Total Revenues	44.3%
EBITDAR/Net Fixed Charges (x)	3.8x
Capitalisation & Leverage	
Book Equity	1,800.2
Equity Market Capitalisation	2,767.0
Adjusted Net Debt/EBITDAR (x)	4.3x
Adjusted Net Debt/Book Equity (x)	1.4x
Cash Flow	
Free Cash Flow	-237.0

AirAsia – Malaysia

Former Time Warner executive Tony Fernandes acquired this former government-owned airline in December 2001.

At the time the carrier was heavily in debt. However, since then Fernandes has turned AirAsia into a success. Operating an all-Airbus fleet of about 120 jets, the original idea has been spun off into other ventures such as AirAsiaX and AirAsia Japan.

Fernandes – who also has interests in Formula One team Caterham and English football club Queens Park Rangers – is planning to take the AirAsia brand into India after the Indian government relaxed rules on foreign investment into Indian airlines.

It announced on February 19 a new joint-venture airline with Indian conglomerate Tata Sons. AirAsia will hold a 49% stake in the airline.

Considering all of the recent issues in India regarding air finance and repossession difficulties, it will be interesting to see if the AirAsia brand can replicate its success in this vast but challenging market.

Air Astana – Kazakhstan

Air Astana is the national carrier of Kazakhstan. The airline was launched as a joint venture between the Kazakh government and UK-based BAE Systems in 2002.

The Almaty-based carrier has managed to remain profitable during the past few years, unlike many of its competitors. The airline enjoyed a 13.2% year-on-year increase in overall revenues for the 2012 financial year.

Air Astana recently secured European export credit-backed financing for two A321s and one A320. Euler Hermes, Coface and EU Export Finance are reportedly supporting the deal.

Last October its chief executive officer suggested the carrier may launch an initial public offering in the third quarter of 2013.

Air Astana placed an order for four 767-300ERs and three 787-8s in February 2012. The airline plans to replace its fleet of six Fokker 50 turboprops with Embraer E190s by the middle of 2013.

Air Astana is the only Kazakh airline that was exempt from the 2009 European Union ban on ailines from Kazakhstan flying through EU airspace.

AIR ASTANA	
FYE 31/12/12	US$m
Summary Financial Performance	
Passenger Revenue	674.8
Cargo Revenue	26.3
Other Revenue	173.6
Total Revenue	874.7
EBITDAR	162.8
Net Income	61.1
EBITDAR Margin (EBITDAR/Total Revenue)	18.6%
Summary Operating Drivers	
RPKs (m)	N/A
ASKs (m)	N/A
Passenger Load Factor	N/A
Number of passengers (000)	N/A
Average Trip Length (RPKs/Passengers) (kms)	N/A
Unit Costs & Revenues	
Passenger Yield per RPK	N/A
Total Revenue per ASK ('RASK')	N/A
Total Operating Cost/ASK ('CASK')	N/A
RASK-CASK Margin	N/A
Employee Costs as % of Total Revenue	10.5%
Debt & Liquidity	
Adjusted Net Debt	687.4
Total Net Fixed Charges	-78.1
Unrestricted Cash/Total Revenues	13.6%
EBITDAR/Net Fixed Charges (x)	2.1x
Capitalisation & Leverage	
Book Equity	282.7
Equity Market Capitalisation	0.0
Adjusted Net Debt/EBITDAR (x)	4.2x
Adjusted Net Debt/Book Equity (x)	2.4x
Cash Flow	
Free Cash Flow	-32.2

Asia/Australasia

AIR CHINA	
FYE 31/12/12	US$m
Summary Financial Performance	
Passenger Revenue	14,016.7
Cargo Revenue	1,358.3
Other Revenue	639.1
Total Revenue	16,014.1
EBITDAR	3,307.7
Net Income	747.9
EBITDAR Margin (EBITDAR/Total Revenue)	20.7%
Summary Operating Drivers	
RPKs (m)	129,773
ASKs (m)	161,382
Passenger Load Factor	80.4%
Number of passengers (000)	72,416
Average Trip Length (RPKs/Passengers) (kms)	1,792
Unit Costs & Revenues	
Passenger Yield per RPK	10.80
Total Revenue per ASK ('RASK')	9.92
Total Operating Cost/ASK ('CASK')	9.27
RASK-CASK Margin	0.65
Employee Costs as % of Total Revenue	13.8%
Debt & Liquidity	
Adjusted Net Debt	18,991.7
Total Net Fixed Charges	-910.6
Unrestricted Cash/Total Revenues	12.1%
EBITDAR/Net Fixed Charges (x)	3.6x
Capitalisation & Leverage	
Book Equity	8,432.4
Equity Market Capitalisation	10,938.0
Adjusted Net Debt/EBITDAR (x)	5.7x
Adjusted Net Debt/Book Equity (x)	2.3x
Cash Flow	
Free Cash Flow	N/A

Air China – China

A Chinese flag carrier Air China is the largest airline in the People's Republic of China. The airline's parent and ultimate holding company is China National Aviation Holding Company, a state-owned enterprise under the supervision of the State Council.

Air China was established in 1988 as a result of the Chinese government's plan to split the operations of the Civil Aviation Administration of China into a series of regional operating companies. After a further round of consolidation, Air China was merged with China Southwest Airlines.

The carrier tapped the domestic bond market for its deliveries in the first half of 2012. However, it has returned to traditional air financing strategies for deliveries from the second half of 2013 until March 2014.

Like most Chinese airlines, Air China is taking advantage of the cheap commercial debt pricing Chinese banks offer relative to western banks.

The carrier's market capitalization was $10.9 billion as of May 6th 2013.

Air China is a member of Star Alliance.

Air New Zealand – New Zealand

Flag carrier Air New Zealand (ANZ) transports both passengers and cargo on scheduled airline services to, from and within New Zealand. The airline is a founding member of the Star Alliance.

The majority state-owned carrier is a candidate to return to having a higher proportion of private ownership. However, a definite timeline is still to be defined.

ANZ was privatized in 1989, but returned to government ownership in 2001 after the failure of Air New Zealand's subsidiary, Ansett Australia. As of the end of last September the government owned a 73.72% stake in the company. New Zealand's finance minister has stated that the government intends reducing its stake to 51%. However, he also said that the timing would be subject to market conditions, because the administration is not entirely satisfied with Air New Zealand's current share price range.

Air New Zealand's balance sheet debt also increased significantly during the 2011/12 full year as the company issued bonds worth NZ$150 million ($119 million) and acquired more of its fleet on a finance lease basis.

AIR NEW ZEALAND	
FYE 30/06/12	US$m
Summary Financial Performance	
Passenger Revenue	3,103.1
Cargo Revenue	254.5
Other Revenue	470.5
Total Revenue	3,828.0
EBITDAR	565.3
Net Income	60.6
EBITDAR Margin (EBITDAR/Total Revenue)	14.8%
Summary Operating Drivers	
RPKs (m)	27,013
ASKs (m)	32,618
Passenger Load Factor	82.8%
Number of passengers (000)	13,122
Average Trip Length (RPKs/Passengers) (kms)	2,059
Unit Costs & Revenues	
Passenger Yield per RPK	11.49
Total Revenue per ASK ('RASK')	11.74
Total Operating Cost/ASK ('CASK')	11.34
RASK-CASK Margin	0.40
Employee Costs as % of Total Revenue	23.4%
Debt & Liquidity	
Adjusted Net Debt	1,667.7
Total Net Fixed Charges	-192.1
Unrestricted Cash/Total Revenues	23.0%
EBITDAR/Net Fixed Charges (x)	2.9x
Capitalisation & Leverage	
Book Equity	1,441.4
Equity Market Capitalisation	1,399.0
Adjusted Net Debt/EBITDAR (x)	3.0x
Adjusted Net Debt/Book Equity (x)	1.2x
Cash Flow	
Free Cash Flow	-117.8

Asia/Australasia

ANA HOLDINGS	
FYE 31/03/13	US$m
Summary Financial Performance	
Passenger Revenue	10,250.4
Cargo Revenue	1,276.3
Other Revenue	3,466.3
Total Revenue	14,993.1
EBITDAR	3,010.0
Net Income	436.0
EBITDAR Margin (EBITDAR/Total Revenue)	20.1%
Summary Operating Drivers	
RPKs (m)	64,879
ASKs (m)	96,456
Passenger Load Factor	67.3%
Number of passengers (000)	47,366
Average Trip Length (RPKs/Passengers) (kms)	1,370
Unit Costs & Revenues	
Passenger Yield per RPK	15.80
Total Revenue per ASK ('RASK')	15.54
Total Operating Cost/ASK ('CASK')	14.46
RASK-CASK Margin	1.09
Employee Costs as % of Total Revenue	N/A
Debt & Liquidity	
Adjusted Net Debt	10,493.5
Total Net Fixed Charges	-863.9
Unrestricted Cash/Total Revenues	28.3%
EBITDAR/Net Fixed Charges (x)	3.5x
Capitalisation & Leverage	
Book Equity	7,812.9
Equity Market Capitalisation	7,349.0
Adjusted Net Debt/EBITDAR (x)	3.5x
Adjusted Net Debt/Book Equity (x)	1.3x
Cash Flow	
Free Cash Flow	105.5

ANA – Japan

All Nippon Airways (ANA) is the flagship company of the ANA Group, and was founded in 1953.

The carrier is listed on the Tokyo Stock Exchange, Osaka Securities Exchange and the London Stock Exchange.

ANA increased net profits for the full year by 53%. But the 787 groundings are expected to hit revenues by ¥5.5 billion ($54.6 million) and operating profit by ¥2.75 billion this quarter – subject to Dreamliner flights resuming by June 1.

The airline has its headquarters in Tokyo, and is a member of the Star Alliance.

ANA flies to a total of 78 destinations in Japan and North America, South America, the Caribbean, Europe, Africa and the Middle East. The airline has a fleet of 232 aircraft.

Cathay Pacific – Hong Kong

Founded in 1946, Cathay Pacific is a Hong Kong-based carrier offering scheduled passenger and cargo services to 167 destinations in 42 countries and territories.

The airline recently cancelled an order for eight 777Fs placed in August 201. Instead the airline has decided to acquire three 747-8Fs. Pre-delivery payments on the 777Fs will be used to purchase the 747-8Fs.

Its market capitalisation as of May 6th 2013 was $6.8 billion. The airline made a loss in the first half of the 2012 financial year but recovered to a small profit of $118 million for the full year. Revenue from cargo has always played an important role for Cathay, but the Asian cargo market has been weak recently.

Leverage increased but was mitigated by a comfortable fixed charge cover ratio.

Cathay Pacific is listed on the Hong Kong Stock Exchange, as are its substantial shareholders, Swire Pacific and Air China.

CATHAY PACIFIC	
FYE 31/12/12	US$m
Summary Financial Performance	
Passenger Revenue	9,040.1
Cargo Revenue	3,165.1
Other Revenue	604.3
Total Revenue	12,809.6
EBITDAR	1,506.3
Net Income	118.1
EBITDAR Margin (EBITDAR/Total Revenue)	11.8%
Summary Operating Drivers	
RPKs (m)	103,837
ASKs (m)	129,595
Passenger Load Factor	80.1%
Number of passengers (000)	28,961
Average Trip Length (RPKs/Passengers) (kms)	3,585
Unit Costs & Revenues	
Passenger Yield per RPK	8.71
Total Revenue per ASK ('RASK')	9.88
Total Operating Cost/ASK ('CASK')	9.66
RASK-CASK Margin	0.22
Employee Costs as % of Total Revenue	16.2%
Debt & Liquidity	
Adjusted Net Debt	7,592.9
Total Net Fixed Charges	-423.4
Unrestricted Cash/Total Revenues	22.5%
EBITDAR/Net Fixed Charges (x)	3.6x
Capitalisation & Leverage	
Book Equity	7,386.7
Equity Market Capitalisation	6,845.0
Adjusted Net Debt/EBITDAR (x)	5.0x
Adjusted Net Debt/Book Equity (x)	1.0x
Cash Flow	
Free Cash Flow	N/A

Asia/Australasia

CEBU PACIFIC	
FYE 31/12/12	US$m
Summary Financial Performance	
Passenger Revenue	789.5
Cargo Revenue	58.3
Other Revenue	80.1
Total Revenue	927.9
EBITDAR	188.4
Net Income	87.4
EBITDAR Margin (EBITDAR/Total Revenue)	20.3%
Summary Operating Drivers	
RPKs (m)	11,533
ASKs (m)	14,173
Passenger Load Factor	81.4%
Number of passengers (000)	13,255
Average Trip Length (RPKs/Passengers) (kms)	870
Unit Costs & Revenues	
Passenger Yield per RPK	6.85
Total Revenue per ASK ('RASK')	6.55
Total Operating Cost/ASK ('CASK')	6.05
RASK-CASK Margin	0.50
Employee Costs as % of Total Revenue	0.0
Debt & Liquidity	
Adjusted Net Debt	696.9
Total Net Fixed Charges	-60.5
Unrestricted Cash/Total Revenues	28.3%
EBITDAR/Net Fixed Charges (x)	3.1x
Capitalisation & Leverage	
Book Equity	541.9
Equity Market Capitalisation	1,240.0
Adjusted Net Debt/EBITDAR (x)	3.7x
Adjusted Net Debt/Book Equity (x)	1.3x
Cash Flow	
Free Cash Flow	-70.1

Cebu Pacific – Philippines

Having recently overtaken Philippine Airlines, Cebu Pacific Air is now the largest airline in the Philippines.

The airline – incorporated on August 26 1988 – has its headquarters in Cebu City. It was granted a 40-year legislative franchise to operate international and domestic air transport services in 1991.

The airline commenced scheduled passenger operations in 1996. In 1997 it was granted the status of an official Philippine carrier to operate international services by the Office of the President of the Philippines. In 2005 the airline adopted the low-cost carrier business model.

It serves 52 domestic routes and 28 international routes with a total of 1,908 scheduled weekly flights, though it has not yet commenced long-haul services.

Cebu Pacific is listed on the Philippines Stock Exchange and had a market capitalization of $1.2 billion as of May 6th, 2013.

China Eastern – China

China Eastern Airlines is one of the three largest airlines in China, along with Air China and China Southern Airlines.

As of January the carrier operated a fleet of 302 aircraft, and had 165 on order.

The carrier recently issued a request for proposals for 22 aircraft scheduled for delivery from the second half of 2013 until the first quarter of 2014. The carrier will need more than $1 billion in financing to acquire these aircraft.

In January Avolon agreed to lease three 737-800s from its order book to China Eastern. Last year the carrier leased three A319 aircraft from Boccomm Leasing. Those were financed under a yen-denominated finance lease.

In July 2012 China Eastern secured a credit line of Rmb20 billion ($3.2 billion) from Shanghai Pudong Development Bank.

In November the carrier placed an order for 60 new A320s, worth $5.4 billion at list prices.

China Eastern's net income for 2012 was $476 million.

CHINA EASTERN AIRLINES	
FYE 31/12/12	US$m
Summary Financial Performance	
Passenger Revenue	11,519.9
Cargo Revenue	1,294.5
Other Revenue	1,214.3
Total Revenue	14,028.7
EBITDAR	2,610.6
Net Income	476.4
EBITDAR Margin (EBITDAR/Total Revenue)	18.6%
Summary Operating Drivers	
RPKs (m)	109,113
ASKs (m)	136,724
Passenger Load Factor	79.8%
Number of passengers (000)	73,077
Average Trip Length (RPKs/Passengers) (kms)	1,493
Unit Costs & Revenues	
Passenger Yield per RPK	10.56
Total Revenue per ASK ('RASK')	10.26
Total Operating Cost/ASK ('CASK')	9.77
RASK-CASK Margin	0.49
Employee Costs as % of Total Revenue	11.6%
Debt & Liquidity	
Adjusted Net Debt	15,957.4
Total Net Fixed Charges	-957.3
Unrestricted Cash/Total Revenues	4.8%
EBITDAR/Net Fixed Charges (x)	2.7x
Capitalisation & Leverage	
Book Equity	3,960.5
Equity Market Capitalisation	5,493.0
Adjusted Net Debt/EBITDAR (x)	6.1x
Adjusted Net Debt/Book Equity (x)	4.0x
Cash Flow	
Free Cash Flow	N/A

Asia/Australasia

CHINA SOUTHERN AIRLINES	
FYE 31/12/12	US$m
Summary Financial Performance	
Passenger Revenue	14,443.5
Cargo Revenue	1,057.5
Other Revenue	550.7
Total Revenue	16,051.6
EBITDAR	2,909.2
Net Income	422.4
EBITDAR Margin (EBITDAR/Total Revenue)	18.1%
Summary Operating Drivers	
RPKs (m)	135,504
ASKs (m)	169,626
Passenger Load Factor	79.9%
Number of passengers (000)	86,483
Average Trip Length (RPKs/Passengers) (kms)	1,567
Unit Costs & Revenues	
Passenger Yield per RPK	10.66
Total Revenue per ASK ('RASK')	9.46
Total Operating Cost/ASK ('CASK')	8.94
RASK-CASK Margin	0.52
Employee Costs as % of Total Revenue	0.0
Debt & Liquidity	
Adjusted Net Debt	15,809.7
Total Net Fixed Charges	-868.9
Unrestricted Cash/Total Revenues	10.1%
EBITDAR/Net Fixed Charges (x)	3.3x
Capitalisation & Leverage	
Book Equity	6,409.1
Equity Market Capitalisation	5,490.0
Adjusted Net Debt/EBITDAR (x)	5.4x
Adjusted Net Debt/Book Equity (x)	2.5x
Cash Flow	
Free Cash Flow	N/A

China Southern – China

China Southern Airlines is one of the largest airlines in the People's Republic of China. The airline's corporate headquarters is located in Guangzhou.

China Southern provides passenger, cargo and ancillary services throughout China under its own brand and through its subsidiaries, Xiamen Airlines, Shantou Airlines, Zhuhai Airlines, Guizhou Airlines and Chongqing Airlines.

Net income in 2012 was $422 million with Ebitdar margin of 18%. Leverage was quite high but Fixed charge cover was a healthy 3.3x.

On September 24 2012 China Southern and Henan Aviation Investment entered into an agreement for the establishment of a joint-venture airline with a total registered capital of Rmb6 billion. The carrier will be owned 60% by China Southern and 40% by Henan Aviation Investment.

Garuda – Indonesia

PT Garuda Indonesia was incorporated on March 31 1950 as a state enterprise, and is the national carrier of the Republic of Indonesia. Since Garuda's strategic business unit, Citilink, received its air operator certificate from the Transportation Ministry in June 2012 a flurry of orders has been posted, indicating a growing need for air travel within the world's largest archipelago.

An initial order for 25 A320s, consisting of 15 A320-200s and 10 A320neos, for operation by Citilink was firmed up in August 2011, with delivery scheduled for between 2014 and 2018. A further order was placed with Airbus for 25 A320neos, in a deal worth $2.4 billion at list prices. Furthermore, on January 6 2013 Citilink placed an order for 25 ATR 72-600 turboprops, with options for an additional 25 aircraft.

In November the airline also announced plans to raise $200 million from bond sales in 2013 to finance its fleet expansion.

GARUDA INDONESIA	
FYE 31/12/12	US$m
Summary Financial Performance	
Passenger Revenue	2,956.5
Cargo Revenue	192.8
Other Revenue	323.2
Total Revenue	3,472.5
EBITDAR	756.6
Net Income	110.6
EBITDAR Margin (EBITDAR/Total Revenue)	21.8%
Summary Operating Drivers	
RPKs (m)	27,342
ASKs (m)	36,014
Passenger Load Factor	75.9%
Number of passengers (000)	20,415
Average Trip Length (RPKs/Passengers) (kms)	1,339
Unit Costs & Revenues	
Passenger Yield per RPK	10.81
Total Revenue per ASK ('RASK')	9.64
Total Operating Cost/ASK ('CASK')	9.15
RASK-CASK Margin	0.49
Employee Costs as % of Total Revenue	13.1%
Debt & Liquidity	
Adjusted Net Debt	3,876.0
Total Net Fixed Charges	-467.1
Unrestricted Cash/Total Revenues	9.4%
EBITDAR/Net Fixed Charges (x)	1.6x
Capitalisation & Leverage	
Book Equity	1,115.0
Equity Market Capitalisation	1,420.0
Adjusted Net Debt/EBITDAR (x)	5.1x
Adjusted Net Debt/Book Equity (x)	3.5x
Cash Flow	
Free Cash Flow	11.7

Asia/Australasia

Hainan Airlines – China

HNA Group-owned Hainan Airlines is a major carrier based in Haikou, Hainan.

The carrier was founded in 1993 on the back of the formation of the Hainan special economic region and the elevation of Hainan Island to provincial status. HNA became the owner after being founded in 2000.

Passenger transportation is Hainan Airlines' core business but, together with its group companies, it also engages in cargo transportation, tourism services, airport management, logistics, hotel management, retailing, finance and other related businesses.

On October 24 2012 parent HNA Group acquired a 48% equity interest in France's Aigle Azur Transports Aerien, marking the first investment made by a Chinese airline in a European carrier.

HNA Group is also reportedly considering an order for the Neo and Max – Boeing and Airbus's new, more fuel-efficient narrowbody jets – to be spread among its aviation subsidiaries, including lessor Hong Kong Aviation Capital.

HAINAN AIRLINES	
FYE 31/12/12	US$m
Summary Financial Performance	
Passenger Revenue	4,168.3
Cargo Revenue	151.0
Other Revenue	345.7
Total Revenue	4,665.0
EBITDAR	1,328.1
Net Income	311.5
EBITDAR Margin (EBITDAR/Total Revenue)	28.5%
Summary Operating Drivers	
RPKs (m)	39,061
ASKs (m)	46,259
Passenger Load Factor	84.4%
Number of passengers (000)	22,550
Average Trip Length (RPKs/Passengers) (kms)	1,732
Unit Costs & Revenues	
Passenger Yield per RPK	10.67
Total Revenue per ASK ('RASK')	10.08
Total Operating Cost/ASK ('CASK')	8.69
RASK-CASK Margin	1.39
Employee Costs as % of Total Revenue	6.3%
Debt & Liquidity	
Adjusted Net Debt	7,879.1
Total Net Fixed Charges	-706.0
Unrestricted Cash/Total Revenues	64.6%
EBITDAR/Net Fixed Charges (x)	1.9x
Capitalisation & Leverage	
Book Equity	3,863.7
Equity Market Capitalisation	3,154.0
Adjusted Net Debt/EBITDAR (x)	5.9x
Adjusted Net Debt/Book Equity (x)	2.0x
Cash Flow	
Free Cash Flow	-179.7

Indigo – India

Indigo is a private low-cost carrier based in Gurgaon. It started operations in August 2006 and is the largest airline in India by market share. Indigo is also one of the fastest-growing airlines in South Asia.

The carrier flies Airbus A320-family aircraft only. As of March Indigo, which generally purchases new aircraft, operated 66 A320s at an average age of 2.3 years.

In 2011 Indigo signed a firm order for 180 Airbus narrowbodies worth $15.6 billion at list prices. Those include 150 A320neos and 30 A320 aircraft. In 2005 it ordered 100 A320s.

In December Indigo Airlines closed its 13th A320 sale/leaseback deal with Hong Kong Aviation Capital. The carrier is also taking three A320 aircraft on sale/leaseback from CDB Leasing.

In March 2012 Indigo reported a net income of $24 million. Its revenues totalled $1 billion.

INDIGO	
FYE 31/03/12	US$m
Summary Financial Performance	
Passenger Revenue	973.5
Cargo Revenue	54.4
Other Revenue	17.3
Total Revenue	1,045.2
EBITDAR	160.0
Net Income	24.0
EBITDAR Margin (EBITDAR/Total Revenue)	15.3%
Summary Operating Drivers	
RPKs (m)	14,826
ASKs (m)	18,006
Passenger Load Factor	82.3%
Number of passengers (000)	12,752
Average Trip Length (RPKs/Passengers) (kms)	1,163
Unit Costs & Revenues	
Passenger Yield per RPK	6.57
Total Revenue per ASK ('RASK')	5.80
Total Operating Cost/ASK ('CASK')	5.82
RASK-CASK Margin	-0.01
Employee Costs as % of Total Revenue	10.1%
Debt & Liquidity	
Adjusted Net Debt	1,245.3
Total Net Fixed Charges	-145.1
Unrestricted Cash/Total Revenues	14.0%
EBITDAR/Net Fixed Charges (x)	1.1x
Capitalisation & Leverage	
Book Equity	71.7
Equity Market Capitalisation	0.0
Adjusted Net Debt/EBITDAR (x)	7.8x
Adjusted Net Debt/Book Equity (x)	17.4x
Cash Flow	
Free Cash Flow	171.3

Asia/Australasia

JAPAN AIRLINES	
FYE 31/03/13	US$m
Summary Financial Performance	
Passenger Revenue	9,013.2
Cargo Revenue	857.4
Other Revenue	2,649.0
Total Revenue	12,519.7
EBITDAR	3,160.6
Net Income	1,734.9
EBITDAR Margin (EBITDAR/Total Revenue)	25.3%
Summary Operating Drivers	
RPKs (m)	57,049
ASKs (m)	81,189
Passenger Load Factor	70.3%
Number of passengers (000)	37,545
Average Trip Length (RPKs/Passengers) (kms)	1,519
Unit Costs & Revenues	
Passenger Yield per RPK	15.80
Total Revenue per ASK ('RASK')	15.42
Total Operating Cost/ASK ('CASK')	12.99
RASK-CASK Margin	2.43
Employee Costs as % of Total Revenue	N/A
Debt & Liquidity	
Adjusted Net Debt	1,035.8
Total Net Fixed Charges	-392.8
Unrestricted Cash/Total Revenues	28.1%
EBITDAR/Net Fixed Charges (x)	8.0x
Capitalisation & Leverage	
Book Equity	5,893.7
Equity Market Capitalisation	8,816.0
Adjusted Net Debt/EBITDAR (x)	0.3x
Adjusted Net Debt/Book Equity (x)	0.2x
Cash Flow	
Free Cash Flow	1,444.7

Japan Airlines – Japan

Japan's flag carrier, Japan Airlines (JAL), has bet heavily on the Boeing 787 being successful, as has its counterpart, All Nippon Airlines.

JAL might have encountered some problems when the 787 was grounded in January. However, despite the grounding of the Dreamliner – now revoked – the carrier suffered only a small decline in net income in 2012/13.

"The three-month period was long, but I am relieved that there were no major troubles during that time so we could save customers' trust in us," JAL president Yoshiharu Ueki was reported as saying.

That news came off the back of JAL launching the second-biggest initial public offering (IPO) of 2012. Just behind the Facebook IPO, JAL's was a remarkable show of long-term strength, because the carrier emerged from a huge bankruptcy in 2010.

Korean Air – South Korea

Korean Air is the leading member of the Hanjin Group of companies, one of the major conglomerates in South Korea.

In February the airline issued its debut US Ex-Im bond. The bond is also the first Asian airline prefunded bond, as well as being the first airline prefunded bond to achieve a floating rate. The $149 million issuance will be used to prefund a 777F.

The airline followed this success with another US Ex-Im bond issued in March to refinance the delivery of a 747-8F. The deal carried a floating-rate bond, which is unusual in today's low interest environment.

In 2013 Korean Air bought a 44% stake in state-owned Czech Airlines after the government announced plans last year to privatize it. This is the carrier's first investment in a foreign airline.

The carrier recently signed long-term lease agreements for two new 777-300ERs with Air Lease Corporation.

Korean Air's Ebidtar margin for 2012 stood at 16%, and the airline enjoyed a 3.9% year-on-year boost in total revenues.

KOREAN AIR	
FYE 31/12/12	US$m
Summary Financial Performance	
Passenger Revenue	7,170.0
Cargo Revenue	2,884.7
Other Revenue	1,374.1
Total Revenue	11,428.7
EBITDAR	1,827.3
Net Income	241.9
EBITDAR Margin (EBITDAR/Total Revenue)	16.0%
Summary Operating Drivers	
RPKs (m)	68,818
ASKs (m)	88,304
Passenger Load Factor	77.9%
Number of passengers (000)	24,283
Average Trip Length (RPKs/Passengers) (kms)	2,834
Unit Costs & Revenues	
Passenger Yield per RPK	10.42
Total Revenue per ASK ('RASK')	12.94
Total Operating Cost/ASK ('CASK')	12.66
RASK-CASK Margin	0.29
Employee Costs as % of Total Revenue	N/A
Debt & Liquidity	
Adjusted Net Debt	13,124.5
Total Net Fixed Charges	-599.4
Unrestricted Cash/Total Revenues	10.3%
EBITDAR/Net Fixed Charges (x)	3.0x
Capitalisation & Leverage	
Book Equity	2,212.0
Equity Market Capitalisation	2,200.0
Adjusted Net Debt/EBITDAR (x)	7.2x
Adjusted Net Debt/Book Equity (x)	5.9x
Cash Flow	
Free Cash Flow	793.8

Asia/Australasia

REGIONAL EXPRESS	
FYE 30/06/12	US$m
Summary Financial Performance	
Passenger Revenue	268.6
Cargo Revenue	1.0
Other Revenue	9.9
Total Revenue	279.6
EBITDAR	56.7
Net Income	26.3
EBITDAR Margin (EBITDAR/Total Revenue)	20.3%
Summary Operating Drivers	
RPKs (m)	442
ASKs (m)	742
Passenger Load Factor	59.6%
Number of passengers (000)	1,170
Average Trip Length (RPKs/Passengers) (kms)	378
Unit Costs & Revenues	
Passenger Yield per RPK	60.77
Total Revenue per ASK ('RASK')	37.66
Total Operating Cost/ASK ('CASK')	33.25
RASK-CASK Margin	4.41
Employee Costs as % of Total Revenue	34.6%
Debt & Liquidity	
Adjusted Net Debt	45.0
Total Net Fixed Charges	-7.7
Unrestricted Cash/Total Revenues	16.0%
EBITDAR/Net Fixed Charges (x)	7.4x
Capitalisation & Leverage	
Book Equity	182.4
Equity Market Capitalisation	126.0
Adjusted Net Debt/EBITDAR (x)	0.8x
Adjusted Net Debt/Book Equity (x)	0.2x
Cash Flow	
Free Cash Flow	34.1

Regional Express Holdings – Australia

Regional Express Holdings Limited (Rex) is an Australian holding company whose subsidiaries offer regional passenger transport and charter services in Australia. The group operates through three segments – scheduled flights, charter and pilot training services. Rex's shares have been listed on the Australian Stock Exchange since 2005.

The airline operates 94 aircraft consisting of 51 SAAB 340s, seven Westwind 1124s, four Lear 35/36s, one Brasilia 120, one Beechcraft 1900D, four King Air B200Cs, four Piper Chieftains, three Cessna 310s, 16 Piper Warriors and four Piper Seminole aircraft.

During the 2011/12 full year Pel-Air entered into an agreement to sell its four Fairchild Metroliner 23 aircraft. It also signed an agreement to purchase four Saab 340Bplus model aircraft on or before the expiry of their leases in July 2013.

The airline has an equity market capitalization of $121.6 million, and last enjoyed a robust adjusted (net) debt/ Ebitdar ratio of 0.8 times.

SIA – Singapore

Temasek Holdings Private Limited, a sovereign investment fund under the umbrella of the Singapore Ministry of Finance, is the parent company of the SIA group and holds a 56% stake in Singapore Airlines (SIA). SIA's shares are traded on the Singapore Stock Exchange. As of May 6th 2013 its market capitalization was $10.6 billion. In December SIA reached an agreement to sell its 49% stake in Virgin Atlantic Ltd to Delta Air Lines. The carrier had been rumoured to be seeking an exit for a while because the investment was not very profitable and the synergies the airline earlier hoped for did not materialize.

Under the agreement Delta will pay $360 million in cash for Singapore Airlines' entire shareholding in Virgin Atlantic. The agreement is subject to regulatory approvals being secured in Europe and the US. The transaction is expected to close in the fourth quarter of 2013. The airline acquired a 49% stake in Virgin Atlantic in March 2000. It had zero net debt as of March 31st 2012.

SINGAPORE AIRLINES	
FYE 31/03/12	US$m
Summary Financial Performance	
Passenger Revenue	9,388.6
Cargo Revenue	2,167.2
Other Revenue	487.9
Total Revenue	12,043.7
EBITDAR	2,067.8
Net Income	272.3
EBITDAR Margin (EBITDAR/Total Revenue)	17.2%
Summary Operating Drivers	
RPKs (m)	92,293
ASKs (m)	119,315
Passenger Load Factor	77.4%
Number of passengers (000)	20,187
Average Trip Length (RPKs/Passengers) (kms)	4,572
Unit Costs & Revenues	
Passenger Yield per RPK	10.17
Total Revenue per ASK ('RASK')	10.09
Total Operating Cost/ASK ('CASK')	9.85
RASK-CASK Margin	0.25
Employee Costs as % of Total Revenue	14.8%
Debt & Liquidity	
Adjusted Net Debt	290.4
Total Net Fixed Charges	-480.3
Unrestricted Cash/Total Revenues	35.7%
EBITDAR/Net Fixed Charges (x)	4.3x
Capitalisation & Leverage	
Book Equity	10,689.7
Equity Market Capitalisation	10,557.0
Adjusted Net Debt/EBITDAR (x)	0.1x
Adjusted Net Debt/Book Equity (x)	0.03x
Cash Flow	
Free Cash Flow	-30.0

Asia/Australasia

SKYMARK AIRLINES	
FYE 31/03/12	US$m
Summary Financial Performance	
Passenger Revenue	797.5
Cargo Revenue	0.0
Other Revenue	13.6
Total Revenue	811.1
EBITDAR	255.9
Net Income	77.9
EBITDAR Margin (EBITDAR/Total Revenue)	31.6%
Summary Operating Drivers	
RPKs (m)	8,213
ASKs (m)	10,391
Passenger Load Factor	79.0%
Number of passengers (000)	6,259
Average Trip Length (RPKs/Passengers) (kms)	1,312
Unit Costs & Revenues	
Passenger Yield per RPK	9.71
Total Revenue per ASK ('RASK')	7.81
Total Operating Cost/ASK ('CASK')	6.32
RASK-CASK Margin	1.49
Employee Costs as % of Total Revenue	14.8%
Debt & Liquidity	
Adjusted Net Debt	323.1
Total Net Fixed Charges	-78.8
Unrestricted Cash/Total Revenues	38.2%
EBITDAR/Net Fixed Charges (x)	3.2x
Capitalisation & Leverage	
Book Equity	433.4
Equity Market Capitalisation	613.6
Adjusted Net Debt/EBITDAR (x)	1.3x
Adjusted Net Debt/Book Equity (x)	0.7x
Cash Flow	
Free Cash Flow	-27.0

Skymark Airlines – Japan

Japanese low-cost carrier Skymark Airlines operates domestic routes from its Tokyo base. The airline is listed on the Tokyo Stock Exchange.

The airline reported a 38.3% year-on-year revenue boost for the last financial year, and has enjoyed an average of 23.8% growth for the past three periods.

Skymark Airlines added two leased 737-800s to its fleet earlier this year, from lessors SMBC Aviation Capital and Awas.

The carrier has enjoyed significant expansion, increasing its total passenger numbers by 43.6% in 2012, compared with the previous year's results.

It operates a fleet of leased 737s, but has six A380s on order, with delivery scheduled for 2014. The airline was the first Japanese carrier to order Airbus's new widebody aircraft type.

Thai Airways – Thailand

Thai Airways, the national carrier of Thailand, is engaged in domestic and international transportation of passengers, cargo and mail.

On July 7 2012 Thai Airways' new regional airline, Thai Smile Air, commenced operations with its first international flight to Macau. Thai Smile operates a fleet of four A320-200s, all of which are on operating lease. By 2015 Thai Smile's fleet of 11 new A320s is expected to fly to neighbouring countries such as India, China and most Asean member states of South-East Asia.

Thai Airways issued a request for proposals seeking finance for two A380s set to deliver in the latter half of 2013. The carrier has previously financed A380s under UK Export Finance Guarantee, one of which was denominated in yen.

As of May 6th, 2013 its market capitalization was $2.2 billion.

Thai Airways is a member of the Star Alliance

THAI AIRWAYS	
FYE 31/12/12	US$m
Summary Financial Performance	
Passenger Revenue	5,888.9
Cargo Revenue	908.6
Other Revenue	344.9
Total Revenue	7,142.4
EBITDAR	1,092.5
Net Income	211.5
EBITDAR Margin (EBITDAR/Total Revenue)	15.3%
Summary Operating Drivers	
RPKs (m)	60,679
ASKs (m)	79,231
Passenger Load Factor	76.6%
Number of passengers (000)	20,615
Average Trip Length (RPKs/Passengers) (kms)	2,943
Unit Costs & Revenues	
Passenger Yield per RPK	9.71
Total Revenue per ASK ('RASK')	9.01
Total Operating Cost/ASK ('CASK')	8.71
RASK-CASK Margin	0.30
Employee Costs as % of Total Revenue	15.3%
Debt & Liquidity	
Adjusted Net Debt	5,943.1
Total Net Fixed Charges	-335.8
Unrestricted Cash/Total Revenues	9.5%
EBITDAR/Net Fixed Charges (x)	3.3x
Capitalisation & Leverage	
Book Equity	2,370.3
Equity Market Capitalisation	2,168.0
Adjusted Net Debt/EBITDAR (x)	5.4x
Adjusted Net Debt/Book Equity (x)	2.5x
Cash Flow	
Free Cash Flow	-399.2

Asia/Australasia

VIRGIN AUSTRALIA	
FYE 30/06/12	US$m
Summary Financial Performance	
Passenger Revenue	3,608.5
Cargo Revenue	0.0
Other Revenue	431.4
Total Revenue	4,039.9
EBITDAR	650.3
Net Income	23.5
EBITDAR Margin (EBITDAR/Total Revenue)	16.1%
Summary Operating Drivers	
RPKs (m)	31,100
ASKs (m)	39,800
Passenger Load Factor	78.1%
Number of passengers (000)	19,400
Average Trip Length (RPKs/Passengers) (kms)	1,603
Unit Costs & Revenues	
Passenger Yield per RPK	11.60
Total Revenue per ASK ('RASK')	10.15
Total Operating Cost/ASK ('CASK')	9.83
RASK-CASK Margin	0.32
Employee Costs as % of Total Revenue	21.5%
Debt & Liquidity	
Adjusted Net Debt	3,366.5
Total Net Fixed Charges	-307.7
Unrestricted Cash/Total Revenues	12.3%
EBITDAR/Net Fixed Charges (x)	2.1x
Capitalisation & Leverage	
Book Equity	959.7
Equity Market Capitalisation	803.0
Adjusted Net Debt/EBITDAR (x)	5.2x
Adjusted Net Debt/Book Equity (x)	3.5x
Cash Flow	
Free Cash Flow	-382.6

Virgin Australia – Australia

Virgin Australia was established in 2000 with equity funding from Richard Branson's Virgin Group, serving domestic and international markets. It is Australia's second-largest carrier, after Qantas.

The Australian carrier finalized a new business structure in March 2012 aimed at separating its domestic and international airline business.

In June 2012 Etihad entered the shareholder register of Virgin Australia when it acquired a 3.96% stake. In September Etihad further increased its shareholding to 10% when it bought 221 million shares after receiving necessary approvals from the Australian government.

Over the past year the airline annouced its intention to aquire 60% of Tiger Airways Australia and sold a 10% stake of its business to Singapore Airlines. In addition, Virgin Australia completed its 100% purchase of Skywest Airlines.

The airline reported a 19.7% revenue increase for 2012, compared with the previous year.

AIRLINE PROFILES

Europe

AER LINGUS	
FYE 31/12/12	US$m
Summary Financial Performance	
Passenger Revenue	1,521.4
Cargo Revenue	59.9
Other Revenue	250.8
Total Revenue	1,832.1
EBITDAR	239.8
Net Income	44.6
EBITDAR Margin (EBITDAR/Total Revenue)	13.1%
Summary Operating Drivers	
RPKs (m)	14,523
ASKs (m)	18,685
Passenger Load Factor	77.7%
Number of passengers (000)	9,653
Average Trip Length (RPKs/Passengers) (kms)	1,505
Unit Costs & Revenues	
Passenger Yield per RPK	10.48
Total Revenue per ASK ('RASK')	9.81
Total Operating Cost/ASK ('CASK')	9.40
RASK-CASK Margin	0.40
Employee Costs as % of Total Revenue	19.1%
Debt & Liquidity	
Adjusted Net Debt	231.3
Total Net Fixed Charges	-64.6
Unrestricted Cash/Total Revenues	51.9%
EBITDAR/Net Fixed Charges (x)	3.7x
Capitalisation & Leverage	
Book Equity	1,094.9
Equity Market Capitalisation	966.0
Adjusted Net Debt/EBITDAR (x)	1.0x
Adjusted Net Debt/Book Equity (x)	0.2x
Cash Flow	
Free Cash Flow	98.5

Aer Lingus – Ireland

Aer Lingus has been an ongoing target for takeover bids by Dublin-based rival Ryanair. In February the European Commission blocked Ryanair's latest bid on competition concerns.

Aer Lingus operates an all-Airbus fleet of 43 aircraft. Those consist of 31 A320s, three A321s, seven A330s and two A319s. Twenty-five of the aircraft are owned and 18 leased.

The carrier has deferred deliveries of three A330s by four years, as well as deliveries of A350s to beyond 2015. In April it leased one A319 from SMBC Aviation Capital.

Abu Dhabi-based Etihad has also expressed an interest in buying the Irish government's 25% stake in Aer Lingus,

Aer Lingus is listed on the Irish and London stock exchanges. Air Lingus's revenue for 2012 was $1.8 billion. Its net income totalled $44.6 million.

Aeroflot – Russia

Aeroflot has been steadily growing in the past couple of years both in terms of market share and fleet.

In November 2011 Aeroflot acquired four smaller airlines (Rossiya Airlines, Orenair, Vladivostok Air and SAT Airlines), which increased its share in Russian civil aviation from 23.8% to 36.8%. Additionally, the flag carrier has been consistently adding aircraft to its fleet. As of September 30 2012 Aeroflot operated a fleet of 244 aircraft, two-thirds (67%) of which are on operating lease.

In 2013 Aeroflot is taking delivery of 17 new aircraft – eight A320s, five A321s and four 777s. In February VEB Leasing secured a US Ex-Im-guaranteed loan for the four 777-300ERs delivered to Aeroflot on finance lease.

Aeroflot's firm orders include 84 aircraft to be delivered between 2013 and 2018. Those consist of Airbus and Boeing aircraft, as well as 20 SSJ100s.

In 2012 the carrier made $222 million net profit on revenues of $8.1 billion.

AEROFLOT	
FYE 31/12/12	US$m
Summary Financial Performance	
Passenger Revenue	6,754.5
Cargo Revenue	363.7
Other Revenue	1,019.9
Total Revenue	8,138.1
EBITDAR	1,271.9
Net Income	222.1
EBITDAR Margin (EBITDAR/Total Revenue)	15.6%
Summary Operating Drivers	
RPKs (m)	74,617
ASKs (m)	95,541
Passenger Load Factor	78.1%
Number of passengers (000)	27,472
Average Trip Length (RPKs/Passengers) (kms)	2,716
Unit Costs & Revenues	
Passenger Yield per RPK	9.05
Total Revenue per ASK ('RASK')	8.52
Total Operating Cost/ASK ('CASK')	8.06
RASK-CASK Margin	0.46
Employee Costs as % of Total Revenue	15.3%
Debt & Liquidity	
Adjusted Net Debt	6,622.7
Total Net Fixed Charges	-615.6
Unrestricted Cash/Total Revenues	6.2%
EBITDAR/Net Fixed Charges (x)	2.1x
Capitalisation & Leverage	
Book Equity	1,626.3
Equity Market Capitalisation	1,797.0
Adjusted Net Debt/EBITDAR (x)	5.2x
Adjusted Net Debt/Book Equity (x)	4.1x
Cash Flow	
Free Cash Flow	366.7

AIRLINE PROFILES

Europe

EASYJET	
FYE 30/09/12	US$m
Summary Financial Performance	
Passenger Revenue	5,910.3
Cargo Revenue	0.0
Other Revenue	93.5
Total Revenue	6,003.8
EBITDAR	828.7
Net Income	397.2
EBITDAR Margin (EBITDAR/Total Revenue)	13.8%
Summary Operating Drivers	
RPKs (m)	65,227
ASKs (m)	72,182
Passenger Load Factor	90.4%
Number of passengers (000)	58,400
Average Trip Length (RPKs/Passengers) (kms)	1,117
Unit Costs & Revenues	
Passenger Yield per RPK	9.06
Total Revenue per ASK ('RASK')	8.32
Total Operating Cost/ASK ('CASK')	7.60
RASK-CASK Margin	0.72
Employee Costs as % of Total Revenue	12.4%
Debt & Liquidity	
Adjusted Net Debt	1,299.2
Total Net Fixed Charges	-171.4
Unrestricted Cash/Total Revenues	22.9%
EBITDAR/Net Fixed Charges (x)	4.8x
Capitalisation & Leverage	
Book Equity	2,794.7
Equity Market Capitalisation	6,996.0
Adjusted Net Debt/EBITDAR (x)	1.6x
Adjusted Net Debt/Book Equity (x)	0.5x
Cash Flow	
Free Cash Flow	101.3

EasyJet – UK

EasyJet is Europe's second-largest low-cost carrier, after Ryanair, and one of the oldest in Europe.

In January easyJet operated an all-Airbus fleet of 209 aircraft, comprising of A320s and A319s. Most of them –188 – are operated by easyJet Company Limited. EasyJet Switzerland flies the remaining 21 jets.

EasyJet owns 71% of its fleet. A quarter of it is on operating lease and 5% is finance leased. The carrier has 15 A320s and one A321 on order scheduled to deliver by the 2014/15 full year.

The carrier appointed John Barton as the new chairman of its executive board in April. He replaces Sir Mike Rake, whose departure was announced in January.

EasyJet is one of the better performing airlines in the world. It managed to post profits even during challenging economic times of 2008 to 2012. As of last September the carrier reported revenue of $6 billion and net income of $397 million.

Icelandair – Iceland

Icelandair Group is a Reykjavik-based holding company. The company is publicly listed on Nasdaq OMX Iceland, and had a market capitalization of $577 million as of May 6th 2013.

Flag carrier Icelandair is the largest subsidiary in the group, providing 60% of the total holding company's revenues. The carrier reported a strong load factor of 80.3% for 2012, with a net income of $44.2 million.

In January 2012 Icelandair added two 757-200s to its portfolio. The aircraft were acquired from the Bank of Scotland, and financed through a $24 million loan from Lloyd's Bank Group.

Icelandair Group operated a total fleet of 37 aircraft as of last September, comprised of 23 owned and 14 leased aircraft. The portfolio is dominated by Boeing 757s.

ICELANDAIR	
FYE 31/12/12	US$m
Summary Financial Performance	
Passenger Revenue	564.9
Cargo Revenue	39.6
Other Revenue	291.6
Total Revenue	896.1
EBITDAR	165.8
Net Income	44.2
EBITDAR Margin (EBITDAR/Total Revenue)	18.5%
Summary Operating Drivers	
RPKs (m)	5,907
ASKs (m)	7,354
Passenger Load Factor	80.3%
Number of passengers (000)	2,363
Average Trip Length (RPKs/Passengers) (kms)	2,499
Unit Costs & Revenues	
Passenger Yield per RPK	9.56
Total Revenue per ASK ('RASK')	12.19
Total Operating Cost/ASK ('CASK')	11.53
RASK-CASK Margin	0.65
Employee Costs as % of Total Revenue	22.8%
Debt & Liquidity	
Adjusted Net Debt	489.6
Total Net Fixed Charges	-65.7
Unrestricted Cash/Total Revenues	14.8%
EBITDAR/Net Fixed Charges (x)	2.5x
Capitalisation & Leverage	
Book Equity	295.9
Equity Market Capitalisation	577.0
Adjusted Net Debt/EBITDAR (x)	3.0x
Adjusted Net Debt/Book Equity (x)	1.7x
Cash Flow	
Free Cash Flow	101.7

AIRLINE PROFILES

Europe

LUFTHANSA GROUP	
FYE 31/12/12	US$m
Summary Financial Performance	
Passenger Revenue	28,550.5
Cargo Revenue	3,970.5
Other Revenue	8,200.7
Total Revenue	40,721.7
EBITDAR	3,183.5
Net Income	1,298.6
EBITDAR Margin (EBITDAR/Total Revenue)	7.8%
Summary Operating Drivers	
RPKs (m)	204,775
ASKs (m)	259,861
Passenger Load Factor	78.8%
Number of passengers (000)	103,051
Average Trip Length (RPKs/Passengers) (kms)	1,987
Unit Costs & Revenues	
Passenger Yield per RPK	13.94
Total Revenue per ASK ('RASK')	15.67
Total Operating Cost/ASK ('CASK')	15.37
RASK-CASK Margin	0.30
Employee Costs as % of Total Revenue	25.6%
Debt & Liquidity	
Adjusted Net Debt	5,328.1
Total Net Fixed Charges	-565.3
Unrestricted Cash/Total Revenues	16.0%
EBITDAR/Net Fixed Charges (x)	5.6x
Capitalisation & Leverage	
Book Equity	10,884.5
Equity Market Capitalisation	9,450.0
Adjusted Net Debt/EBITDAR (x)	1.7x
Adjusted Net Debt/Book Equity (x)	0.5x
Cash Flow	
Free Cash Flow	363.3

Lufthansa – Germany

Lufthansa is one of the largest airlines in Europe by number of passengers carried. Lufthansa Group, its parent company, reported a net loss of $605 million for the first quarter of 2013, a 16.5% year-on-year drop. The company attributed staff strikes, high fuel prices and restructuring costs as contributing to the loss.

In March Lufthansa announced an order for 102 Airbus aircraft, including A320ceos, A320neos and A380s. The carrier also ordered six 777-300ERs from Boeing. The total order is worth about $12 billion at list prices.

In April Lufthansa secured Japanese operating lease financing for one A380 aircraft through Lufthansa Leasing, a joint venture between KGAL and Deutsche Lufthansa. Bank of Tokyo-Mitsubishi also backed the deal.

The company is publicly listed on the German Stock Exchange and Xetra, and had a market capitalization of $9.45 billion as of May 6th 2013.

Norwegian Air Shuttle – Norway

Norwegian Air Shuttle (NAS) is the second-largest airline in Scandinavia and the third-largest low-cost carrier in Europe.

The carrier is in a process of a big fleet expansion. In January 2012 NAS signed an agreement with Airbus and Boeing for a total of 372 aircraft, 222 of which are on firm order. As of December the carrier had an all-Boeing fleet consisting of 66 737s.

NAS is mainly focused on operating low-cost services within Europe, but plans to explore opportunities on inter-continental routes, with New York and Bangkok being the target destinations. The airline has therefore entered into leasing and purchase arrangements for eight Boeing 787-8s. NAS is scheduled to take delivery of three Dreamliners in 2013, four in 2014 and one in early 2015.

NAS posted a net profit of $78.8 million in 2012. The carrier's revenues totalled $2.2 billion.

NORWEGIAN AIR SHUTTLE	
FYE 31/12/12	US$m
Summary Financial Performance	
Passenger Revenue	1,932.2
Cargo Revenue	0.0
Other Revenue	282.9
Total Revenue	2,215.1
EBITDAR	367.8
Net Income	78.8
EBITDAR Margin (EBITDAR/Total Revenue)	16.6%
Summary Operating Drivers	
RPKs (m)	20,353
ASKs (m)	25,920
Passenger Load Factor	78.5%
Number of passengers (000)	17,685
Average Trip Length (RPKs/Passengers) (kms)	1,151
Unit Costs & Revenues	
Passenger Yield per RPK	9.49
Total Revenue per ASK ('RASK')	8.55
Total Operating Cost/ASK ('CASK')	8.07
RASK-CASK Margin	0.48
Employee Costs as % of Total Revenue	16.1%
Debt & Liquidity	
Adjusted Net Debt	2,123.9
Total Net Fixed Charges	-186.9
Unrestricted Cash/Total Revenues	11.5%
EBITDAR/Net Fixed Charges (x)	2.0x
Capitalisation & Leverage	
Book Equity	417.6
Equity Market Capitalisation	1,780.0
Adjusted Net Debt/EBITDAR (x)	5.8x
Adjusted Net Debt/Book Equity (x)	5.1x
Cash Flow	
Free Cash Flow	-159.0

AIRLINE PROFILES

Europe

PEGASUS	
FYE 31/12/12	US$m
Summary Financial Performance	
Passenger Revenue	856.7
Cargo Revenue	0.0
Other Revenue	213.7
Total Revenue	1,070.3
EBITDAR	210.1
Net Income	70.4
EBITDAR Margin (EBITDAR/Total Revenue)	19.6%
Summary Operating Drivers	
RPKs (m)	12,847
ASKs (m)	16,429
Passenger Load Factor	78.2%
Number of passengers (000)	13,578
Average Trip Length (RPKs/Passengers) (kms)	946
Unit Costs & Revenues	
Passenger Yield per RPK	6.67
Total Revenue per ASK ('RASK')	6.51
Total Operating Cost/ASK ('CASK')	5.86
RASK-CASK Margin	0.65
Employee Costs as % of Total Revenue	8.8%
Debt & Liquidity	
Adjusted Net Debt	1,056.5
Total Net Fixed Charges	-59.4
Unrestricted Cash/Total Revenues	11.0%
EBITDAR/Net Fixed Charges (x)	3.5x
Capitalisation & Leverage	
Book Equity	182.5
Equity Market Capitalisation	1051.0
Adjusted Net Debt/EBITDAR (x)	5.0x
Adjusted Net Debt/Book Equity (x)	5.8x
Cash Flow	
Free Cash Flow	236.0

Pegasus – Turkey

Turkish carrier Pegasus Airlines was first launched as a charter airline in 1990, before being transformed into a low-cost carrier by new chairman Ali Sabanci in 2005.

Pegasus launched an initial public offering (IPO) in mid-April 2013 and its shares began trading on the Istanbul Stock Exchange from April 26. It sold 34.5% of its share capital for TL649 million ($362 million).

Capital raised from the equity issue will be used to finance new aircraft deliveries and for other corporate purposes, according to the IPO prospectus.

The carrier reported annual profits of TL126 million for 2012, after a TL14 million loss the previous year. The profit boost was largely attributed to a 20% increase in passenger numbers over the year.

In December the carrier signed an order for 58 A320neos and 17 A321neos.

Last year the airline closed a US Ex-Im-guaranteed loan for two new Boeing 737-800s. At list prices the aircraft are worth $161.6 million.

Ryanair – Ireland

Ryanair is Europe's largest low-cost carrier and seems to be determined to hold on to this position. In March the airline posted an order for 175 new 737-800s in a deal worth $15.6 billion at list prices. The new order will expand Ryanair's fleet to more than 400 aircraft after deliveries are completed in 2018. This will allow the airline to expand its services by 5% a year over the next few years.

As of December 31 Ryanair operated a fleet of 305 737-800s, 55 of which were on operating lease.

At the beginning of this year Ryanair increased its full-year profit forecast to €540 million ($726 million), up from a previously expected €490 million.

Ryanair holds a 29.8% interest in Aer Lingus. In February the European Commission blocked Ryanair's latest bid for Aer Lingus for the remaining stake.

The carrier's revenues totalled $5.6 billion as of March 31 2012.

RYANAIR	
FYE 31/03/12	US$m
Summary Financial Performance	
Passenger Revenue	4,510.5
Cargo Revenue	0.0
Other Revenue	1,162.4
Total Revenue	5,673.0
EBITDAR	1,335.0
Net Income	735.1
EBITDAR Margin (EBITDAR/Total Revenue)	23.5%
Summary Operating Drivers	
RPKs (m)	94,283
ASKs (m)	114,488
Passenger Load Factor	82.4%
Number of passengers (000)	75,815
Average Trip Length (RPKs/Passengers) (kms)	1,244
Unit Costs & Revenues	
Passenger Yield per RPK	4.78
Total Revenue per ASK ('RASK')	4.96
Total Operating Cost/ASK ('CASK')	4.25
RASK-CASK Margin	0.71
Employee Costs as % of Total Revenue	9.6%
Debt & Liquidity	
Adjusted Net Debt	1,141.6
Total Net Fixed Charges	-204.1
Unrestricted Cash/Total Revenues	80.5%
EBITDAR/Net Fixed Charges (x)	6.5x
Capitalisation & Leverage	
Book Equity	4,337.4
Equity Market Capitalisation	11,637.0
Adjusted Net Debt/EBITDAR (x)	0.9x
Adjusted Net Debt/Book Equity (x)	0.3x
Cash Flow	
Free Cash Flow	921.7

AIRLINE PROFILES

Europe

TURKISH AIRLINES	
FYE 31/12/12	US$m
Summary Financial Performance	
Passenger Revenue	7,349.6
Cargo Revenue	672.8
Other Revenue	356.1
Total Revenue	8,378.4
EBITDAR	1,377.7
Net Income	631.9
EBITDAR Margin (EBITDAR/Total Revenue)	16.4%
Summary Operating Drivers	
RPKs (m)	74,410
ASKs (m)	96,124
Passenger Load Factor	77.4%
Number of passengers (000)	39,045
Average Trip Length (RPKs/Passengers) (kms)	1,906
Unit Costs & Revenues	
Passenger Yield per RPK	9.88
Total Revenue per ASK ('RASK')	8.72
Total Operating Cost/ASK ('CASK')	8.06
RASK-CASK Margin	0.65
Employee Costs as % of Total Revenue	16.4%
Debt & Liquidity	
Adjusted Net Debt	5,222.9
Total Net Fixed Charges	-228.5
Unrestricted Cash/Total Revenues	12.2%
EBITDAR/Net Fixed Charges (x)	6.0x
Capitalisation & Leverage	
Book Equity	3,013.3
Equity Market Capitalisation	5,439.0
Adjusted Net Debt/EBITDAR (x)	3.8x
Adjusted Net Debt/Book Equity (x)	1.7x
Cash Flow	
Free Cash Flow	-560.5

Turkish Airlines – Turkey

Istanbul-based flag carrier Turkish Airlines was founded in 1933, and serves international and domestic routes from its Eurasian hub.

Turkish Airlines has placed a number of large aircraft orders over the past year, most recently for 117 Airbus aircraft, including A320neos.

Last year the carrier ordered 15 A330s and 15 777s, and placed orders for a further two A330s this February. The airline signed a letter of intent for 70 737s with Boeing in April, worth about $6.9 billion at list prices.

Turkish Airlines reported a 23.6% year-on-year boost in annual revenues for 2012.

The airline also operates in the low-cost segment of the market under the brand AnadoluJet, which was founded in 2008.

Turkish Airlines is working towards achieving a financial rating, which is likely to be used to facilitate capital markets transactions.

Vueling – Spain

Barcelona-based low-cost carrier Vueling was subject of a cash tender offer by International Airlines Group (IAG) in April. On completion of the deal Vueling will be a standalone company within IAG, with its chief executive, Alex Cruz, reporting into IAG chief executive Willie Walsh.

Vueling is expanding its fleet. It has eight jets due for delivery from February through to June this year. The carrier will have a fleet of 70 aircraft after deliveries are completed.

The airline has suggested that it plans to place an order for about 60 aircraft once IAG's takeover is completed. Vueling is reportedly considering either Bombardier's C-Series or a mix of A320ceos and A320neos.

The airline posted a 27.8% year-on-year revenue increase for the 2012 financial year, with total revenues reaching $1.45 billion.

VUELING AIRLINES	
FYE 31/12/12	US$m
Summary Financial Performance	
Passenger Revenue	1,290.6
Cargo Revenue	0.0
Other Revenue	155.7
Total Revenue	1,446.3
EBITDAR	210.0
Net Income	37.2
EBITDAR Margin (EBITDAR/Total Revenue)	14.5%
Summary Operating Drivers	
RPKs (m)	13,693
ASKs (m)	17,622
Passenger Load Factor	77.7%
Number of passengers (000)	14,795
Average Trip Length (RPKs/Passengers) (kms)	926
Unit Costs & Revenues	
Passenger Yield per RPK	9.43
Total Revenue per ASK ('RASK')	8.21
Total Operating Cost/ASK ('CASK')	7.96
RASK-CASK Margin	0.25
Employee Costs as % of Total Revenue	6.7%
Debt & Liquidity	
Adjusted Net Debt	830.4
Total Net Fixed Charges	-148.0
Unrestricted Cash/Total Revenues	33.0%
EBITDAR/Net Fixed Charges (x)	1.4x
Capitalisation & Leverage	
Book Equity	311.2
Equity Market Capitalisation	0.0
Adjusted Net Debt/EBITDAR (x)	4.0x
Adjusted Net Debt/Book Equity (x)	2.7x
Cash Flow	
Free Cash Flow	125.1

AIRLINE PROFILES

Europe

WIZZ AIR	
FYE 31/03/12	US$m
Summary Financial Performance	
Passenger Revenue	993.7
Cargo Revenue	0.0
Other Revenue	11.3
Total Revenue	1,004.9
EBITDAR	197.0
Net Income	55.0
EBITDAR Margin (EBITDAR/Total Revenue)	19.6%
Summary Operating Drivers	
RPKs (m)	N/A
ASKs (m)	N/A
Passenger Load Factor	N/A
Number of passengers (000)	N/A
Average Trip Length (RPKs/Passengers) (kms)	N/A
Unit Costs & Revenues	
Passenger Yield per RPK	N/A
Total Revenue per ASK ('RASK')	N/A
Total Operating Cost/ASK ('CASK')	N/A
RASK-CASK Margin	N/A
Employee Costs as % of Total Revenue	5.3%
Debt & Liquidity	
Adjusted Net Debt	878.1
Total Net Fixed Charges	-123.4
Unrestricted Cash/Total Revenues	11.0%
EBITDAR/Net Fixed Charges (x)	1.6x
Capitalisation & Leverage	
Book Equity	70.3
Equity Market Capitalisation	0.0
Adjusted Net Debt/EBITDAR (x)	4.5x
Adjusted Net Debt/Book Equity (x)	12.5x
Cash Flow	
Free Cash Flow	0.1

Wizz Air – Hungary

Hungary's Wizz Air is the largest low-cost airline in central and eastern Europe. The carrier operates an all-A320 fleet of 43 aircraft, with two more deliveries scheduled for May and June. Wizz Air has a further 72 A320s on order with Airbus.

Its existing fleet is financed on operating lease on a sale/leaseback basis. In April Wizz Air secured financing for eight new Airbus A320 aircraft from China's ICBC Leasing. The agreement involves a mix of predelivery payments and sale/leasebacks.

Wizz Air and MC Aviation Partners entered into a sale/leaseback agreement for three new A320 aircraft in December. These jets are scheduled to deliver in 2013 and 2014. In April 2012 Wizz Air closed a sale/leaseback deal for one A320 with Hong Kong Aviation Capital.

The carrier reported revenue of $1 billion and net income of $55 million as of March 31 2012.

AIRLINE PROFILES

Middle East/Africa

AIR ARABIA	
FYE 31/12/12	US$m
Summary Financial Performance	
Passenger Revenue	697.4
Cargo Revenue	17.0
Other Revenue	97.3
Total Revenue	811.7
EBITDAR	168.6
Net Income	114.2
EBITDAR Margin (EBITDAR/Total Revenue)	20.8%
Summary Operating Drivers	
RPKs (m)	10,800
ASKs (m)	13,000
Passenger Load Factor	83.1%
Number of passengers (000)	5,300
Average Trip Length (RPKs/Passengers) (kms)	2,038
Unit Costs & Revenues	
Passenger Yield per RPK	6.46
Total Revenue per ASK ('RASK')	6.24
Total Operating Cost/ASK ('CASK')	5.50
RASK-CASK Margin	0.74
Employee Costs as % of Total Revenue	14.3%
Debt & Liquidity	
Adjusted Net Debt	228.8
Total Net Fixed Charges	-20.9
Unrestricted Cash/Total Revenues	44.5%
EBITDAR/Net Fixed Charges (x)	8.1x
Capitalisation & Leverage	
Book Equity	1,481.5
Equity Market Capitalisation	1,258.0
Adjusted Net Debt/EBITDAR (x)	1.4x
Adjusted Net Debt/Book Equity (x)	0.2x
Cash Flow	
Free Cash Flow	-277.3

Air Arabia – United Arab Emirates

Sharjah-based Air Arabia was the first low-cost carrier in the Middle East. Established in 2003, the airline launched an initial public offering in 2007.

The carrier has undergone successful expansion over recent years, and enjoyed a 55% profit boost, totalling Dh425 million ($114 million), for 2012.

The airline ordered 44 A320s in 2007, and financed 12 of the first 14 deliveries through export credit-backed deals. Air Arabia plans to fund the remaining orders through a combination of export credit agency financing, commercial loans and sale/leaseback transactions.

In April the carrier financed one A320-200 under a Euler Hermes-backed loan supplied by KfW Ipex-Bank.

The Air Arabia Group includes two other airlines – Air Arabia Maroc and Air Arabia Egypt – and the parent, Air Arabia.

Air Arabia was listed on the Dubai Financial Market in July 2007 and, as of May 6 2013, it had a market capitalization of $1.3 billion.

The Department of Civil Aviation of Sharjah holds a 17.40% stake in the company.

Emirates – United Arab Emirates

Dubai-based carrier Emirates has enjoyed decades of profitable expansion.

In February the airline raised $750 million through a senior unsecured amortizing bond. The airline also priced a $187.1 million Coface-backed bond to finance the delivery of one A380-800, the first bond guaranteed by the French export credit agency.

In March Emirates launched a $1 billion senior unsecured amortizing Islamic bond.

In 2012 Emirates secured just over $6 billion to fund the delivery of 33 new aircraft, including its enhanced equipment trust certificates transaction with Doric. It was the first non-US carrier to issue EETCs in more than a decade.

The Dubai-based carrier recently said it may need up to 30 more A380s to fulfil its capacity and route network expansion plans, and has also suggested that it would consider placing an order for up to 100 777s if Boeing launched a new model of the aircraft.

EMIRATES	
FYE 31/03/12	US$m
Summary Financial Performance	
Passenger Revenue	13,329.1
Cargo Revenue	2,599.4
Other Revenue	960.7
Total Revenue	16,889.1
EBITDAR	2,753.2
Net Income	409.0
EBITDAR Margin (EBITDAR/Total Revenue)	16.3%
Summary Operating Drivers	
RPKs (m)	160,446
ASKs (m)	200,687
Passenger Load Factor	80.0%
Number of passengers (000)	33,981
Average Trip Length (RPKs/Passengers) (kms)	4,722
Unit Costs & Revenues	
Passenger Yield per RPK	8.31
Total Revenue per ASK ('RASK')	8.42
Total Operating Cost/ASK ('CASK')	8.21
RASK-CASK Margin	0.21
Employee Costs as % of Total Revenue	12.8%
Debt & Liquidity	
Adjusted Net Debt	13,808.1
Total Net Fixed Charges	-1271.6
Unrestricted Cash/Total Revenues	25.1%
EBITDAR/Net Fixed Charges (x)	2.2x
Capitalisation & Leverage	
Book Equity	5,845.2
Equity Market Capitalisation	0.0
Adjusted Net Debt/EBITDAR (x)	5.0x
Adjusted Net Debt/Book Equity (x)	2.4x
Cash Flow	
Free Cash Flow	-1,569.8

AIRLINE PROFILES

Middle East/Africa

JAZEERA AIRWAYS	
FYE 31/12/12	US$m
Summary Financial Performance	
Passenger Revenue	184.9
Cargo Revenue	0.0
Other Revenue	36.3
Total Revenue	221.2
EBITDAR	96.0
Net Income	49.3
EBITDAR Margin (EBITDAR/Total Revenue)	43.4%
Summary Operating Drivers	
RPKs (m)	N/A
ASKs (m)	N/A
Passenger Load Factor	N/A
Number of passengers (000)	N/A
Average Trip Length (RPKs/Passengers) (kms)	N/A
Unit Costs & Revenues	
Passenger Yield per RPK	N/A
Total Revenue per ASK ('RASK')	N/A
Total Operating Cost/ASK ('CASK')	N/A
RASK-CASK Margin	N/A
Employee Costs as % of Total Revenue	11.1%
Debt & Liquidity	
Adjusted Net Debt	245.0
Total Net Fixed Charges	-26.1
Unrestricted Cash/Total Revenues	77.2%
EBITDAR/Net Fixed Charges (x)	3.7x
Capitalisation & Leverage	
Book Equity	205.0
Equity Market Capitalisation	752.0
Adjusted Net Debt/EBITDAR (x)	2.6x
Adjusted Net Debt/Book Equity (x)	1.2x
Cash Flow	
Free Cash Flow	53.2

Jazeera Airways – Kuwait

Kuwait-based Jazeera Airways was the first private airline in the Middle East on its launch in 2004. The carrier raised $34 million of capital through an upfront initial public offering in June 2004, and began operations the following October.

The carrier more than tripled its net profits for the first quarter of 2013 to KD3.6 million ($12.6 million), representing a 300% year-on-year increase. Jazeera Airways also enjoyed strong growth in 2012, with a 32% boost in net profits compared with 2011.

In December it launched a rights issue for 178 million shares to raise the carrier's capital to KD42 million.

The airline established its own leasing firm, Sahaab Aircraft Leasing, in 2008.

Jazeera Airways operates a fleet of 12 A320s.

Kenya Airways – Kenya

Nairobi-based Kenya Airways is the country's flag carrier. The airline was launched in 1977, after the break up of the East African Community and the disbanding of East Africa Airways.

The African carrier plans to expand its freighter fleet to 12 aircraft over the next decade, in order to facilitate the growth of its cargo operations.

In June 2012 the airline mandated African Export-Import Bank to fund one 777, nine 787s and 10 ERJ-190s. The deal included both predelivery payments and aircraft delivery finance facilities.

Kenya Airways plans to launch a new low-cost carrier subsidiary, Jambo Jet, to compete with new budget airlines in the African market.

Kenya Airways is cross-listed on the Nairobi Stock Exchange, Uganda Securities Exchange and Dar es Salaam Stock Exchange.

It raised $243 million in a rights issue mid 2012 to help fund its fleet expansion.

KENYA AIRWAYS	
FYE 31/03/12	US$m
Summary Financial Performance	
Passenger Revenue	1,155.1
Cargo Revenue	107.0
Other Revenue	47.8
Total Revenue	1,309.9
EBITDAR	182.6
Net Income	20.1
EBITDAR Margin (EBITDAR/Total Revenue)	13.9%
Summary Operating Drivers	
RPKs (m)	9,943
ASKs (m)	13,875
Passenger Load Factor	71.7%
Number of passengers (000)	3,644
Average Trip Length (RPKs/Passengers) (kms)	2,729
Unit Costs & Revenues	
Passenger Yield per RPK	11.62
Total Revenue per ASK ('RASK')	9.44
Total Operating Cost/ASK ('CASK')	9.12
RASK-CASK Margin	0.32
Employee Costs as % of Total Revenue	12.5%
Debt & Liquidity	
Adjusted Net Debt	920.4
Total Net Fixed Charges	-96.1
Unrestricted Cash/Total Revenues	6.3%
EBITDAR/Net Fixed Charges (x)	1.9x
Capitalisation & Leverage	
Book Equity	279.5
Equity Market Capitalisation	192.0
Adjusted Net Debt/EBITDAR (x)	5.0x
Adjusted Net Debt/Book Equity (x)	3.3x
Cash Flow	
Free Cash Flow	-12.6

SPONSORED EDITORIAL

Order Book Rebound

Embraer is logging new E-Jet orders, particularly from operators in the US. John Slattery, chief commercial officer for the manufacturer's commercial aviation division, gives his views on the company's strong performance and its hopes for the future.

John Slattery, chief commercial officer, Embraer

The first four months of this year reflect market "momentum", according to John Slattery, Embraer Commercial Aviation's chief commercial officer, in reference to the 77 firm orders the Brazilian manufacturer has logged for its popular E-Jet aircraft family since January.

The recent shopping spree by US carriers accounted for the majority of those sales thanks to the accelerated retirement of 50-seat regional jets from the country's airline fleets.

"After a few dry years in the world's largest market, it's encouraging to see a trend for new orders," says Slattery. Embraer received a healthy share of the purchases from US airlines and almost exclusively for its E175. The most popular configuration for that aircraft will be 76 seats, in dual class.

Republic Airways of Indianapolis, already the operator of the world's largest E-Jet fleet, added another 47 after signing a capacity purchase agreement with American Airlines. The first of those aircraft will be delivered in the second half of this year and will be operated as American Eagle flights, the American Airlines regional brand. Republic holds options on an additional 47 E-Jets as part of that recent order. In addition to Republic, United Airlines announced the acquisition of 30 E175s with options for an additional 40. It will appoint regional partners to operate them.

Slattery sees Embraer's US success as validation by the market of the manufacturer's decision to invest in the platform. "We're already incorporating the first of several improvement packages that will deliver real reductions in fuel burn. The next generation of E-Jets coming online in 2018 will introduce an even more efficient family of aircraft. I believe that

American Eagle Airlines will receive its E-Jet later this year.

our customers see value in that commitment."

If all options are converted and conditional airline capacity purchase agreements are confirmed, Embraer's tally for the US market will be 164 E-Jets. Slattery is quick to add that, although Embraer did not win new orders from Delta Air Lines in this round, Republic Airways still flies E170s and E175s for Delta Connection.

"Not only are Delta's E-Jets flying in regional markets, they're also the backbone of high-frequency shuttle routes between New York and Boston, Washington and Chicago." Slattery continues to be optimistic. "We're always talking to our customers," he says. "I'm confident we'll find another opportunity to work closely with Delta, especially with our development of the next generation of E-Jets."

"We're already seeing good demand for used E145s in Africa, and the economic outlook there indicates interest for E-Jet size capacity in the years ahead too."

> "The airplanes are working extremely well with our customers in Kazakhstan and Ukraine."
>
> **John Slattery, chief commercial officer, Embraer**

More orders from near and far

While the North American market has seen a flurry of orders, Embraer has been steadily winning new customers in other parts of the world. Over the past year it has been adding, on average, one new airline to its list of E-Jet customers every other month. Europe and Central Asia have accounted for more than half of the acquisitions. Leasing companies have facilitated almost all of the transactions.

The aircraft have also joined the fleets of airlines in Myanmar, Ukraine and Latin America. For the first time a scheduled tour operator, TUI Jetairfly of Belgium, acquired E190s that it arranged through BOC Aviation. The airline is using its E-Jets to access more nonstop and seasonal markets.

Since November Myanma Airways has been flying two E190s it leased from Gecas. The aircraft were acquired to replace the airline's fleet of Fokker 28s. Also in 2012 Air Lease Corporation delivered two E175s to Belavia and three E190s to Bulgaria Air, both new Embraer customers.

E-Jets have a particularly strong presence in Latin America, where the aircraft account for one in every 10 departures, or 14% of the fleets of domestic carriers. That number is growing now that Conviasa of Venezuela has started flying the first units of its order for 20 E190s. Also earlier this year Ukraine International started flying E190s. Most recently CIT Aerospace leased E190s to Flynonstop, a Norwegian start-up carrier that is setting up a network to link the capitals of Europe with Kristiansand.

Embraer's own entity, ECC Leasing of Dublin, supplied E170s to Azerbaijan Airlines that will supplement the carrier's E190s to be delivered new from the factory in São José dos Campos in the third quarter of this year. ECC Leasing has also placed E190s with Air Lituanica. Flights are scheduled to start from Vilnius in June.

Going for 100 airlines

Towards the end of this year Embraer will deliver its 1,000th E-Jet, a milestone it will reach in a little more than nine years after its first aircraft entered revenue service with LOT Polish Airlines. Despite new entrants from Japan, Russia and China that are producing aircraft of similar capacity, Slattery sees continued strong demand for Embraer aircraft.

"Today we have 63 airlines currently operating E-Jets or soon to receive their first airplanes. I'm confident that we'll grow that number to 100 by the time our next-generation E-Jets come on line five years from now in 2018." It is an ambitious target given the intense competition in the regional manufacturing sector but one that Slattery defends.

"Talking about designing an aircraft and then delivering a programme with quality support are two very different things. Embraer's track record for excellence in production, assembly and after-sales support is hard to replicate."

Russia may well be a source of some of those new E-Jet customers. Last December Russia's civil aviation authority certified the E190 and E195.

"The airplanes are working extremely well with our customers in Kazakhstan and Ukraine," adds Slattery. "Airlines competing with them are seeing how smaller capacity aircraft are bringing new efficiencies to their operations." Other emerging regions are equally attractive to Embraer.

Embraer will deliver its 1,000th E-Jet in 2013

"I also believe there will be a strong market for second-hand equipment as aircraft come off lease with existing customers," he says. "We're already seeing good demand for used E145s in Africa, and the economic outlook there indicates interest for E-Jet size capacity in the years ahead too."

Embraer predicts its next-generation E-Jets will be another opportunity to attract more new customers.

"For a decade, we've been spreading the right-sizing message and how airlines have a unique opportunity to replace their ageing fleets and remove excess capacity with lower-risk, smaller E-Jets. The success of that message is proven in the global diversity of our customer base," says Slattery.

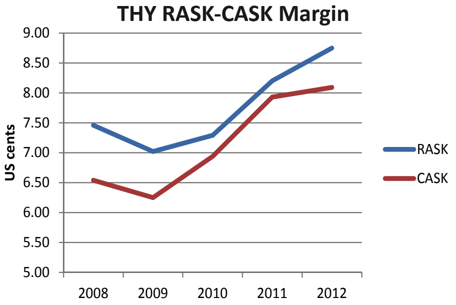
As airlines start planning for 2018 and beyond, Slattery is even more confident in attracting new E-Jet operators. He says: "The next generation of E-Jets will deliver appreciable cost savings with futuristic technology. It's a combination that I believe will bring customers who are still flying empty seats with our competitors' larger aircraft over to Embraer."

Airline of the year 2012: Turkish Airlines

Turkish Airlines won this year's Airline of the Year 2012 award. Michael Duff, Managing Director of The Airline Analyst, explains how the Turkish flag carrier beat its rivals to win the top accolade.

Turkish Airlines' (THY's) story was the most compelling among the world's airlines in 2012. The airline won the top spot based on its ability to translate a significant fleet expansion into profitable growth. Winning airline of the year means achieving three things. The first is making a profit from being an airline, the second is having sound financials and the third is growing shareholder value.

These may sound simple criteria, but even demonstrating one challenges some carriers. In 2012 THY achieved all three while continuing its rapid growth of the past three years.



Adding over more than 50 aircraft and 30 destinations in just three years can be the kind of expansion that does not pay off. However, boosting revenues by 40% in 2011, and then 26% last year, along with a record Ebitdar (earnings before interest, taxes, depreciation, amortization and rent) of $1.4 billion, show that THY successfully spotted the opportunity – and, more importantly, made money – net income was $643.3 million.

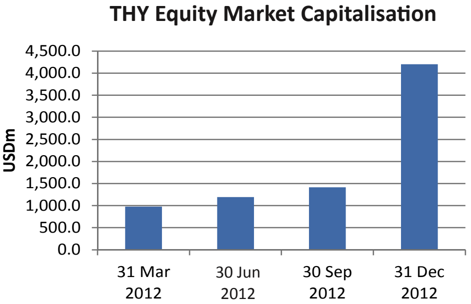
The airline also kept its financials sound during its expansion. RASK-CASK margin more than doubled, Ebitdar margin improved to 16.4% and a fixed charge cover of 6.0x in

THY's team displays the award.

2012 mitigates the carrier's moderately high leverage, which fell back to 3.8x.

Strong operating cash flows kept adjusted net debt flat year on year despite a $1.8 billion capital expenditure.

In 2012, THY became more valuable than Australian flag carrier Qantas by equity market capitalisation. Its equity value quadrupled from $977 million to $4.2 billion, making it the 15th most valuable airline in the world, according to The Airline Analyst.



THY KEY FINANCIAL INDICATORS

$m	2008	2009	2010	2011	2012
Total revenue	3,455.3	3,973.4	4,747.5	6,661.5	8,411.5
Ebitdar	670.7	852.1	689.2	899.4	1,383.2
Ebitdar margin	19.4%	21.4%	14.5%	13.5%	16.4%
Fixed charge cover	8.2x	6.0x	2.6x	3.0x	6.0x
Net income	634.8	312.9	160.3	10.4	634.3
Liquidity (% of revenues)	30.9%	17.8%	9.6%	14.1%	12.2%
Leverage (adj net debt/Ebitdar)	2.12x	2.58x	5.12x	5.85x	3.79x

CFO INTERVIEW

Southwest's Iron Lady

With almost 25 years' service at Southwest, chief financial officer Laura Wright has successfully led the carrier through the Lehman crisis, 9/11 and the 2008 financial meltdown. She tells Yana Palagacheva about the challenges, the carrier's fleet strategy and financial plans just a few months before her planned retirement.

Airfinance Journal: **You have been with Southwest since 1988 and chief financial officer since 2004. You are about to retire, what would you describe as the highlights of your career at Southwest?**

Laura Wright: There are so many of them. When I started with Southwest in January 1988 we had 75 airplanes and less than a $1 billion of annual revenue. "When I got to Southwest we were almost 17 years old and we only had 75 airplanes. We have been conservative in expanding and, with the low-cost structure, I've been very proud that we've been able to keep that balance sheet strong. We have been through a lot and it has been just incredible. When you think of the highlights, back in the early '90s is when we really had our high-growth years. The industry here domestically was struggling and we had a lot of bankrupt-cies. That's really when I got active on the corporate finance side and, with our treasurer, we picked up a lot of additional airplanes, and that is when we really conquered the west coast.

In terms of other highlights, the Morris acquisition back in 1994 was something I was very involved in, as well as the ATA bankrupt-cy/Midway Gate auction that we did back in late 2008-2009.

Another highlight, I wouldn't say the events were great, but it really impacted the industry, was 9/11. When the airlines shut down opera-tions, finance, which is always a back office support function, became front office and we had to react to the realities of 9/11. We had a pretty significant amount of aircraft deliveries coming: in fact, we had five more in the month of September, one on September 12 and four more that month.

So we did a desert financing, which was really unique and it was tough. We took brand-new airplanes to the desert. I'll never forget when we brought the final one out. We went out to the Mojave with the bankers who helped

Certainly the last decade has been pretty heavily covered by fuel hedging and dealing with transforming our business model to a very different cost structure – the lowest cost structure. us put that deal together, and we all flew that airplane out of Mojave and it was something I will never forget.

You have led the carrier during challenging economic times, and under your leadership Southwest has maintained the strongest balance sheet in the American airline industry. How did you make that happen?

We've had to make a lot of changes over the 25 years that I've been here, but there were a lot of parts of our strategic plan that didn't change and a lot of it goes well before me. But even when you go back to those high-growth years, we had so many more opportunities to grow, but we always had a conservative thought that we had to have a conservative balance sheet.

When I got to Southwest we were almost 17 years old and we only had 75 airplanes. We have been conservative in expanding and, with the low-cost structure, I've been very proud that we've been able to keep that balance sheet strong.

You mentioned that in the past couple of years Southwest had to transform its business model. Can you take me through the changes in the airline's strategy since you started?

The overall strategy has been low-cost/high-quality customer service, those haven't changed, but technology has certainly changed our business and distribution dramatically

When talking about highlights one event

"That's really when I got active on the corporate finance side and, with our treasurer, we picked up a lot of additional airplanes, and really conquered the west coast."

"Over the last 10 years we've paid for most of our planes from cash flow from operations and financed only a small portion of them."

Laura Wright, Southwest Airlines

that I failed to include was back in the '90s, when we got shut out of the GDS system. At that time most customers were buying their tickets through the travel agency community and we all had paper tickets. As a result, we had to react and we developed a ticketless product.

So, we had a lot of changes in distribution – we've had changes for us even on the boarding process. That was a pretty significant change for us six to seven years ago.

We are offering new products now that we didn't have. When I started we had just-launched our frequent-flyer programme, but the highest value proposition strategy that we've had in place hasn't changed fundamentally.

How about in terms of financing of aircraft – what changes have you seen since you first started?

We've definitely reacted to changes in the market place. If you go back to late '80s and early '90s, we did a lot of US leveraged leases on the aircraft back then, something that we haven't done for probably 15 or 18 years.

Then we moved into EETCs [enhanced equipment trust certificates]. That didn't exist when I first started and we were not big users of the EETC product, as we had access to a lot of other types of financing. But we definitely used the EETC market. Just one month after 9/11 we were in New York with the first bond financing. We've seen EETCs change a lot over the last 15 years as well.

And then we were involved in the unsecured markets. We've been in the European markets when those were really attractive for airline financing and, more recently, we've developed some relationships with Asia, particularly some of the Chinese banks.

What are your thoughts on the market today compared with when you started your career?

I think the most interesting thing probably is the change in interest rates, because when I first started rates were much higher than they are today. I specifically remember when we had a chance to do a bond based on an 8% UST rate – something the bankers claimed would not be available again. Since then, we have seen interest rates continue to drop and I'd say that is the most significant change, because it's been pretty dramatic.

Another thing is just how volatile the financial markets are. What I've learned is that they continue to go in waves like we've seen over the past few years. The European banks were there when others weren't and now they are gone. So I think because of the volatility that we have in the financial market place, we will continue to see things come in favour and things go out of favour and that's just reality.

And certainly having the best balance sheet is a great place to be. We saw that back in 2008-2009 through the Lehman crisis when we did two very significant financings in December, and we did sale/leasebacks with banks in China and then we did some private-placed bonds. I think we were about the only airline in the world that was really able to access the capital markets during that time period and certainly our track record, balance sheet and relationships allowed us to do that.

Earlier this year the carrier announced it would delay 30 of its 737 deliveries for a cost-saving purpose. The operating income for the second quarter more than doubled this year. How would you describe the financial position of Southwest Airlines at the moment?

We did have record second-quarter earnings that we just came out of and we are very pleased with this.

The decision that you were talking about is just the deferral of 30 of our airplanes, which originally had been scheduled for 2013 and 2014, that we moved out, and that was just a view that the current economic conditions and the recovery has been much slower than any of us anticipated a few years ago.

We are very pleased with the performance that we have here today on our earnings but we are still not hitting our return on invested capital targets and we need to do that. Until we can get further along to hitting those targets, it doesn't make sense for us to continue to invest as much capital in the business. So we pushed out the deliveries to 2017 and 2018.

How would you imagine this aircraft being financed at that point?

If you look at our financing of airplanes, we have funded the majority of our aircraft

"We are probably ahead of schedule in terms of what we intended to do."

Laura Wright, Southwest Airlines

SOUTHWEST AIRLINES FACTS AND FIGURES	
Summary Financial Performance	US$m
Passenger Revenue	16,093.0
Cargo Revenue	160.0
Other Revenue	835.0
Total Revenue	17,088.0
EBITDAR	2,011.0
Net Income	421.0
EBITDAR Margin (EBITDAR/Total Revenue)	11.8%
Summary Operating Drivers	
RPKs (m)	165,561
ASKs (m)	206,217
Passenger Load Factor	80.3%
Number of passengers (000)	109,347
Average Trip Length (RPKs/Passengers) (kms)	1,514
Unit Costs & Revenues	
Passenger Yield per RPK	9.72
Total Revenue per ASK ('RASK')	8.29
Total Operating Cost/ASK ('CASK')	7.89
RASK-CASK Margin	0.39
Employee Costs as % of Total Revenue	27.8%
Debt & Liquidity	
Adjusted Net Debt	3,024.0
Total Net Fixed Charges	-474.0
Unrestricted Cash/Total Revenues	17.4%
EBITDAR/Net Fixed Charges (x)	4.2x
Capitalisation & Leverage	
Book Equity	6,992.0
Equity Market Capitalisation	10,019.0
Adjusted Net Debt/EBITDAR (x)	1.5x
Adjusted Net Debt/Book Equity (x)	0.4x
Cash Flow	
Free Cash Flow	483.0
FYE 31/12/2012, Source: *The Airline Analyst*	

through our cash flow from operations. Back in the early days when we started, we wanted to finance 50% with 50% from cash on hand. But over the last 10 years we've paid for most of our planes from cash flow from operations

How about retiring aircraft: have you started doing that already?
We've definitely started doing that. This year we will retire 40 of our 737 Classics. We started the year with roughly 190, so it's almost 20% – a pretty significant retirement of our classics.

Over the next few years, starting in 2013, we recently announced the deal with Delta where we are going to be moving the 88 717s that we have in our AirTran subsidiary over to Delta. So there's a whole lot going on for us right now on the airplane front.

Do you imagine the long-term core strategy of Southwest staying the same – for example, operating a single aircraft type?
In December we made a decision on our next-generation airplane when we announced ourselves as the launch customer for the Boeing 737 Max with a pretty significant order. So we currently still plan to operate one airplane type.

In terms of our strategy, what we want to do and how we plan to get there, those are well articulated in getting AirTran into the Southwest network. We will eventually be one airline. We have a lot on the way in our frequent-flyer programme. We've got plans to be able to operate internationally – into near international destinations.

But I don't see any changes in the fundamentals of our strategy and I think it's in good hands.

You mentioned new routes going international, can you elaborate a bit on your growth plans?
We don't ever announce where and when we want to go for obvious reasons, but certainly we are pleased with AirTran's flights to Mexico and the Caribbean, and we have increased the flight activity to these destinations since we've acquired them.

We announced earlier this year that we've entered into an agreement to build international reservation capabilities with Amadeus, and that work is under way.

Another item of news is the Houston Hobby Airport, which has agreed to build an international terminal and customer facilities. Hobby is an important airport for us, so we're getting things in place to get the opportunity to grow that market even more.

It looks like AirTran's integration is going pretty well. How has the acquisition affected Southwest's financial position?
When we acquired AirTran – and this really goes back to the balance sheet strength – it had a very different balance sheet than Southwest. They were pretty much all debt. When we acquired Air Tran our leverage increased by about 10 points.

By the end of 2012 we'll have our leverage back down to the low 40s, which is really what we intended. So we've really reduced the debt on their side in about a year and a half. And that will even be more so as we take the 717s out of that fleet, which are leases, which we include as debt.

So I'd say on the corporate finance side and the balance sheet and the financial side on AirTran acquisition, we are probably ahead of schedule in terms of what we intended to do there.

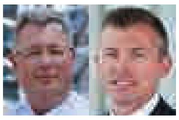
You have done a lot at Southwest and you will be remaining within the company until the end of the year. Is there anything big that we should be expecting from you?
I'm really looking forward to doing some things I haven't done. I think I'll do something at some point, but I need to take my time and figure out what new adventures I want to do. But there's nothing to point out yet. I'm just enjoying my family for a while.

Do you imagine staying within aviation?
I don't know – definitely no other airline. I'm going to root for Southwest for the rest of my life. I think whatever I do, it would have to be aviation related. But honestly, I really have not made any decisions yet.

SPONSORED EDITORIAL

A380 – love at first flight

Airbus' Andrew Gordon, director of strategic marketing & analysis, and François Collet, vice president, structured finance, explain how investors are keen to finance an aircraft that helps carriers boost their profits.



Andrew Gordon (left)
François Collet (right)

AIRBUS

There are few aircraft in the history of aviation where passengers of all types, whether flying for leisure or hardened frequent flyers, actively seek out a particular model to be part of their journey – the A380 is the first on the list.

Waiting in a departure lounge for an A380 flight, with the aircraft towering over you next to the departure gate, you and those around know their experience will be much more than just another flight. Today, more and more people have the opportunity to experience the A380, with more than 100 flying with the world's premium airlines between the world's biggest cities, with more joining current and new airline fleets every month.

The aircraft made its first flight in front of Airbus staff, invited guests and a significant part of the population of Toulouse in southwest France on April 27 2005. It was the first, but not the last, time people thrilled to see the world's largest aircraft take to the skies.

Since these early days the A380 has operated more than 100,000 revenue flights, accumulated 885,000 flight hours and carried more than 38 million passengers. Today's A380 network comprises 65 routes connecting 31 destinations, connected by 140 flights a day, with an A380 taking off or landing every six minutes. It is a growing global network, connecting the world's aviation mega-cities.

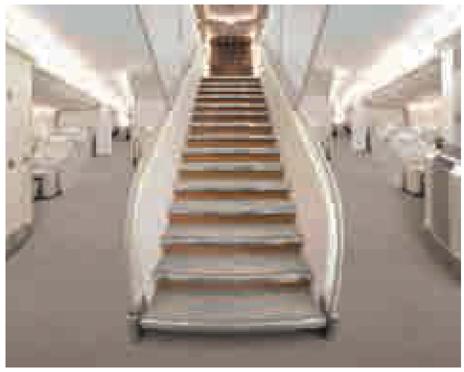
The A380 defined

More space

The A380 is the largest passenger aircraft in history to have entered revenue service. It has a nominal three-class seating of 525 seats, a range of 15,700 kilometres and a maximum takeoff weight of 575 tonnes. The two passenger decks of the A380 have a total area of 5,920 feet^2 (550 metres^2), the floor space roughly equivalent to six, three-bedroom family homes in London.

Latest technologies

The aircraft incorporates the latest technologies, with composite materials accounting for 25% of the A380's structural weight, allowing for a significant 15 tonnes of weight saving. This helps to allow the aircraft to offer 21% lower fuel burn for each seat and, as a result, 24% lower cost per seat than the aircraft it is typically replacing today.



The A380 boasts the quietest and widest main deck cabin.

Its environmental credentials are also impressive. With its state-of-the-art, high by-pass engines from Rolls-Royce and the Engine Alliance, optimization of high lift systems, better take off and climb performance, lower approach speed and automated and customized noise-abatement procedures, the A380 offers half the noise of the 747-400, with 40% more seats.

Designed with the environment in mind

It is not just passengers, or those living near airports, who appreciate the A380's contribution to noise reduction, both inside and outside the aircraft. In November 2012 the Noise Abatement Society (NAS) in the UK recognized the progress made by the A380 with an award, stating, "The NAS was immensely impressed with the reduced external noise emissions of the A380 compared to typical equivalent aircraft and with its quiet and peaceful interior acoustics. This proves that with commitment and engineering excellence noise pollution need not be the inevitable by-product of progress."

The aircraft is also greener producing considerably less emissions. If an airline wanted to offer a daily long-haul route, say, a return trip between Tokyo and New York, it would typically need three A380s to cover that operation. Using

The A380 - delivering value today, designed for tomorrow's opportunities

even the very latest and best aircraft that Airbus's competition could offer the same operation would burn about 19% more fuel, equivalent to 524 tonnes more CO_2 to try and match the capacity of the A380s. It takes an A380 to compete with an A380.

More people, more wealth, more flying

By the end of the 1990s Airbus had developed its product offerings from the best-selling single-aisle A320 family up to the higher capacity, longer-range twin-aisle products, the A330/A340 family. The largest variant of these, with a nominal three-class seat count at about 380 seats, was soon to fly. But throughout a decade of discussion and analysis that preceded the launch of the A380, it became very clear that the world's aviation network needed a large aircraft, not only at that time to replace the ageing 747, but more importantly to meet the growing demand for air transport. These additional passengers would not only come from the more traditional markets of Europe and North America, but also increasingly from the emerging markets, where demographics and rampant economic growth would deliver ever-increasing numbers of new flyers.

In the past 30 years air transportation has doubled in size every 15 years. In the next 15 years forecasts suggest that aviation passenger traffic will double again, as people in the emerging markets in Asia-Pacific grow wealthier and their propensity to fly grows:

- by 2030, the number of middle-class people in Asia will be five times greater than today, with the people of India and China having a propensity to fly 4.5 times greater;
- the signs are already there – Chinese tourists spend more than travelers from any other country, and over the next 20 years the Chinese domestic aviation market will overtake the US domestic flow as the largest single aviation market; and
- 65% of the capacity from today's A380 fleet is deployed on routes to, from or within Asia.

Beating capacity constraints and reducing costs with the A380

Since 1995 the number of long-haul routes in the global aviation network has grown by 42%. At the same time the number of seats offered on these routes has grown by 93%, so it is clear that the average aircraft size has increased significantly to meet the growth in demand for air transportation.

This has occurred for a number of reasons. As routes grow it is easier for airlines to grow aircraft size than to increase frequencies, especially as obtaining slots at already constrained large hub airports has, and will, continue to be problematic. At London's Heathrow airport one major operator of the A380 has managed to increase capacity by 47% without increasing frequency. Globally it is the same story; airlines have been able to increase the capacity they are able to offer on major routes by 41% with just an 8% increase in frequency, something no other aircraft type could have offered.

Another reason is to reduce operating costs. There have been many examples where airlines have added seats to existing aircraft, converted existing firm orders to larger variants in new aircraft families, such as the A350XWB, and aircraft manufacturers examining options to maximize the number of seats in existing products – eg, slim-back seats, optimized door/emergency exit positions, even optimizing the size and position of lavatories to maximize the number of seats in the aircraft. This is an all-out effort to minimize the cost for each seat per flight. On the high-density flows between the large population centres, mega-cities, the places where billions of people live, work and want to travel to and from, the A380 is the ultimate machine when it comes to minimizing seat costs.

Today traffic to, from or between just 42 cities represents more than 90% of all long-haul traffic. These are iconic cities such as London, Paris, New York, Dubai and Singapore. Allowing for the growth forecast, and the emerging markets that are developing, these 42 cities will grow to 92 cities in 20 years, as the largest routes grow. It is the routes between these cities, with their already dense traffic and congested airports, which are and will be the primary home for the A380. From the 31 cities that have A380 operations, 28 are aviation mega-cities.

Looking at all A380 routes, as recently as 2007 other aircraft types operated almost 60% of all the frequencies flown on them. Today just one-third are operated by these types, with the A380 meeting the majority of demand, with a 54% share of the frequencies flown on these routes. The evidence speaks for itself.

However, while the A380 network is dominated by these large population centres, since its introduction airlines have found the aircraft can even be an effective secondary (but high-yield) routes enhancer, with services to Manchester in the UK and Zurich in Switzerland now firmly part of its global network. It is something that is expected to continue. In fact, any route operated by an airline with 400 or more daily seats can be considered an A380 route. The route opportunities are vast.

Minimizing seat costs or maximizing comfort, the customer decides

As well as offering customers unrivalled flexibility to minimize seat costs, A380s also have the ability to maximize comfort, luxury and the flying experience for passengers. Today some airlines are operating the aircraft at an extremely comfortable 407 seats. It offers airlines the opportunity to pamper their high-yield passengers, and at the same time giving passengers at the back of the aircraft more than other aircraft types, in terms of space and ambiance.

Airline customers have chosen seating configurations from this luxurious arrangement, right up to single-class layouts of 840 seats, 13 fewer than the maximum capacity of 853 seats. This gives airlines the flexibility to mix comfort, revenue and cost per seat to more precisely match their own distinct brands and business models. This is a degree of capacity flexibility that is again something that only the A380 can offer.

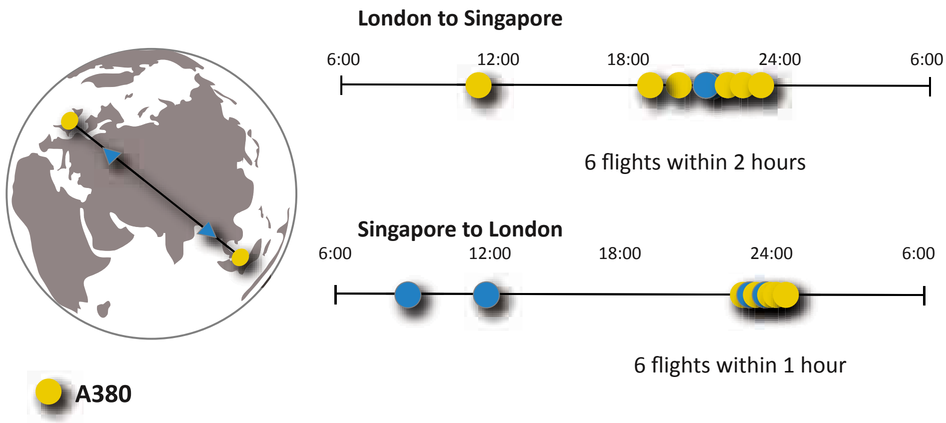
Airlines agree, with customers re-ordering in each of the past eight years. Over the past five years nearly 90% of all orders in this category of aircraft were for the A380. At an operating level this capacity flexibility allows airlines to deploy the right capacity at the right time, which is critical to serve optimally their trunk routes that are the driver of revenue on their networks.

Two daily demand peaks characterize long-haul flights, especially between mature and expanding markets. The A380 allows an airline to capture these peaks in the most cost-efficient way by reducing or eliminating the need for closely spaced multiple departures, which add complexity and cost to the network. There is also a revenue advantage because these peaks are in part also driven by passenger preference to have a night or convenient day flight option, for which they will pay a premium.

More than 100 A380s have been delivered to date, with many different market sources financing the aircraft with telling ease.

Flexibility for life

What is sometimes not well understood is that as the market evolves, A380 customers may want to adjust their cabin configurations by changing seating configurations. Importantly, this is no more costly on a per-seat basis than any other large widebody. A number of A380 customers have already undertaken some limited re-configuration activity, with no technical or commercial hindrance encountered. In addition, studies have shown that should the time ever come to move an A380 from one airline customer to another operator, the cost of reconfiguring the cabin would be little different to a typical one-deck widebody aircraft, as these changes would likely affect only one out of the two A380 decks, due to a more standard configuration present on the main deck.



A380 allowing customers to deliver capacity when it's needed and most profitable

Passenger appeal, load factors and yields all equal profitability

With the A380 having been in service for more than five years, it is clear that the interest shown by passengers is the same today as it was when the aircraft first entered service. The A380 is not just another widebody aircraft, not just another tube in the air, it is a unique proposition, a unique opportunity offered to airlines, allowing them to bring a new standard to the market, and by so doing gaining a real competitive edge.

The results of such appeal, and passengers' clear preference to fly on the A380, is that airlines operating the aircraft regularly report average load factors of more than 80%, with some even reporting close to or above 90%. For the airlines operating the A380, having such high levels of occupancy means that the ticket prices they charge, and therefore the yield they accumulate, is higher than before flying the A380 and higher than their competition not flying the A380 – passengers are ready to pay more to fly the A380.

Higher load factors, higher yield generation, lower seat-mile cost – anybody who has been managing a business would say that this is the perfect alignment of product attributes. It is a real dream come true for an airline and its finance and treasury team; the A380 is the perfect aircraft, generating a higher profitability for the airline. This is what is commonly known as the "A380 effect".

A380 OPERATORS, GROWTH WITH FEWER SLOTS

	Frequency	Seats
Frankfurt	+9%	+45%
Hong Kong	+17%	+33%
London	+8%	+41%
Los Angeles	-5%	+16%
Tokyo NRT	+13%	+51%

February 2013 vs October 2007

Boosting airline profitability – a credit enhancer for financiers and investors

The A380 is not just an attractive proposition for airlines but also for aircraft financiers and investors.

Investors are much happier financing an aircraft whose operations will improve an airline's profitability and therefore directly improve the airline's credit rating.

The A380 effect is a virtuous loop: financiers and investors finance an A380; the operation of the A380 increases the profitability of the airline which in turn improves the airlines' credit; this credit boost provides additional value to financiers and investors who end up with a much stronger financial transaction.

The A380 is a game changer in the way financiers, investors and rating agencies should look at aircraft financing and at the rating of financial transactions. The A380 offers financiers the traditional collateral security, true of any aircraft backed transaction, but it also provides an extra layer of security –an increased operational profitability security layer. To put it simply, operating the A380 should prevent an airline from defaulting.

Rating an A380 financing transaction should ideally work this way: start with the airline rating (either public or private), then add a few notches for the transaction cash flow structuring, add a few notches for the A380 collateral protection, and then circle back and add a few notches more as the carrier becomes an improved credit through its use of the aircraft: the increased operational profits create a virtuous loop.

More than 100 A380s have been delivered to date, with many different market sources financing the aircraft with telling ease.

The flexibility the A380 demonstrates in operation has been mirrored in its financing. Practically all major financing sources are utilized to fund deliveries including commercial loans, export credit financing, tax leases, investor lease financing, as well as capital market financing. What is even more impressive is that even new sources of financing have been attracted by this iconic aircraft. This is because investors can see the positive impact and the benefits of the aircraft.

The value and profitability the A380 brings to airlines simply makes them better credits in the eyes of the financial community. As the saying goes: it takes an A380 to compete with an A380.

METHODOLOGY

The top 50 airlines

We have evaluated the world's airlines on a number of operational and financial criteria using data from The Airline Analyst. The sample includes 144 airlines (124 after excluding separately reported subsidiaries) and 3 tour operators whose financials are available in the public domain and which have released financial statements for periods ending between December 2011 and March 2013. The sample therefore does not include airlines whose financial statements are not available publicly, or those whose most recent available financials fall prior to December 2011, e.g. LOT and Ethiopian Airlines. However the sample is estimated to include airlines representing around 90% of global RPKs. New additions to the sample since the Airline Top 50 was last published include Thai AirAsia, Pegasus Airlines and AirAsia X.

Data for 131 of the 147 companies represents financial years or latest twelve month periods ending in 2012 or 2013. By going back to December 2011 we capture an additional 16 airlines who have not yet released full year 2012 data. For some airlines which have reported quarterly data through September 2012, we have included their September 2012 "Latest Twelve Months" data. The data includes the most recent 31st March 2013 releases for ANA and Japan Airlines.

The sample includes the following categories of airline, each of which has its unique characteristics:

SAMPLE BY BUSINESS MODEL	
Network	71
LCC	20
National	11
Regional	18
Leisure/charter	13
Tour Operator	3
Cargo	10
ACMI	1
Total	147

SAMPLE BY REGION	
North America	43
Europe	42
Russia	4
Central Asia	1
South Asia	6
Middle East	8
Asia Pacific	33
Africa	5
Latin America	5
Total	147

We have used the following 16 parameters on which to evaluate the airlines' financial and operational performance:

EVALUATION CRITERIA	
Total Revenue	Net Income
Net Income Margin	Cargo Revenue
RPKs	Load Factor
Revenue per Passenger	Passenger Yield
Staff Costs to Revenue	RASK-CASK Margin
EBITDAR Margin	Leverage
Fixed Charge Cover	Liquidity
Return on Equity	Market Capitalisation

Weaknesses in the methodology are acknowledged. Foremost among these is the fact that different airlines report to different year-ends. As a consequence, the comparisons are not like-for-like regarding the economic or fuel price environment prevailing in their respective financial periods. Note that in The Airline Analyst itself, we offer the ability to create comparisons for the same financial periods by aggregating quarterly data, when available, but this is not possible for the full sample of airlines. In addition, while in the majority of cases the financial statements are consolidated, in some only parent unconsolidated financials are available. One final weakness to comment on is the need to convert to a common currency and the validity of the exchange rate chosen. We have converted into $ using the spot rates prevailing on 6th May 2013. We believe using the spot rates rather than the historic exchange rates produces a more valid comparison.

TOP 50 BY TOTAL REVENUE

Rank		US$m
1	Lufthansa Group	40,721.7
2	UAL	37,152.0
3	Delta Air Lines	36,670.0
4	Air France-KLM	33,643.8
5	AMR Corporation	24,855.0
6	International Airlines Group	23,764.1
7	TUI Travel PLC	22,525.8
8	Air France	21,615.5
9	Southwest Airlines	17,088.0
10	Emirates	16,889.1
11	British Airways	16,888.1
12	Qantas Airways	16,203.0
13	China Southern Airlines	16,051.6
14	Air China	16,014.1
15	ANA Holdings	14,993.1
16	Thomas Cook Group Plc	14,785.4
17	China Eastern Airlines	14,028.7
18	US Airways	13,831.0
19	Cathay Pacific	12,809.6
20	Japan Airlines	12,519.7
21	KLM - Royal Dutch Airlines	12,425.7
22	Singapore Airlines	12,043.7
23	Air Canada	12,030.3
24	Korean Air	11,428.7
25	LATAM	9,942.3
26	Turkish Airlines	8,378.4
27	Aeroflot	8,138.1
28	Thai Airways	7,142.4
29	Iberia Opco	6,305.3
30	easyJet	6,003.8
31	Ryanair	5,673.0
32	Air Berlin	5,671.3
33	SAS	5,534.6
34	Asiana Airlines	5,254.1
35	jetBlue	4,982.0
36	Gruppo Alitalia	4,890.8
37	Hainan Airlines	4,665.0
38	Alaska Air Group	4,657.0
39	Malaysia Airlines	4,626.1
40	China Airlines	4,491.5
41	AviancaTaca	4,168.6
42	GOL	4,041.2
43	Virgin Australia	4,039.9
44	Air New Zealand	3,828.0
45	Virgin Atlantic	3,742.0
46	Transat A.T.	3,686.7
47	EVA Airways	3,627.8
48	SkyWest, Inc.	3,534.4
49	Garuda Indonesia	3,472.5
50	WestJet	3,402.0

TOP 50 BY NET INCOME

Rank		US$m
1	Japan Airlines	1,734.9
2	Lufthansa Group	1,298.6
3	Delta Air Lines	1,009.0
4	Air China	747.9
5	Ryanair	735.1
6	US Airways	637.0
7	Turkish Airlines	631.9
8	AirAsia	631.7
9	China Eastern Airlines	476.4
10	ANA Holdings	436.0
11	China Southern Airlines	422.4
12	Southwest Airlines	421.0
13	Emirates	409.0
14	easyJet	397.2
15	Copa Holdings	326.5
16	Alaska Air Group	316.0
17	Hainan Airlines	311.5
18	Singapore Airlines	272.3
19	Thomson Airways	263.3
20	Korean Air	241.9
21	WestJet	240.6
22	Aeroflot	222.1
23	TUI Travel PLC	215.0
24	Thai Airways	211.5
25	AviancaTaca	191.7
26	jetBlue	128.0
27	Air Canada	126.1
28	Cathay Pacific	118.1
29	Air Arabia	114.2
30	Garuda Indonesia	110.6
31	Grupo Aeromexico	109.6
32	Spirit Airlines	108.5
33	Chorus Aviation Inc.	100.4
34	Atlas Air, Inc.	95.5
35	Shandong Airlines	95.1
36	Cebu Pacific	87.4
37	Thomas Cook Airlines	85.1
38	Norwegian Air Shuttle	78.8
39	Allegiant Travel Company	78.6
40	Skymark Airlines	77.9
41	Pegasus Airlines	70.4
42	SilkAir	68.9
43	TRANSAERO Airlines	62.2
44	Thai AirAsia	61.5
45	Air Astana	61.1
46	Air New Zealand	60.6
47	American Eagle	60.5
48	Wizz Air	55.0
49	Hawaiian Airlines	53.2
50	Republic Airways	51.3

TOP 50 BY NET INCOME MARGIN

Rank		%
1	AirAsia	37.6%
2	Jazeera Airways	22.3%
3	Copa Holdings	14.5%
4	Air Arabia	14.1%
5	Japan Airlines	13.9%
6	Ryanair	13.0%
7	SilkAir	11.1%
8	Skymark Airlines	9.6%
9	Cebu Pacific	9.4%
10	Regional Express	9.4%
11	Thai AirAsia	9.4%
12	Thomson Airways	9.0%
13	Allegiant Travel Company	8.6%
14	Spirit Airlines	8.2%
15	Turkish Airlines	7.5%
16	Omni Air International	7.5%
17	WestJet	7.1%
18	Air Astana	7.0%
19	Alaska Air Group	6.8%
20	Air Transport Services Group	6.7%
21	Hainan Airlines	6.7%
22	easyJet	6.6%
23	Pegasus Airlines	6.6%
24	Atlas Air, Inc.	6.5%
25	PSA Airlines	6.4%
26	Air Greenland	6.1%
27	Compass Airlines	6.0%
28	Chorus Aviation Inc.	5.9%
29	Thomas Cook Airlines	5.7%
30	Shuttle America Corporation	5.6%
31	Wizz Air	5.5%
32	Shandong Airlines	5.4%
33	Icelandair	4.9%
34	American Eagle	4.8%
35	Air China	4.7%
36	US Airways	4.6%
37	AviancaTaca	4.6%
38	Horizon Air	4.3%
39	Norwegian Air Shuttle	3.6%
40	China Eastern Airlines	3.4%
41	Grupo Aeromexico	3.3%
42	Lufthansa Group	3.2%
43	Garuda Indonesia	3.2%
44	Thai Airways	3.0%
45	ANA Holdings	2.9%
46	Atlantic Airways	2.8%
47	Delta Air Lines	2.8%
48	Aeroflot	2.7%
49	Hawaiian Airlines	2.7%
50	China Southern Airlines	2.6%

Total revenues in our Airline Top 50 sample of 147 airlines and tour operators whose financials are available in the public domain are $631.5 billion (after eliminating double counting of subsidiaries that are included in the sample separately). Total revenues for our Top 50 by Revenue airlines are $547.6 billion or 87% of the total sample. The degree of concentration even within the Top 50 is apparent from the table. The top 10 airlines account for 49.2% of the Top 50's revenues.

Of the total sample of 124 parent group airlines, 83 recorded aggregate positive net income of $15.2bn while 41 reported losses aggregating $9.8bn for a net positive figure of $5.4bn. Overall, the Top 50 by Net Income had a net profit margin of 4.1%. By contrast the net profit margin for all 124 airlines combined was only 0.9%. Much is made in the media of this paltry 0.9% aggregate net profit margin for the world's airline industry. However, this overall figure obscures the fact that some of the world's airlines enjoy a very high level of profitability indeed.

As we can see from the Top 50 by Net Income Margin, 7 airlines achieved a margin in excess of 10%, headed by AirAsia, Jazeera, Copa and Air Arabia. AirAsia's net income for the year included the gain recognised on completion of the IPO of Thai AirAsia. Other LCCs are also prominent towards the top of the ranking, including Ryanair, Skymark and Cebu Pacific.

Only Lufthansa and Delta among the "mega" carrier groupings makes it on to the list. None of IAG, Air France-KLM or the other US majors are in the Top 50. Not even that bell-weather of Singapore Airlines has a net income margin high enough to make the cut.

Top 50 by cargo revenue

The Top 50 by Cargo Revenue ranking is dominated by the network carriers from Europe and Asia. Cargolux also makes it into the top 10 with revenues of $1.7bn. Other dedicated cargo providers in the list are Polar Air Cargo, Kalitta Air, Evergreen International, ABX and Cargojet. Many of these have enjoyed bumper years of growth as a result of US military airlift to Iraq and Afghanistan but are now experiencing a sharp reduction in business from these sources.

Historically seen as a diversification of risk for network carriers otherwise dependent solely on passenger revenues, we have seen in recent years how fickle cargo revenues are to a slowdown in world trade and shipment of technology and fashion products from Asia.

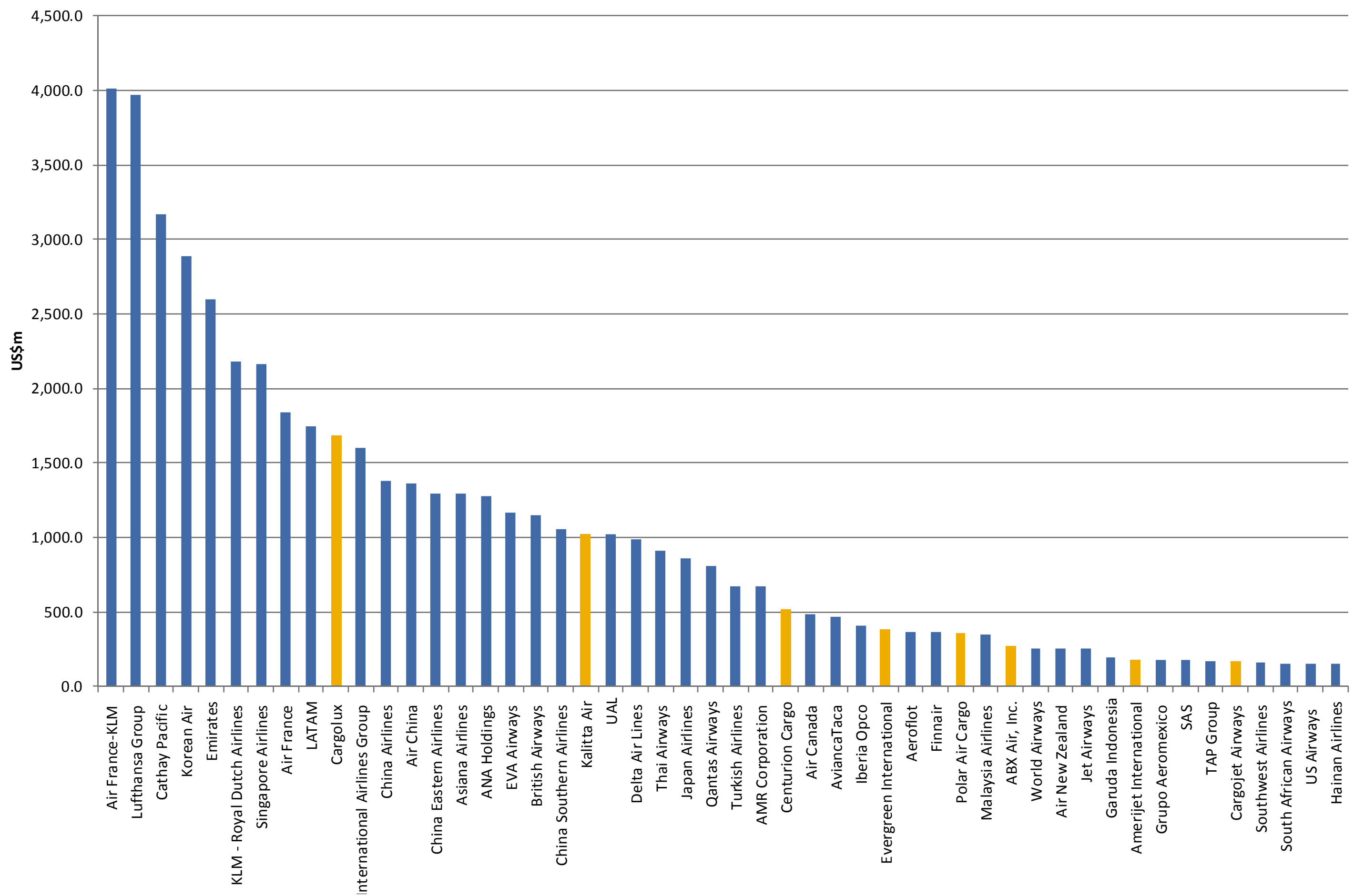
For many of the Asian carriers and selected Middle Eastern and Latin American carriers, cargo revenues are a very high percentage of total revenues, as shown in the table.

>>>

CARGO REVENUES AS % OF TOTAL REVENUES

Rank	Airline	%
1	EVA Airways	32.1%
2	China Airlines	30.8%
3	Korean Air	25.2%
4	Cathay Pacific	24.7%
5	Asiana Airlines	24.6%
6	Singapore Airlines	18.0%
7	KLM - Royal Dutch Airlines	17.6%
8	LATAM	17.5%
9	Emirates	15.4%
10	Thai Airways	12.7%
11	Air France-KLM	11.9%
12	SriLankan Airlines	11.6%
13	AviancaTaca	11.2%
14	Finnair	11.2%
15	Lufthansa Group	9.8%

TOP 50 BY CARGO REVENUE



SPONSORED EDITORIAL

IAE celebrates 30-year track record

The V2500 is the preferred choice for the Airbus A321. Jon Beatty, IAE's president and chief executive officer, examines the firm's engine programme and its recent innovations.

Jon Beatty
President and CEO, IAE

As International Aero Engines AG (IAE) celebrates 30 years, it counts close to 200 airlines and leasing companies across the globe among its loyal customers, and looks back on a successful aerospace programme that resulted in the V2500 – a cleaner, quieter and more fuel-efficient engine.

IAE is a multinational aero engine consortium whose shareholders are comprised of Pratt & Whitney (NYSE: UTX), Pratt & Whitney Aero Engines International GmbH, Japanese Aero Engines Corporation and MTU Aero Engines.

IAE is a successful civil aerospace programme with more than 5,500 engines delivered and firm deliveries through 2017. V2500 engines in total have accumulated more than 115 million flying hours and are available across three platforms: the Airbus A320 family, the Boeing MD-90 and the Embraer KC-390 – the engine's first military application.

"We believe the product has excellent potential," says IAE president Jon Beatty. "The V2500's world-class reliability has made it the preferred engine for our customers. It is also the most technologically advanced engine for the A320 family based on a track record of continuous improvement from the initial A1 standard through the latest SelectOne™ upgrade.

"We have reached this leading position because of our customers' trust in us and in the V2500 – a trust we have earned through years of world-class reliability," adds Beatty. "Our success has been fostered by the continuous support and commitment we receive from our customers. IAE spends a lot of time working with customers to see what they want. Any time you invest in the product you want to make sure it is addressing customers' needs and providing value. We are currently working with airlines to determine what product enhancements they would like to see in our next upgrade."

The current-build standard SelectOne™ entered service in 2008. It delivers class-leading fuel burn performance, along with a corresponding reduction in CO_2 emissions. It improves time on wing by up to 20%, and demonstrates compliance with all applicable CAEP emissions standards. The SelectTwo™ engine upgrade will be available in 2014 and will provide an additional, incremental fuel-burn benefit.

The V today

The V2500 has become the preferred engine for A321 operators worldwide with more than 60% of the A321s in service with V2500 engines and nearly 80% of the production backlog.

"As Airbus continues to increase the production rate of A321s, IAE will continue to do well in narrowbody sales," says Beatty. "In addition to providing a superior fuel burn advantage over the competition, the V2500 offers improved time on wing and the lowest noise and emissions."

IAE is on course to build more than 500 engines in 2013. IAE set a new production milestone in 2012 by building 470 engines – the highest number of annual engine production in the programme's history.

> "The V2500 has become the preferred engine for A321 operators worldwide with more than 60% of the A321s in service with V2500 engines and nearly 80% of the production backlog."

IAE's production will continue to ramp up, and ultimately the consortium expects total engines delivered to top out at about 8,000 units. The ramp up in production over the past few years means a relatively young fleet in service. The average age of the V2500-A5 fleet is almost seven years; so about 50% of the fleet has not yet had a shop visit.

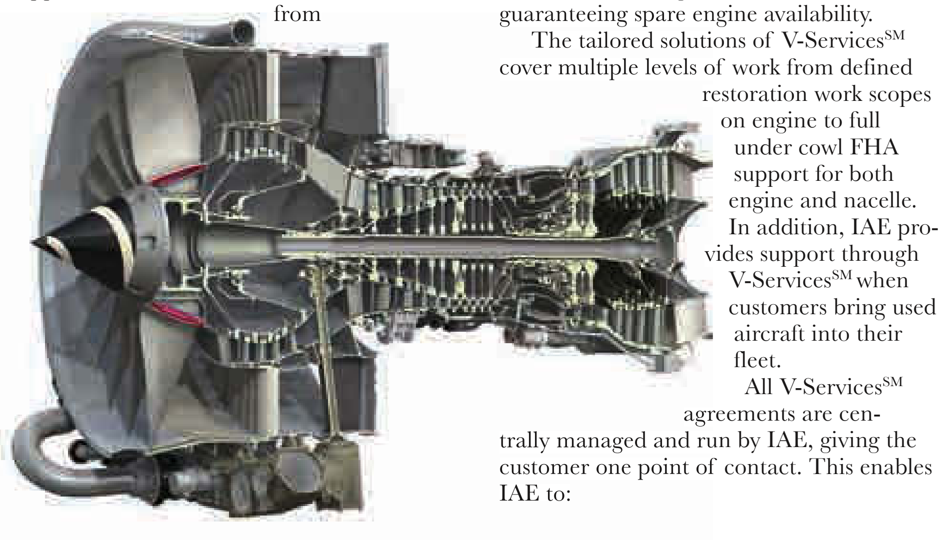
To help care for the growing number of V2500s in operation, the company recently launched its comprehensive aftermarket portfolio V-Services℠.

V-Services℠: customized solutions

"There is a vast difference among our customers, which include legacy airline customers, low-cost carriers, lessors and government agencies," says Beatty. "When it comes to aftermarket needs, no one size fits all."

IAE's popular Fleet Hour Agreements (FHA) and Fixed Price Maintenance solutions allow for proactive engine maintenance management through continuous engine health monitoring, optimized shop visit planning and predictable maintenance cost – maximizing fleet availability and minimizing cost.

To address various operator needs, V-Services℠ offers customized services such as Lessor Direct Maintenance Options that address lessors' needs and requirements and support the seamless movement of aircraft from airline to airline. V-Secure℠ is another option that provides lessors with additional maintenance reserve security and increased protection in the event of customer defaults. IAE has more than 40 V-Secure℠ agreements with more than 13 leasing companies.



"Engines in different fleets need to be managed according to their specific operating parameters," says Beatty. "Fleets also change over time as they age and fragment. This requires creative solutions and more refined operational efficiency. The V2500's global fleet presence and our easy access to global maintenance data and engine performance puts IAE as the OEM [original equipment manufacturer] in the best position to understand the engine behaviour under a variety of operating conditions across the globe. By continually monitoring the V2500 fleet, anticipating trends and providing support early in the relationship, V-Services℠ can provide customized support that allows operators to better plan their fleet requirements with respect to engine maintenance."

Other options available through V-Services℠ include IAE's Spare Engine Solutions, which IAE recently expanded in response to customers' operational and financial needs. This service provides customers with the opportunity to reduce their total engine-related investment, reduce residual value risk and provide flexibility for the transition to next-generation aircraft, while guaranteeing spare engine availability.

The tailored solutions of V-Services℠ cover multiple levels of work from defined restoration work scopes on engine to full under cowl FHA support for both engine and nacelle. In addition, IAE provides support through V-Services℠ when customers bring used aircraft into their fleet.

All V-Services℠ agreements are centrally managed and run by IAE, giving the customer one point of contact. This enables IAE to:

- leverage IAE's fleet knowledge;
- identify trends and issues that may affect engines in the future;
- proactively manage engines in operation; and
- apply the power of IAE's OEM network to provide predictable maintenance costs, optimized engine performance and reliability.

Customer value

Overall, V-Services℠ gives V2500 operators the best value, prevents unnecessary maintenance, helps customers manage their fleet and lowers total cost.

Additional benefits to the customer include:

- predictable maintenance cost;
- optimized engine performance including reliability and fuel burn;
- improved marketability; and
- increased residual value.

Nearly 60% of the installed V2500 fleet and more than 80% of future deliveries are backed by a V-Services℠ agreement. At the heart of IAE's product support and aftermarket services is 145-field support personnel located in close to 70 field offices around the world. IAE's goal is for more customers to experience these benefits by increasing the percentage of the fleet under service contracts.

"Customers have commented on the fantastic support they receive and the focused on-site support that provides them with immediate technical, operational and fleet solutions," says Beatty.

Over the past 30 years IAE has accomplished virtually every goal it set for itself. Today it is entering a new and exciting era, with IAE and its party companies positioned to best serve all A320 customers by allowing more flexible offerings to the narrowbody segment.

As for the future, Beatty says: "IAE will evolve as it has in the past to meet customer and business needs and will continue to do so throughout the collaboration agreement lasting at least until 2045.

"We believe there are opportunities for a unified and coordinated approach to sell V2500 and PW1100G-JM engines. IAE's shareholders are currently discussing these opportunities. The intent is to make any coordinated approach beneficial for customers."

TOP 50 BY RPKS

Rank	Airline	RPKs (m)
1	UAL	330,696
2	Delta Air Lines	310,562
3	Air France-KLM	223,887
4	AMR Corporation	219,869
5	Lufthansa Group	204,775
6	International Airlines Group	176,102
7	Southwest Airlines	165,561
8	Emirates	160,446
9	Air France	137,606
10	China Southern Airlines	135,504
11	Air China	129,773
12	British Airways	126,436
13	US Airways	117,994
14	Qantas Airways	111,692
15	China Eastern Airlines	109,113
16	Cathay Pacific	103,837
17	Ryanair	94,283
18	Singapore Airlines	92,293
19	Air Canada	89,554
20	KLM - Royal Dutch Airlines	86,281
21	LATAM	75,965
22	Aeroflot	74,617
23	Turkish Airlines	74,410
24	Korean Air	68,818
25	easyJet	65,227
26	ANA Holdings	64,879
27	Thai Airways	60,679
28	Japan Airlines	57,049
29	jetBlue	54,014
30	Iberia Opco	51,269
31	Air Berlin	48,720
32	SkyWest, Inc.	48,422
33	Alaska Air Group	43,464
34	TRANSAERO Airlines	39,587
35	Hainan Airlines	39,061
36	Virgin Atlantic	38,108
37	Malaysia Airlines	37,170
38	GOL	36,390
39	Jet Airways	35,186
40	Gruppo Alitalia	34,755
41	Republic Airways	33,312
42	Asiana Airlines	32,870
43	China Airlines	32,864
44	Thomson Airways	32,072
45	Virgin Australia	31,100
46	WestJet	29,391
47	AviancaTaca	29,072
48	SAS	27,702
49	Garuda Indonesia	27,342
50	Air New Zealand	27,013

TOP 50 BY PASSENGER LOAD FACTOR

Rank	Airline	LF %
1	Thomas Cook Airlines	93.7%
2	Thomson Airways	90.9%
3	easyJet	90.4%
4	Frontier Airlines	88.6%
5	Jet2.com	87.5%
6	Allegiant Travel Company	87.0%
7	Alaska Air Group	85.9%
8	KLM - Royal Dutch Airlines	85.7%
9	Spirit Airlines	85.2%
10	Hainan Airlines	84.4%
11	Delta Air Lines	83.8%
12	jetBlue	83.8%
13	AirAsia X	83.8%
14	TRANSAERO Airlines	83.5%
15	Hawaiian Airlines	83.2%
16	Air France-KLM	83.1%
17	Air Arabia	83.1%
18	US Airways	82.9%
19	GoJet Airlines	82.9%
20	WestJet	82.8%
21	Air New Zealand	82.8%
22	Air Canada	82.7%
23	Tiger Airways Australia	82.7%
24	UAL	82.6%
25	EL AL Israel Airlines	82.5%
26	Ryanair	82.4%
27	IndiGo	82.3%
28	AMR Corporation	82.2%
29	Thai AirAsia	82.1%
30	Republic Airways	81.7%
31	Air France	81.6%
32	Cebu Pacific	81.4%
33	Iberia Opco	81.3%
34	Tiger Airways	81.3%
35	Air Berlin	80.7%
36	SkyWest, Inc.	80.7%
37	NIKI	80.5%
38	Virgin America	80.5%
39	International Airlines Group	80.4%
40	Air China	80.4%
41	Southwest Airlines	80.3%
42	Icelandair	80.3%
43	Compass Airlines	80.1%
44	Qantas Airways	80.1%
45	Cathay Pacific	80.1%
46	AirAsia	80.1%
47	Emirates	80.0%
48	S7 Airlines	80.0%
49	China Southern Airlines	79.9%
50	British Airways	79.9%

ANALYSIS

Top 50 by RPKs

Of all of our rankings, probably the most predictable is the Top 50 by RPKs. Increasingly dominated by the major "mega" groups, the top 10 airline groups comprise 44% of the total RPKs for the sample of 124 and the Top 50 comprise a staggering 88% of the total.

The phenomenon of Emirates' growth is evident from their ranking in 8th place. Ryanair ranks only in 17th place by RPKs but by number of passengers would rank in 8th place, thereby justifying their claim of being the world's favourite international airline.

Top 50 by passenger load factor

The UK charter or leisure airlines of Thomas Cook and Thomson come out on top as do other leisure airlines such as Allegiant and Jet2.com. Several prominent LCCs led by easyJet also manage to achieve extremely high load factors. Perhaps more surprising, many of the major network carriers also achieved load factors in excess of 80%, including Alaska, KLM, Delta, TRANSAERO, Hawaiian, Air France-KLM, US Airways, Air New Zealand, Air Canada, UAL, Air Canada and AMR.

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TOP 50 BY PASSENGER REVENUE PER PASSENGER [1]			
Rank	Airline	Ave trip length (km)[2]	US$
1	Virgin Atlantic	7,192	706
2	Skywest Airlines Ltd.	861	571
3	Omni Air International	4,368	522
4	Singapore Airlines	4,572	465
5	EL AL Israel Airlines	4,060	430
6	British Airways	3,364	394
7	Emirates	4,722	392
8	Air Greenland	1,146	378
9	KLM - Royal Dutch Airlines	3,347	372
10	International Airlines Group	3,225	369
11	Miami Air International	1,654	347
12	Air France	2,663	345
13	Air France-KLM	2,891	342
14	Kenya Airways	2,729	317
15	Cathay Pacific	3,585	312
16	Air Canada	2,566	305
17	Copa Holdings	2,817	303
18	EVA Airways	3,454	296
19	Korean Air	2,834	295
20	Air Mauritius	4,961	294
21	Thai Airways	2,943	286
22	Thomson Airways	3,054	278
23	Qantas Airways	2,391	278
24	Lufthansa Group	1,987	277
25	Atlantic Airways	999	269
26	TAP Group	2,663	266
27	Finnair	2,686	265
28	Aeroflot	2,716	246
29	Japan Airlines	1,519	240
30	Icelandair	2,499	239
31	Air New Zealand	2,059	236
32	UAL	2,355	232
33	Regional Express	378	230
34	South African Airways	2,871	221
35	Asiana Airlines	2,119	218
36	Royal Jordanian Airlines	2,628	217
37	ANA Holdings	1,370	216
38	Thomas Cook Airlines	3,341	214
39	Austrian Airlines	1,580	205
40	SilkAir	1,474	205
41	AMR Corporation	2,039	201
42	Meridiana fly	N/A	199
43	Grupo Aeromexico	1,585	198
44	Air China	1,792	194
45	Delta Air Lines	1,887	193
46	Cyprus Airways	N/A	191
47	Sun Country Airlines	2,113	191
48	Malaysia Airlines	2,776	191
49	Virgin America	2,573	190
50	Turkish Airlines	1,906	188

[1] Passenger revenue divided by number of passengers

[2] RPKs divided by number of passengers

TOP 50 BY PASSENGER YIELD [3]			
Rank	Airline	Ave trip length (km) [2]	Yield US cents
1	Skywest Airlines Ltd.	861	66.2
2	Regional Express	378	60.8
3	Air Greenland	1,146	33.0
4	Atlantic Airways	999	26.9
5	Executive Airlines	305	25.0
6	Flybe	479	24.3
7	Miami Air International	1,654	21.0
8	Air Wisconsin	538	18.9
9	Precision Air	514	18.8
10	Croatia Airlines	701	17.4
11	SAS	1,069	15.9
12	ANA Holdings	1,370	15.8
13	Japan Airlines	1,519	15.8
14	Adria Airways	1,048	15.2
15	Ryan International Airlines	6,081	15.0
16	World Airways	7,492	14.1
17	Lufthansa Group	1,987	13.9
18	SilkAir	1,474	13.9
19	Austrian Airlines	1,580	13.0
20	Air France	2,663	13.0
21	Grupo Aeromexico	1,585	12.5
22	AviancaTaca	1,259	12.4
23	Estonian Air	1,013	12.1
24	North American Airlines	7,301	12.1
25	Omni Air International	4,368	11.9
26	Air Canada	2,566	11.9
27	NIKI	1,052	11.9
28	Air France-KLM	2,891	11.8
29	Gruppo Alitalia	1,411	11.8
30	British Airways	3,364	11.7
31	Qantas Airways	2,391	11.6
32	Kenya Airways	2,729	11.6
33	Virgin Australia	1,603	11.6
34	Air New Zealand	2,059	11.5
35	International Airlines Group	3,225	11.4
36	Luxair Group	1,168	11.4
37	PSA Airlines	591	11.2
38	KLM - Royal Dutch Airlines	3,347	11.1
39	Horizon Air	496	10.9
40	Garuda Indonesia	1,339	10.8
41	Air China	1,792	10.8
42	Air Berlin	1,461	10.8
43	Copa Holdings	2,817	10.8
44	Hainan Airlines	1,732	10.7
45	China Southern Airlines	1,567	10.7
46	EL AL Israel Airlines	4,060	10.6
47	WestJet	1,687	10.6
48	China Eastern Airlines	1,493	10.6
49	LATAM	1,594	10.5
50	Aer Lingus	1,505	10.5

[3] Passenger revenue divided by number of RPKs

Top 50 by passenger revenue per passenger

The Top 50 by Passenger Revenue per Passenger shows the expected correlation with average trip length (RPKs divided by number of passengers). Exceptions to that include Skywest Airlines (which enjoyed an average revenue per passenger of $571 despite an average trip length of only 861 kms) Air Greenland, Atlantic Airways and Regional Express. The two main Japanese carriers, Japan Airlines and All Nippon Airways are also exceptions, where the high yields in the domestic business support a high revenue per passenger despite average trip lengths of only 1,400 - 1,500 kms.

There are no LCCs appearing on this ranking, reflecting their relatively short average stage length and "no frills" offerings. You have to go well down the list to find WestJet ranked 62nd at $179.0 and AirAsiaX 63rd at $176.

Top 50 by passenger yield

This ranking, while also influenced by average trip length, shows the influence of flying on less competitive routes such as for Skywest Airlines, Regional Express, Air Greenland and Atlantic Airways. Yields for Japan Airlines and All Nippon Airways are also at the high end reflecting the domestic competitive environment and high cost bases. Flybe may be at the higher end of the scale but should be seen in the context of its short average trip length of 479 km.

Despite the competitive pressures from Norwegian Air Shuttle, Ryanair and others, SAS continues to realise relatively high yields, higher than its European network competitors. >>>

The Virgin Atlantic Clubhouse, San Francisco International Airport.

ANALYSIS

Top 50 by lowest staff costs to revenue

Employee costs are typically the second largest EBITDAR cost item after fuel for the world's airlines. Labour relations and compensation structures tend to put the old "legacy" airlines at a serious competitive disadvantage to start-up LCCs and carriers based in emerging economies. The Top 50 by Lowest Staff Costs to Revenue ranking shows this all too clearly.

Some of the dedicated cargo carriers show extremely low employee costs/revenue ratios, perhaps in part due to costs being in other companies within the group. Cargolux, by comparison, comes in at 13.4%, handicapped by its average employee cost of $148.5k. Kalitta's and Evergreen's statistics are similar.

While some care should be taken in interpreting this data due to varying accounting treatments and disclosure, the next grouping of carriers in the ranking such as Wizz, Hainan, PAL, Vueling, AirAsia, Pegasus and Blue Panorama all have ratios below 10% while Ryanair, as a major airline based in a developed economy, achieves a startling 9.6%, down from 10.2% in the last Airline Top 50.

They are then followed by creditable performances by other LCCs and leisure carriers and some flag carriers from emerging economies such as Air Astana and Kenya Airways. The three Chinese carriers shown all have ratios between 11.6% and 13.8%, notably higher than in the last Airline Top 50. Their average staff costs ranged from $25.7k - $35.4k. China Southern's staff cost data for 2012 was not available.

By comparison, the developed "mega" carrier groupings do not qualify for a Top 50 ranking. Lufthansa's ratio is 25.6% while IAG and Air France-KLM are 24.0% and 29.9% respectively. The US majors show a little better on account of lower average employee costs. Delta's ratio is 20.8% and UAL's 21.4%. AMR, by sharp contrast, has a ratio of 27.8% hence reinforcing its rationale for entering bankruptcy.

Polar Air Cargo.

Virgin Atlantic, Emirates and Singapore Airlines make the list. The Latin American majors also do a little better. Copa made it into the Top 50 at number 20 with a ratio of 11.0% as did AviancaTaca at 14.4%. LATAM are laggards at 19.2% while GOL comes in at 19.4%, which is high for an LCC.

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TOP 50 BY LOWEST STAFF COSTS TO REVENUE

Rank	Airline	Ave cost per employee (US$k)	Employee costs as % of revenue
1	Polar Air Cargo	N/A	2.6%
2	Centurion Cargo	55.0	3.4%
3	SIA Cargo	101.1	4.5%
4	Wizz Air	44.3	5.3%
5	PAL Holdings	18.4	6.1%
6	Hainan Airlines	30.1	6.3%
7	Vueling Airlines	N/A	6.7%
8	Pegasus Airlines	46.0	8.8%
9	AirAsia X	45.6	9.2%
10	Ryanair	64.2	9.6%
11	Thai AirAsia	N/A	9.6%
12	Air Pacific	N/A	9.8%
13	IndiGo	N/A	10.1%
14	Transat A.T.	64.7	10.1%
15	SpiceJet	N/A	10.2%
16	Thomson Airways	81.0	10.4%
17	Air Astana	23.6	10.5%
18	Jet Airways	25.9	10.7%
19	Copa Holdings	N/A	11.0%
20	Aegean Airlines	70.4	11.0%
21	Jazeera Airways	58.5	11.1%
22	Asiana Airlines	62.3	11.1%
23	AirAsia	N/A	11.6%
24	China Eastern Airlines	25.7	11.6%
25	Shandong Airlines	35.4	11.7%
26	SilkAir	62.9	11.7%
27	Air Berlin	72.0	11.7%
28	Royal Jordanian Airlines	27.6	12.3%
29	easyJet	88.6	12.4%
30	Virgin Atlantic	57.1	12.4%
31	Kenya Airways	35.7	12.5%
32	Kingfisher Airlines	19.7	12.5%
33	Kalitta Air	138.5	12.8%
34	Emirates	53.2	12.8%
35	Garuda Indonesia	72.5	13.1%
36	Cargolux	148.5	13.4%
37	Air China	N/A	13.8%
38	Air Arabia	N/A	14.3%
39	AviancaTaca	N/A	14.4%
40	Aigle Azur	67.4	14.5%
41	Allegiant Travel Company	78.0	14.7%
42	Singapore Airlines	79.0	14.8%
43	Skymark Airlines	N/A	14.8%
44	Comair Limited	36.1	14.8%
45	Adria Airways	65.9	15.1%
46	SriLankan Airlines	17.3	15.1%
47	Air Mauritius	N/A	15.2%
48	Aeroflot	42.8	15.3%
49	Thai Airways	N/A	15.3%
50	Jet2.com	56.8	15.3%

ANALYSIS

Top 50 by Rask-Cask margin – where the rubber meets the road

RASK-CASK margin has become one of the key ratios monitored by airline management and analysts alike in assessing competitiveness and trends over time.

In the ever competitive airline industry, very slim margins and competitive advantages mean the difference between success and failure. Having a marginally higher cost structure can be sustainable if it is supporting a premium revenue structure such as with BA or the US majors. However if it is not, the strength of competitive forces will root out the airline's weakness over time.

Considering that many airline management teams would die to have a RASK-CASK margin in excess of US 1 cent it is striking that 17 of our Top 50 did just that, with one regional Australian carrier achieving 4.41 cents and Japan Airlines, a major network carrier, coming in at 2.43 cents (but down from 3.32 cents last time). Two more Japanese airlines, All Nippon and Skymark, were also in the "over 1 cent club" as were Air Greenland, Copa Holdings, SilkAir, Hainan Airlines, Chorus Aviation Inc., Atlantic Airways, AirAsia, Shuttle America Corporation, Skywest Airlines, Alaska Air Group, Precision Air, Allegiant and WestJet.

Falling just short of the 1 cent threshold were Horizon and Spirit, followed by AviancaTaca and Air Arabia.

To find the first of the "mega" carrier groupings we have to go as low as 0.70 cents where we find Delta (up from 0.59 cents) and 0.57 cents for UAL. Southwest just made the Top 50 while US Airways made an entry at number 32. None of IAG, Air-France-KLM or Lufthansa made it into the Top 50 but SAS made a creditable entry in 50th place at 0.38 cents.

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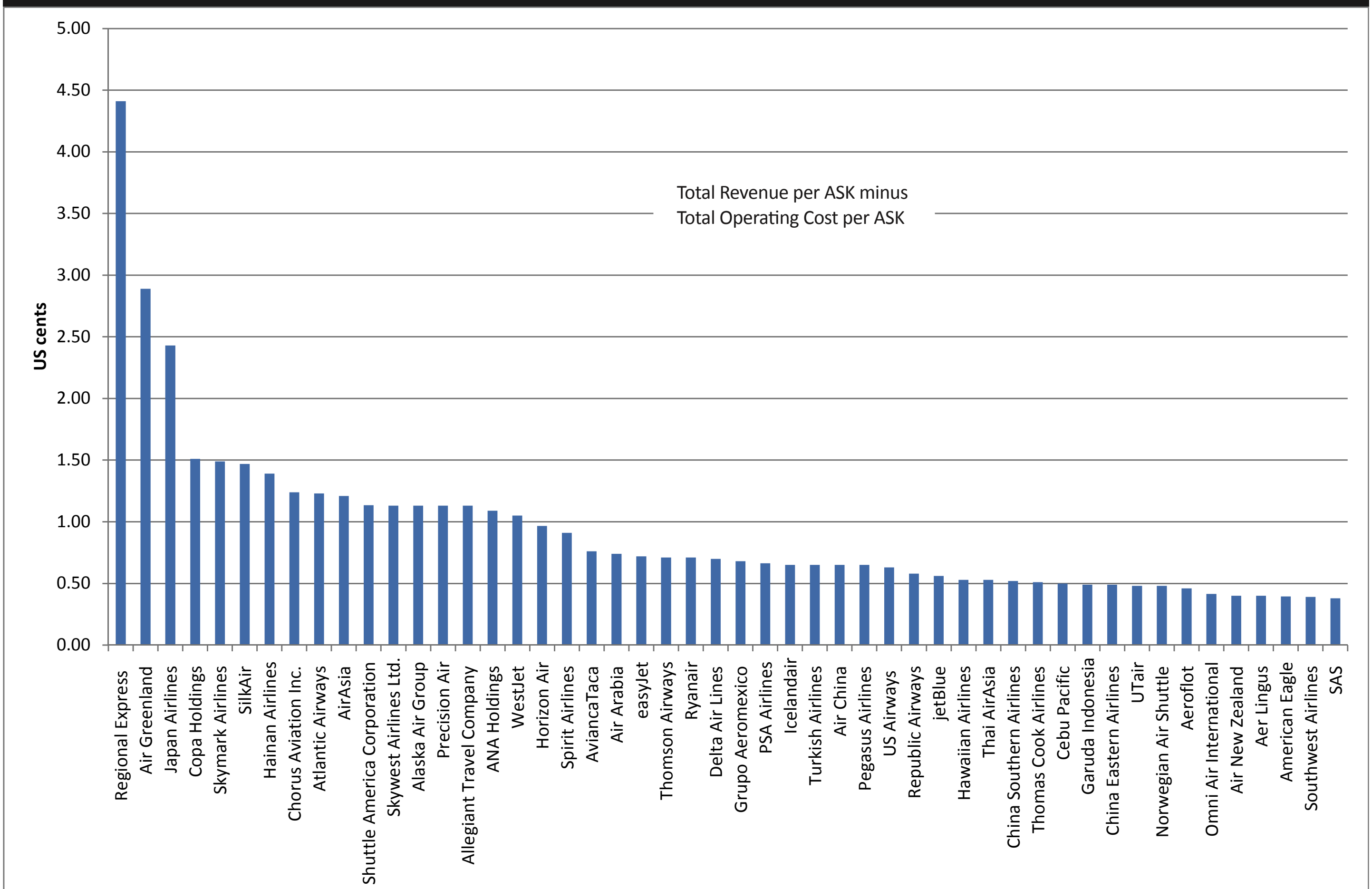
Regional Express Headquarters, Wagga-wagga airport.

TOP 50 BY RASK-CASK MARGIN



Top 50 by Ebitdar margin

Unlike some other measures, EBITDAR margin is neutral to the means of aircraft financing (owned or leased) and degree of financial leverage of an airline. While a high EBITDAR margin will therefore not alone make a financially successful airline, it is a very appealing measure of management's success in running the airline and the viability of the airline's core business, independent of the financing strategies chosen.

Not surprisingly, we see many of the LCCs at the top of the ranking, headed by Jazeera and AirAsia and joined by Thai AirAsia, Spirit and Ryanair in the top twenty. Cebu Pacific is a faller from number 15 to 35. Some niche players also rank highly, having successfully exploited the market opportunity they are focused on. Shuttle America is a creditable 2nd and Skymark 6th.

Hainan Airlines, Japan Airlines and Copa are the highest ranked network carriers. Otherwise, the network carriers that feature on the list are predominantly from Asia and Latin America.

Reflecting their lower staff costs, some of the cargo carriers also appear high on the list. These include Polar Air Cargo, Air Transport Services Group, ABX Air and Atlas Air Worldwide.

Notable by their absence are the "mega" carrier groupings of the US and Europe reflecting the downward pressure on revenues and the upward pressure on costs, especially staff costs, that they are facing.

Jazeera Airways A320 on final approach

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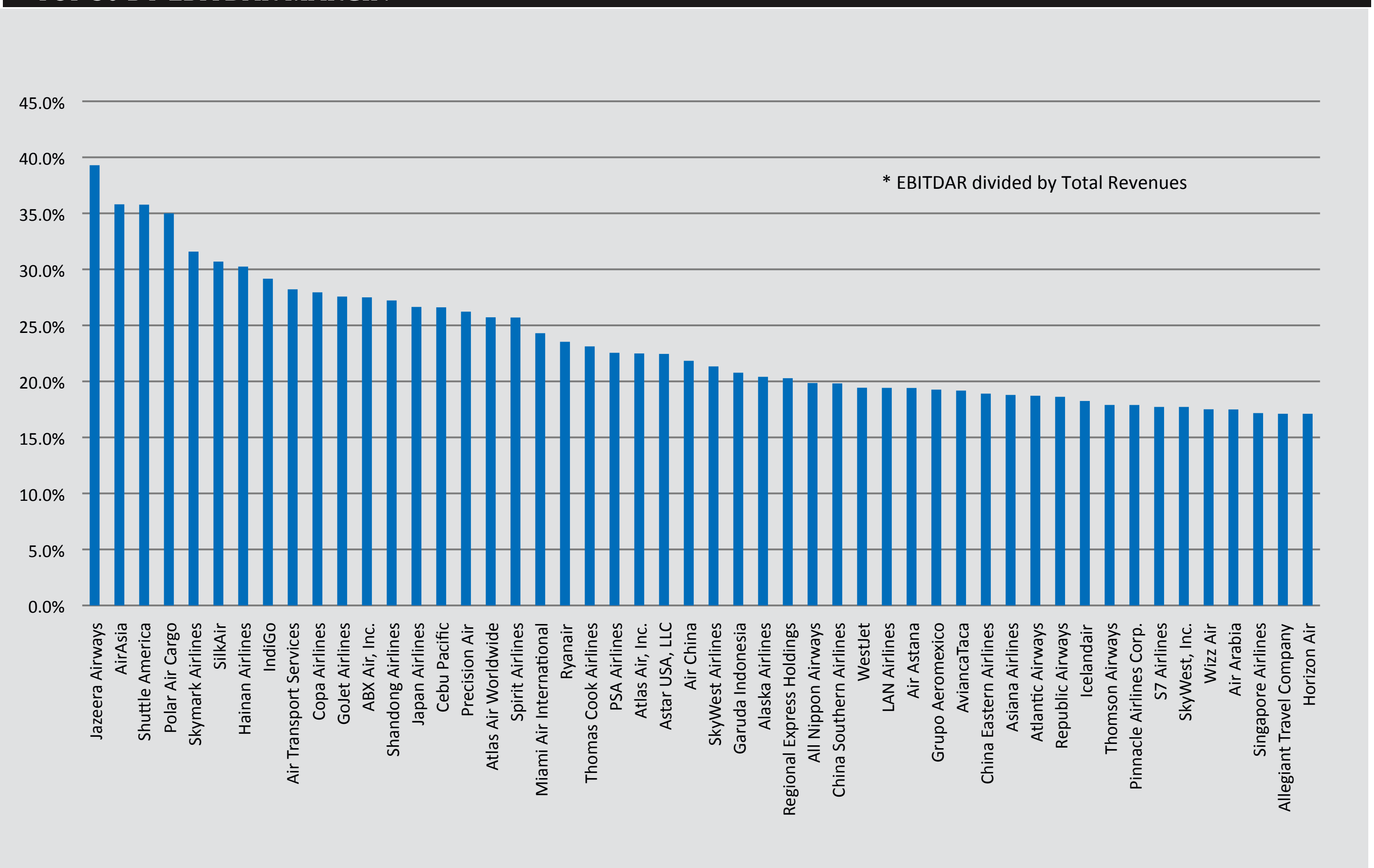
TOP 50 BY EBITDAR MARGIN*



TOP 50 BY LEVERAGE*

Rank	Airline	Times
1	Luxair Group	0x
2	Compass Airlines	0x
3	Allegiant Travel Company	0x
4	SilkAir	0x
5	American Eagle	0x
6	Singapore Airlines	0.1x
7	Air Greenland	0.2x
8	Japan Airlines	0.3x
9	Alaska Air Group	0.7x
10	SIA Cargo	0.7x
11	Regional Express	0.8x
12	Ryanair	0.9x
13	Aer Lingus	1.0x
14	WestJet	1.0x
15	Kalitta Air	1.3x
16	Skymark Airlines	1.3x
17	Air Arabia	1.4x
18	Atlantic Airways	1.5x
19	Southwest Airlines	1.5x
20	easyJet	1.6x
21	Lufthansa Group	1.7x
22	Copa Holdings	2.0x
23	Spirit Airlines	2.2x
24	British Airways	2.5x
25	Delta Air Lines	2.6x
26	Jazeera Airways	2.6x
27	Thomas Cook Airlines	2.6x
28	Air Transport Services Group	2.9x
29	Air New Zealand	3.0x
30	Icelandair	3.0x
31	TUI Travel PLC	3.2x
32	Qantas Airways	3.3x
33	Omni Air International	3.3x
34	Hawaiian Airlines	3.4x
35	Air Canada	3.5x
36	ANA Holdings	3.5x
37	Jet2.com	3.5x
38	International Airlines Group	3.6x
39	Cebu Pacific	3.7x
40	Chorus Aviation Inc.	3.7x
41	Turkish Airlines	3.8x
42	Thomas Cook Group Plc	3.9x
43	Vueling Airlines	4.0x
44	Air Astana	4.2x
45	euroAtlantic airways	4.2x
46	Thomson Airways	4.2x
47	UAL	4.2x
48	Air Pacific	4.3x
49	AirAsia	4.3x
50	Thai AirAsia	4.3x

* Adjusted Net Debt / EBITDAR

TOP 50 BY FIXED CHARGE COVER*

Rank	Airline	Times
1	American Eagle	31.1x
2	Allegiant Travel Company	25.0x
3	Air Greenland	12.8x
4	Air Arabia	8.1x
5	Japan Airlines	8.0x
6	Regional Express	7.4x
7	Kalitta Air	6.8x
8	Alaska Air Group	6.6x
9	SilkAir	6.5x
10	Ryanair	6.5x
11	Copa Holdings	6.0x
12	Turkish Airlines	6.0x
13	Lufthansa Group	5.6x
14	Atlantic Airways	5.1x
15	easyJet	4.8x
16	Air Transport Services Group	4.7x
17	British Airways	4.6x
18	Singapore Airlines	4.3x
19	Southwest Airlines	4.2x
20	euroAtlantic airways	4.2x
21	Delta Air Lines	4.1x
22	AirAsia	3.8x
23	Aer Lingus	3.7x
24	Jazeera Airways	3.7x
25	WestJet	3.6x
26	Cathay Pacific	3.6x
27	Air China	3.6x
28	ANA Holdings	3.5x
29	Pegasus Airlines	3.5x
30	China Southern Airlines	3.3x
31	Thai Airways	3.3x
32	Horizon Air	3.2x
33	Skymark Airlines	3.2x
34	Qantas Airways	3.2x
35	Cebu Pacific	3.1x
36	Korean Air	3.0x
37	Air New Zealand	2.9x
38	Shandong Airlines	2.9x
39	Precision Air	2.8x
40	China Eastern Airlines	2.7x
41	LATAM	2.7x
42	Thomas Cook Airlines	2.6x
43	jetBlue	2.6x
44	Icelandair	2.5x
45	International Airlines Group	2.5x
46	Chorus Aviation Inc.	2.5x
47	Shuttle America Corporation	2.5x
48	Hawaiian Airlines	2.4x
49	Atlas Air, Inc.	2.3x
50	Spirit Airlines	2.3x

* EBITDAR / Net Fixed charges (Interest and aircraft rent)

TOP 50 BY LIQUIDITY*

Rank	Airline	%
1	Ryanair	80.5%
2	Jazeera Airways	77.2%
3	Hainan Airlines	64.6%
4	Aer Lingus	51.9%
5	Luxair Group	46.5%
6	Air Arabia	44.5%
7	AirAsia	44.3%
8	SilkAir	42.0%
9	WestJet	41.1%
10	Skymark Airlines	38.2%
11	Allegiant Travel Company	36.2%
12	Singapore Airlines	35.7%
13	Vueling Airlines	33.0%
14	Thai AirAsia	31.8%
15	Spirit Airlines	31.6%
16	Iberia Opco	30.5%
17	Copa Holdings	29.0%
18	ANA Holdings	28.3%
19	Cebu Pacific	28.3%
20	Japan Airlines	28.1%
21	Alaska Air Group	26.9%
22	Tiger Airways	26.3%
23	Emirates	25.1%
24	Air New Zealand	23.0%
25	easyJet	22.9%
26	Aegean Airlines	22.7%
27	Cathay Pacific	22.5%
28	Qantas Airways	21.0%
29	Hawaiian Airlines	20.7%
30	SIA Cargo	20.5%
31	Virgin Atlantic	20.4%
32	Air Pacific	20.2%
33	Atlantic Airways	19.9%
34	euroAtlantic airways	19.8%
35	Shuttle America Corporation	19.6%
36	SkyWest, Inc.	19.5%
37	Thomas Cook Airlines	18.4%
38	EVA Airways	17.9%
39	Aigle Azur	17.7%
40	UAL	17.6%
41	Southwest Airlines	17.4%
42	Finnair	17.4%
43	Air Greenland	17.2%
44	US Airways	17.2%
45	GOL	16.8%
46	Air Canada	16.7%
47	International Airlines Group	16.1%
48	Regional Express	16.0%
49	Lufthansa Group	16.0%
50	AMR Corporation	15.7%

ANALYSIS

Financial flexibility

We have assessed financial flexibility on three key financial parameters: Leverage, Fixed Charge Cover and Liquidity. Leverage is calculated as Adjusted Net Debt (Net Balance Sheet Debt plus 8 x Aircraft Rent) to EBITDAR, Fixed Charge Cover as EBITDAR divided by Net Interest + Aircraft Rent) and Liquidity as Unrestricted Cash as a percentage of Revenue. A "cash flow" measure of Leverage is preferred as traditional ratios based on book equity can mislead. A leverage measure has more value in our opinion if it is related to ability to service debt from continuing operations rather than some balance sheet equity figures that may not reflect current values of assets. Both the Leverage and Fixed Charge Cover measures take into account the effect of aircraft operating leases, either by "capitalising" the rental as in Leverage or including rent in the fixed charges that must be covered by EBITDAR.

Top 50 by Lowest Leverage
Leverage for the Top 50 ranges from zero for those airlines with no Adjusted Net Debt to a high of 4.3x for Thai AirAsia, AirAsia and Air Pacific. As to be expected, the list includes those few remaining airlines with investment grade credit ratings. Noticeably highly placed on the list is Japan Airlines following the debt forgiveness achieved through its restructuring. All Nippon Airways, by comparison is on the list at number 36. Other high fliers include majors SIA, Lufthansa, IAG, UAL, Delta and Qantas but Air France-KLM, Emirates and Cathay Pacific are not in the Top 50. Other absentees include all the Latin American carriers except Copa. A number of the major LCCs make the ranking with strong cash generation supporting their debt loads from recent fleet expansion. These include WestJet, Air Arabia, easyJet, Southwest and Cebu Pacific.

Top 50 by Highest Fixed Charge Cover
"Who cares what our leverage is as long as we pay our rent / interest and you have our aircraft as collateral anyway?" is a question heard often by aviation financiers and there is an element of truth to it. A meaningful Fixed Charge Cover ratio and / or covenant can however help protect the asset financier against the likelihood of default. As is to be expected, our Top 50 for Fixed Charge Cover is similar to the Top 50 by Lowest Leverage. Those airlines with no or minimal Adjusted Net Debt are at the top but some notable airlines make this list despite their higher leverage, such as LATAM, Turkish Airlines, Cathay Pacific, Thai Airways, China Southern, Korean Air and China Eastern. All of these airlines have a Fixed Charge Cover comfortably above 2x which translates into the financier being protected for rent and interest (if not principal) payments even if EBITDAR declines by 50-60%.

Top 50 by Highest Liquidity
Liquidity is another major indicator of financial flexibility for an airline and its ability to withstand sudden shocks such as a strike, natural disaster or grounding of all or a portion of its fleet. Top of the list for liquidity are a number of very successful LCC start ups of the last two decades whose financial analysis may be focused on whether to return some surplus cash to shareholders or buy new aircraft. At the other end of the scale, many market participants consider that liquidity of 3 months of revenues is the minimum level required for comfortable operation of an airline. That is equivalent to a figure of at least 25% of revenues as a liquidity buffer in the table opposite. Perhaps surprisingly, only 23 airlines achieve this level so we should perhaps rename this list the Top 23. One reason may be that some airlines rely on committed liquidity facilities which are not captured in our data, as with Delta, Qantas and Finnair. Others may keep a buffer of unencumbered aircraft to be converted into cash if required. It is notable that AMR made it into the Top 50 by Liquidity list. Emirates made it into this Top 50 list but not the other two.

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ANALYSIS

The Top 50 by Equity Market Capitalisation

The period since the Airline Top 50 was last published has been a relatively good one for airline stocks, supported by some softening in fuel prices, at least a temporary abeyance in the Euro crisis (the Cyprus events notwithstanding) and the continued capacity constraint in the US market. When last published, the Top 50 airline stocks had a total value of $165bn; that has risen to $214bn. There have been some significant changes in the leadership. Delta is now the top ranked airline with a market capitalisation of $15.2bn, up from number 6. Two other US carriers are in the top 10. LATAM has surrendered its top spot, falling to number 7. The biggest riser was THY Turkish Airlines from #32 at $1.4bn to #18 at $5.4bn. New entrants include Thomas Cook Group at number 32, AMR at 37 with $1.4bn, Pegasus at 42 with $1bn and Air Canada at 50 with $785m. Shandong Airlines, TRANSAERO, PAL Holdings and Skywest Inc. have dropped out of the Top 50.

Eight of the top 20 are from Asia, including Japan Airlines which completed their IPO last September. Three carriers from the US also make it into the Top 10 - Delta, Southwest and UAL while the "mega" European carriers of Lufthansa, IAG and Air France-KLM make it into positions 8, 10 and 23, respectively.

Ryanair, meanwhile, makes it to 2nd spot, leading the LCC stakes, ahead of Southwest (6), easyJet (12), WestJet (21) and AirAsia (24).

TUI Travel PLC, representing the tour operator segment, and which owns a number of airlines and operates many aircraft comes in a respectable 15th, at $5.5 billion.

Top 50 by Return on Equity

The above said, the Top 50 by Return on Equity ranking again belies the notion that the airline sector cannot generate appropriate risk-adjusted returns for equity investors. However it is the chosen few who can generate such returns, taking advantage of one or more competitive advantages, which may be short-lasting. Of note is the fact that only 50 of the sample generated a return on equity of 10% or more. Highest were airlines which are able to support extremely high leverage levels thanks to the support of local banks and leasing companies (for example TRANSAERO) or whose position in the ranking is underpinned by a small sliver of an equity base, and made possible by the ability of their operating cash flow to sustain their high leverage such as US Airways.

TOP 50 BY EQUITY MARKET CAPITALISATION*

Rank	Airline	US$m
1	Delta Air Lines	15,179
2	Ryanair	11,637
3	Air China	10,938
4	UAL	10,839
5	Singapore Airlines	10,557
6	Southwest Airlines	10,019
7	LATAM	9,788
8	Lufthansa Group	9,450
9	Japan Airlines	8,816
10	International Airlines Group	7,934
11	ANA Holdings	7,349
12	easyJet	6,996
13	Cathay Pacific	6,845
14	Copa Holdings	5,680
15	TUI Travel PLC	5,521
16	China Eastern Airlines	5,493
17	China Southern Airlines	5,490
18	Turkish Airlines	5,439
19	Qantas Airways	4,326
20	Alaska Air Group	4,272
21	WestJet	3,282
22	Hainan Airlines	3,154
23	Air France-KLM	3,008
24	AirAsia	2,767
25	US Airways	2,753
26	Korean Air	2,200
27	Thai Airways	2,168
28	AviancaTaca	2,089
29	Spirit Airlines	2,000
30	China Airlines	1,973
31	jetBlue	1,873
32	Thomas Cook Group	1,837
33	EVA Airways	1,827
34	Aeroflot	1,797
35	Norwegian Air Shuttle	1,780
36	Allegiant Travel Company	1,724
37	AMR Corporation	1,445
38	Garuda Indonesia	1,420
39	Air New Zealand	1,399
40	Air Arabia	1,258
41	Cebu Pacific	1,240
42	Pegasus Airlines	1,051
43	Atlas Air Worldwide	1,042
44	Grupo Aeromexico	1,022
45	Jet Airways	991
46	Aer Lingus	966
47	Asiana Airlines	938
48	GOL	848
49	Virgin Australia	803
50	Air Canada	785

* Based on closing prices on 6th May, 2013

TOP 50 BY RETURN ON EQUITY*

Rank	Airline	%
1	TRANSAERO Airlines	122.9%
2	US Airways	80.6%
3	Wizz Air	78.2%
4	Chorus Aviation Inc.	76.6%
5	Thai AirAsia	46.2%
6	Pegasus Airlines	38.6%
7	Omni Air International	37.1%
8	Air Wisconsin	36.1%
9	AirAsia	35.1%
10	American Eagle	34.0%
11	IndiGo	33.5%
12	Thomas Cook Airlines	29.9%
13	Japan Airlines	29.4%
14	Compass Airlines	26.6%
15	S7 Airlines	26.2%
16	Jazeera Airways	24.0%
17	Shandong Airlines	23.8%
18	Thomson Airways	22.3%
19	Alaska Air Group	22.2%
20	Air Astana	21.6%
21	Copa Holdings	21.2%
22	Turkish Airlines	21.0%
23	Hawaiian Airlines	19.8%
24	Allegiant Travel Company	19.6%
25	Norwegian Air Shuttle	18.9%
26	Spirit Airlines	18.6%
27	Skymark Airlines	18.0%
28	Grupo Aeromexico	17.8%
29	Miami Air International	17.2%
30	Jet2.com	17.0%
31	Ryanair	16.9%
32	AviancaTaca	16.8%
33	WestJet	16.5%
34	Cebu Pacific	16.1%
35	Icelandair	14.9%
36	Shuttle America Corporation	14.6%
37	Regional Express	14.4%
38	Atlas Air, Inc.	14.4%
39	easyJet	14.2%
40	Air Transport Services Group	13.7%
41	Aeroflot	13.7%
42	SilkAir	12.2%
43	China Eastern Airlines	12.0%
44	Vueling Airlines	12.0%
45	Lufthansa Group	11.9%
46	Horizon Air	11.7%
47	NIKI	11.5%
48	Korean Air	10.9%
49	Air Greenland	10.3%
50	Republic Airways	10.0%

* Net Income divided by closing equity