



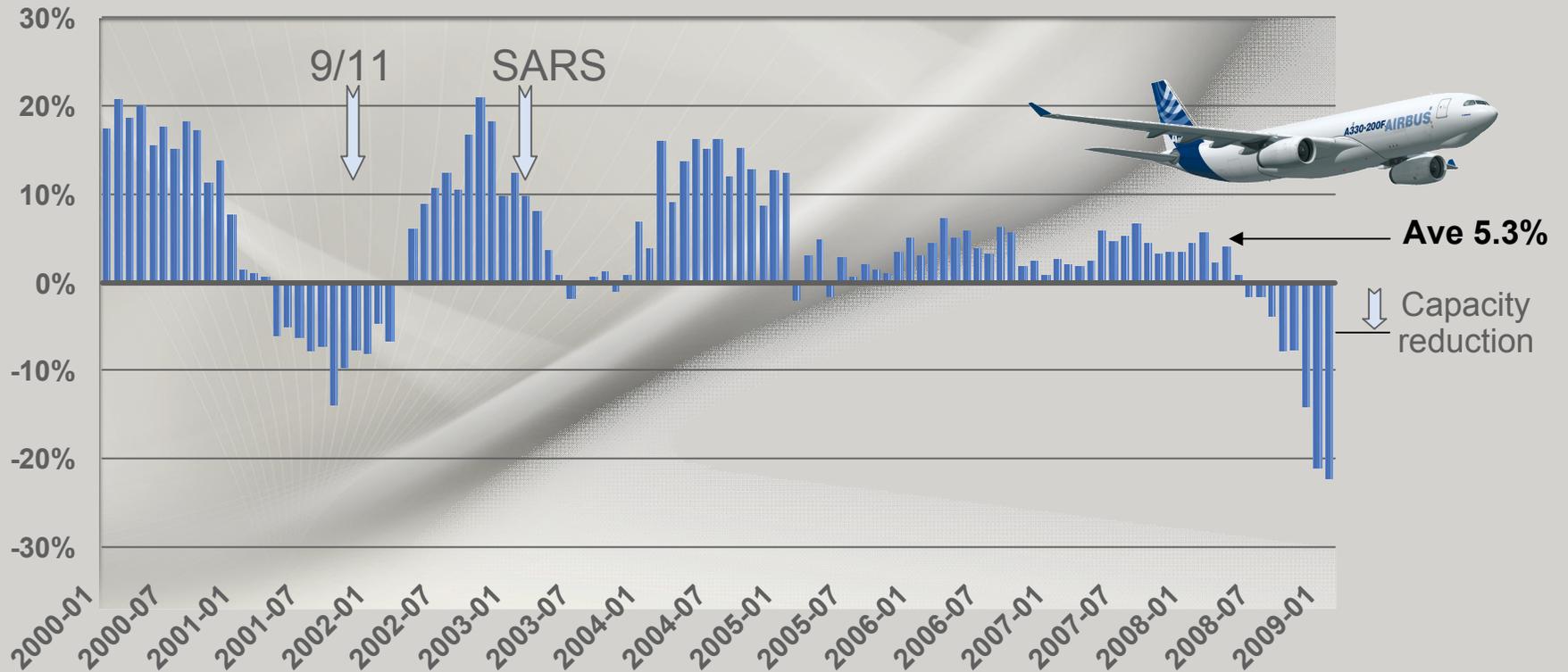
# Impact of the current economic crisis on demand

Mary Prettyman  
Vice President Marketing, North America  
31 March 2009



# Freight traffic trends

Freight traffic (IATA international + domestic ATA + domestic AEA FTKs year over year change)

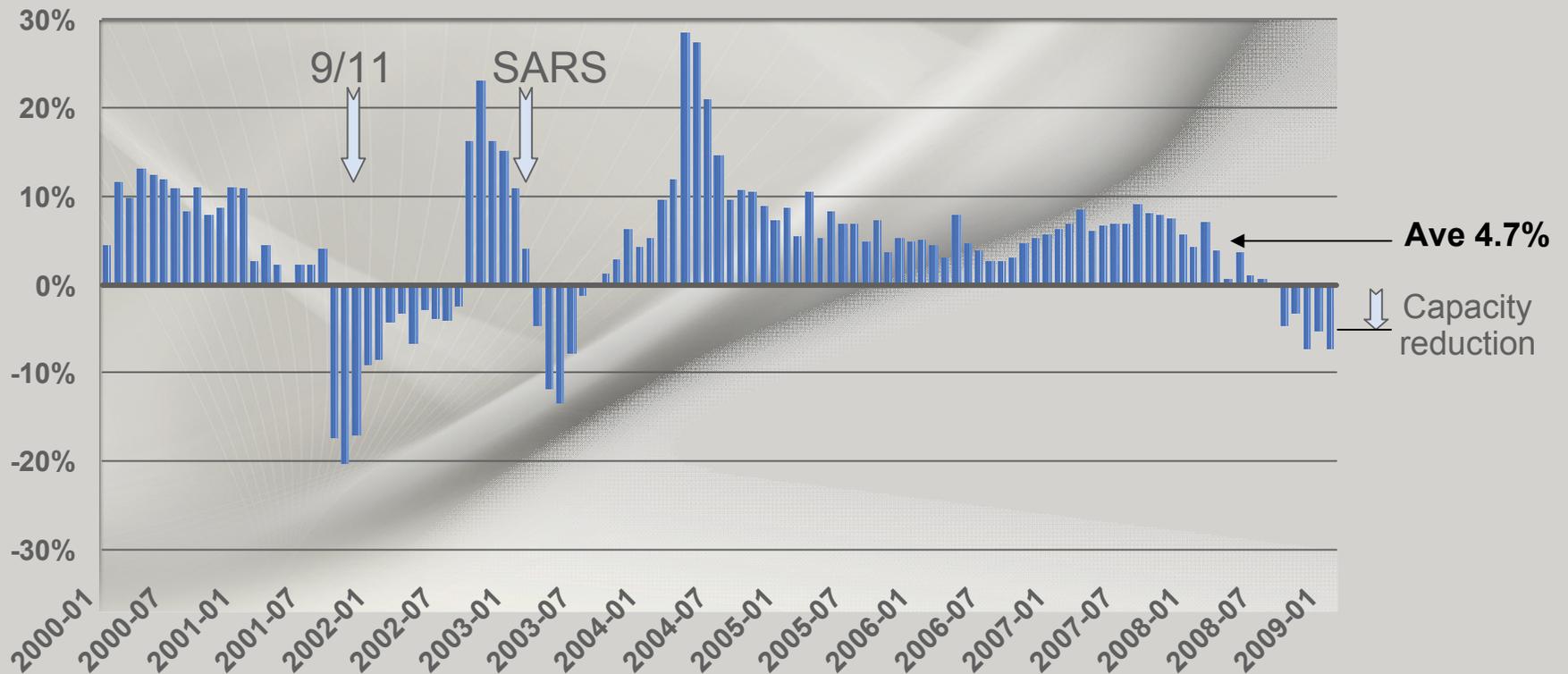


**Cargo traffic down 22%, but capacity reduced by only 6%**

Source: IATA-MIS (Jan 2009), ATA, AEA

# Passenger traffic trends

Passenger traffic (IATA international + domestic ATA + domestic AEA RPKs year over year change)



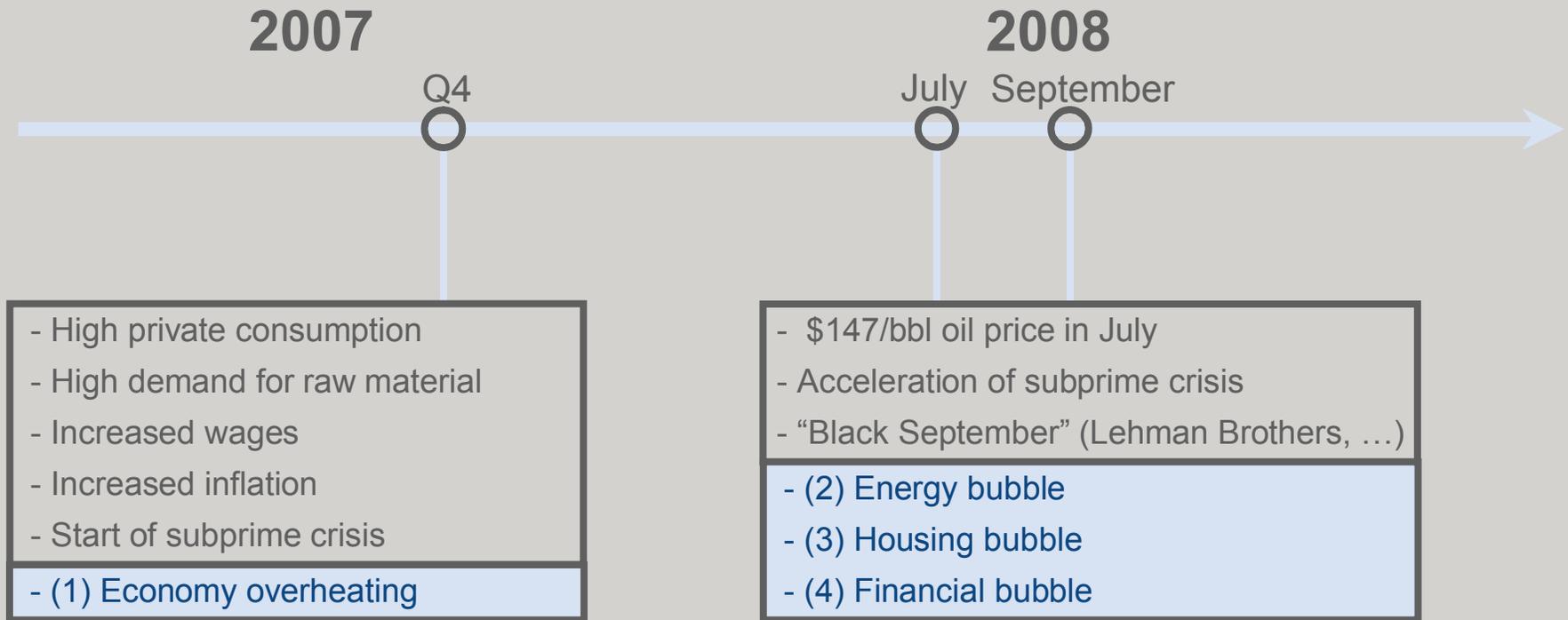
**Passenger traffic down 7% and capacity already reduced by 5%**

Source: IATA-MIS (Jan 2009), ATA, AEA

# Causes of the financial meltdown:

- Historically low interest rates resulted in a large amount of global liquidity
- Low interest rate fueled a global housing boom
- Financial deregulation and innovation offered less creditworthy borrowers a chance to buy homes
- Financial innovation encouraged explosive growth of debt securitization  
(packaging mortgage sold globally to hedge fund, mutual fund, ...)
- Regulators and rating agencies too complacent about risk associated with surge in securities backed by subprime mortgages
- Borrowers and lenders assumed that home prices will continue to increase
- Large high risk investment and lack of disclosure stopped bank to bank lending

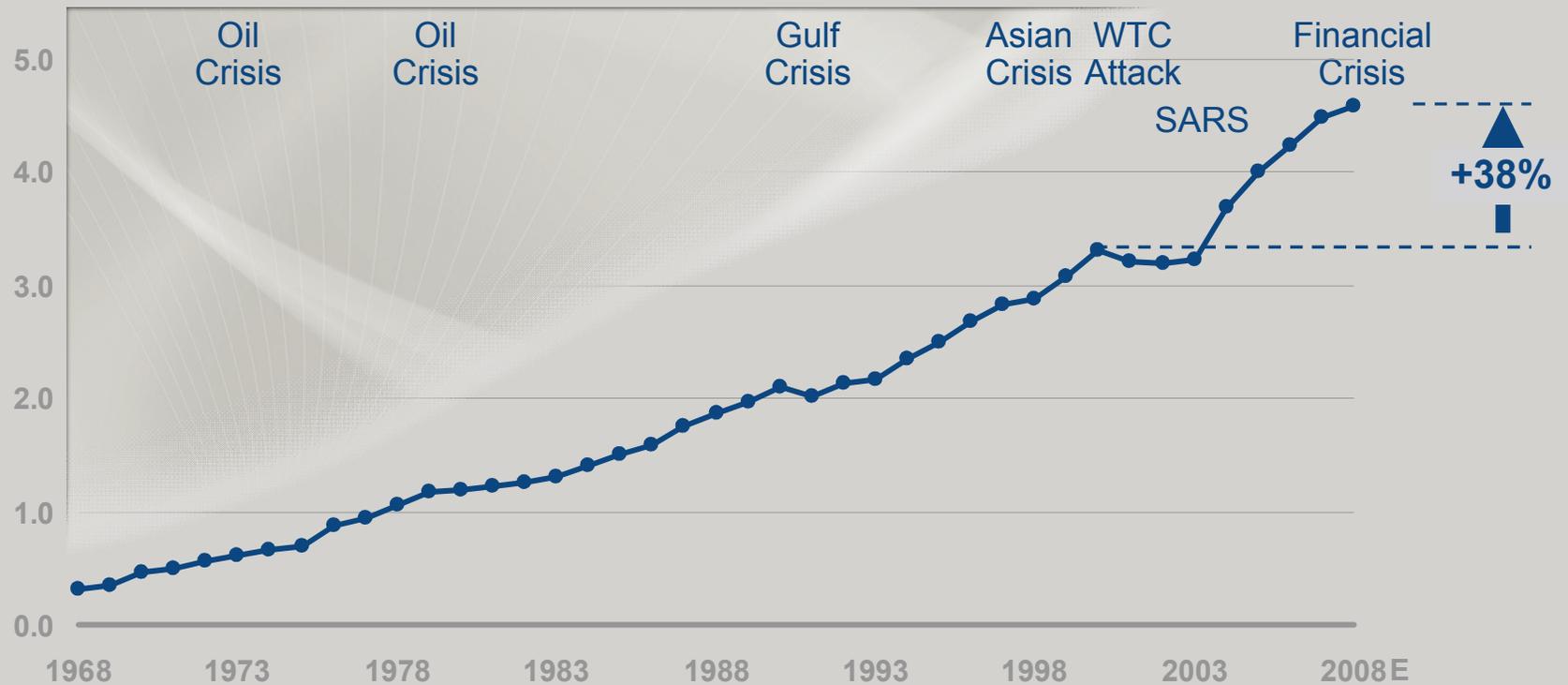
# Crisis timeline



- Any of these 4 events could have led to a recession
- All 4 happened in 07/08 with (3) and (4) at the same time
- (3) and (4) burst led to a rapid deepening of recession

# Air travel is resilient to shocks...

## Annual world traffic (trillions of RPKs)



# Cycles are not what they used to be

## Business cycle has tamed since the 1990s

- Better, faster and coordinated management of recession from Central banks
  - Aggressive approach to get inflation under control
  - Quick to act as lender of last resort
- Improved inventory control
- Increased productivity through technology
- Growth of demand for services which is more stable than demand for goods
- Smaller role of energy in the economy

# Economists anticipate recession bottoms in 3Q 2009

Real GDP year-over-year quarterly evolution (%)

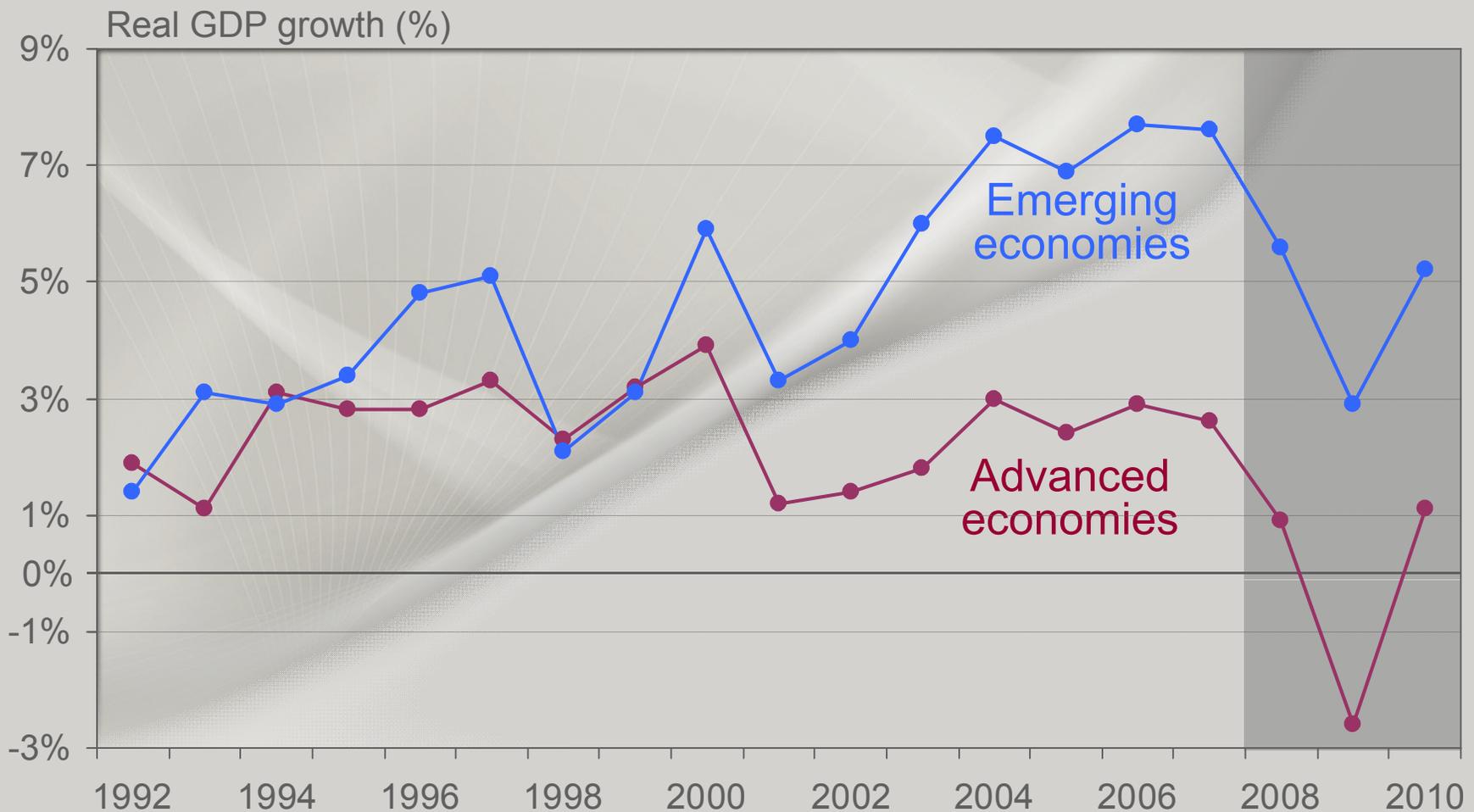


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Source: Global Insight (Feb 2009), Airbus

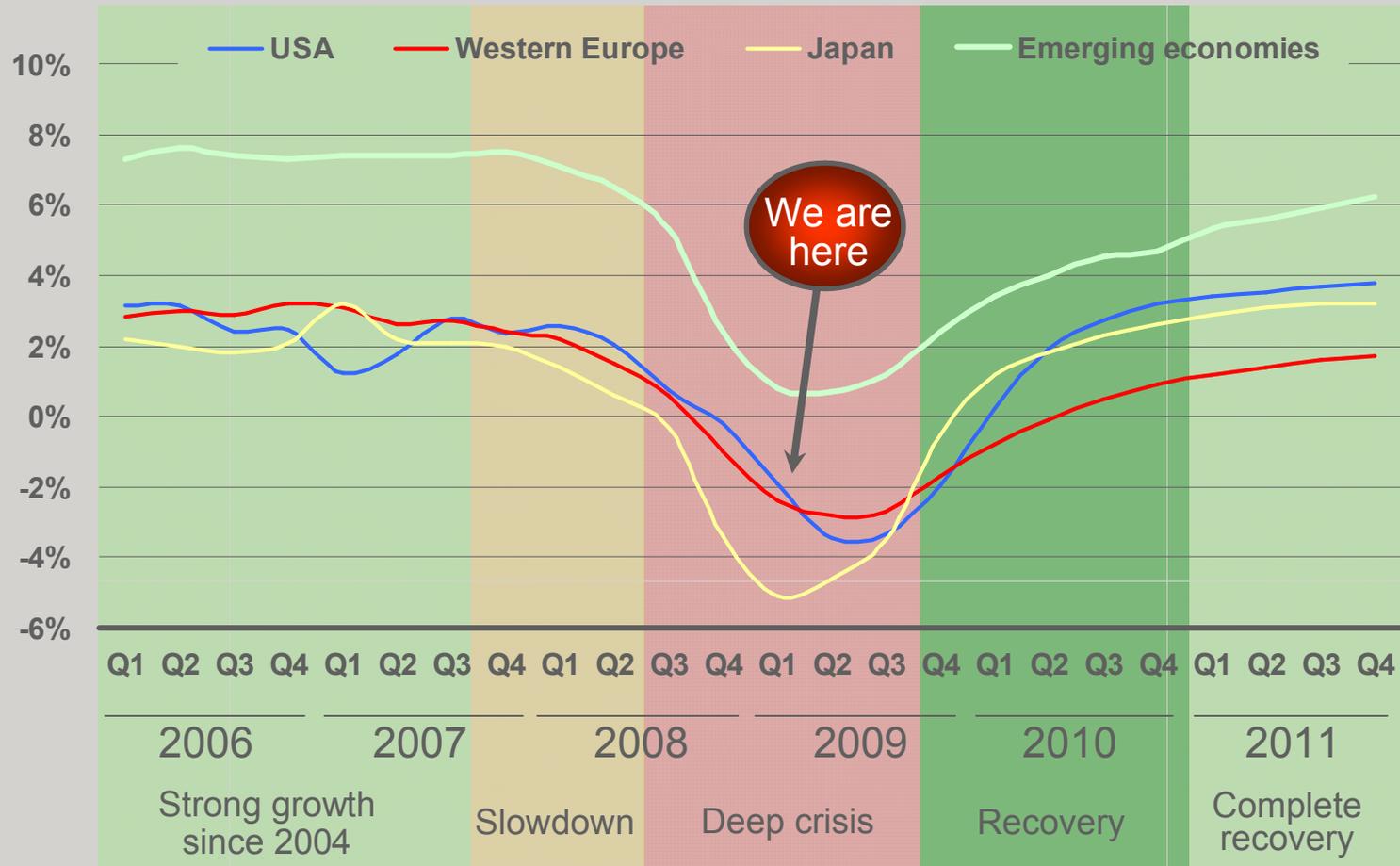


# Still a Two-Speed World with Emerging economies less impacted by current downturn



# Economists anticipate recession bottoms in 3Q 2009

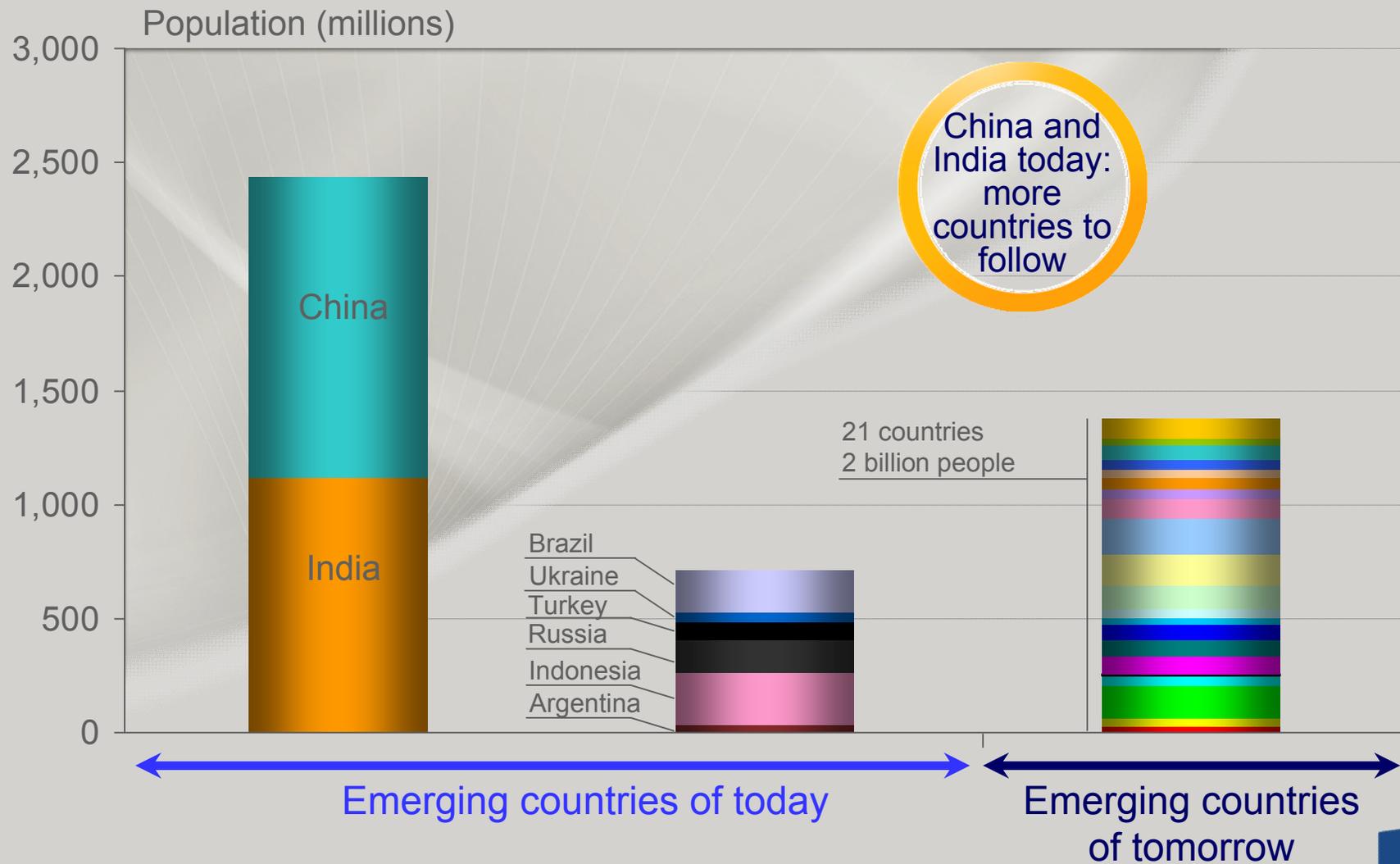
Real GDP year-over-year quarterly evolution (%)



**Still a two-speed world**

Source: Global Insight (Feb 2009), Airbus

# Other emerging countries as big as China and India combined



# 5 forces will drive global economic recovery

- Record low interest rates and unorthodox monetary policy stimulus (e.g. the US Federal Reserve buying mortgage-backed securities)
- Sharp drops in commodity prices, which help importing countries
- Inventories reaching a low
- Big bank rescue packages
- Fiscal and economic stimulus, especially in the US and China

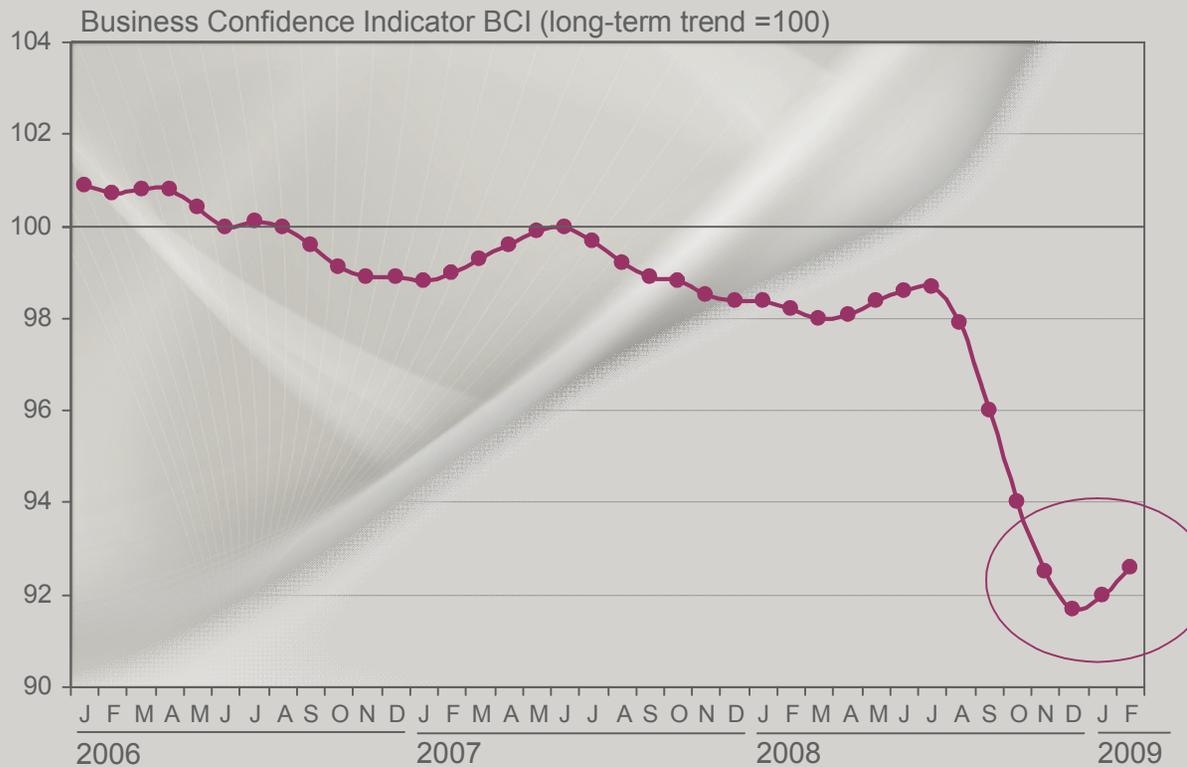
# Potential for upside from meaningful rescue and economic stimulus plans

	Rescue Plan*	Economic Stimulus Plan	Real GDP growth		
			2009	2010	2011
	\$700 billion	\$787 billion	-2.7%	+2.0%	+3.5%
	\$320 billion	\$51 billion	-3.3%	+2.0%	+3.1%
	N/A	\$586 billion	+5.9%	+8.0%	+9.6%
	\$650 billion	\$109 billion	-3.0%	+0.0%	+1.5%
	\$656 billion	\$52 billion	-3.1%	+0.0%	+1.8%
	\$468 billion	\$39 billion	-1.9%	+0.3%	+1.0%

\* Mostly government capital injection in banks in exchange of shares, short term loan to banks, government loan guarantees

Source: Global Insight (Feb 2009), Airbus

# US Business Confidence Indicator edged up for the second successive month

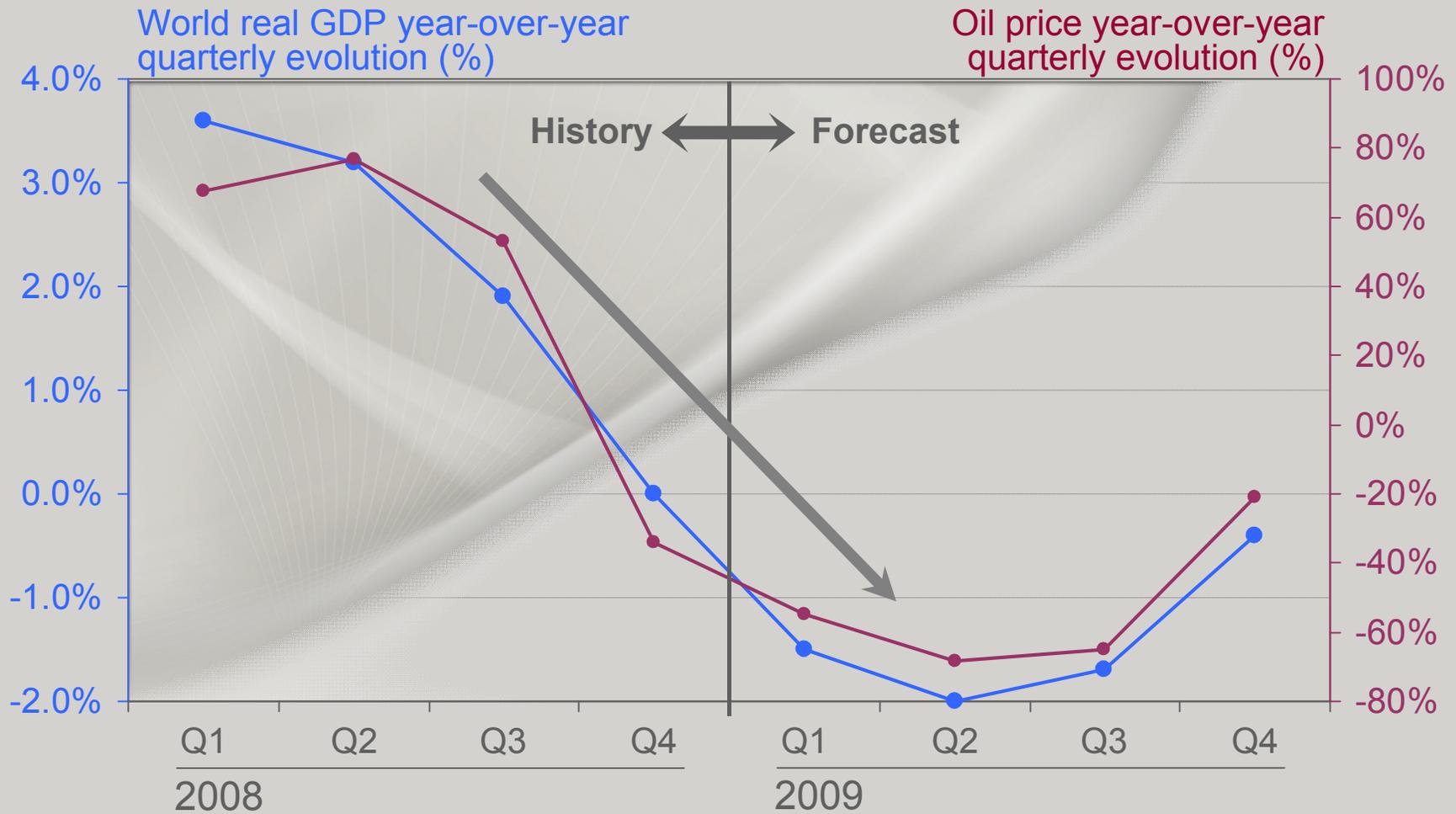


Jan - Feb 09 suggest start ease of US recession

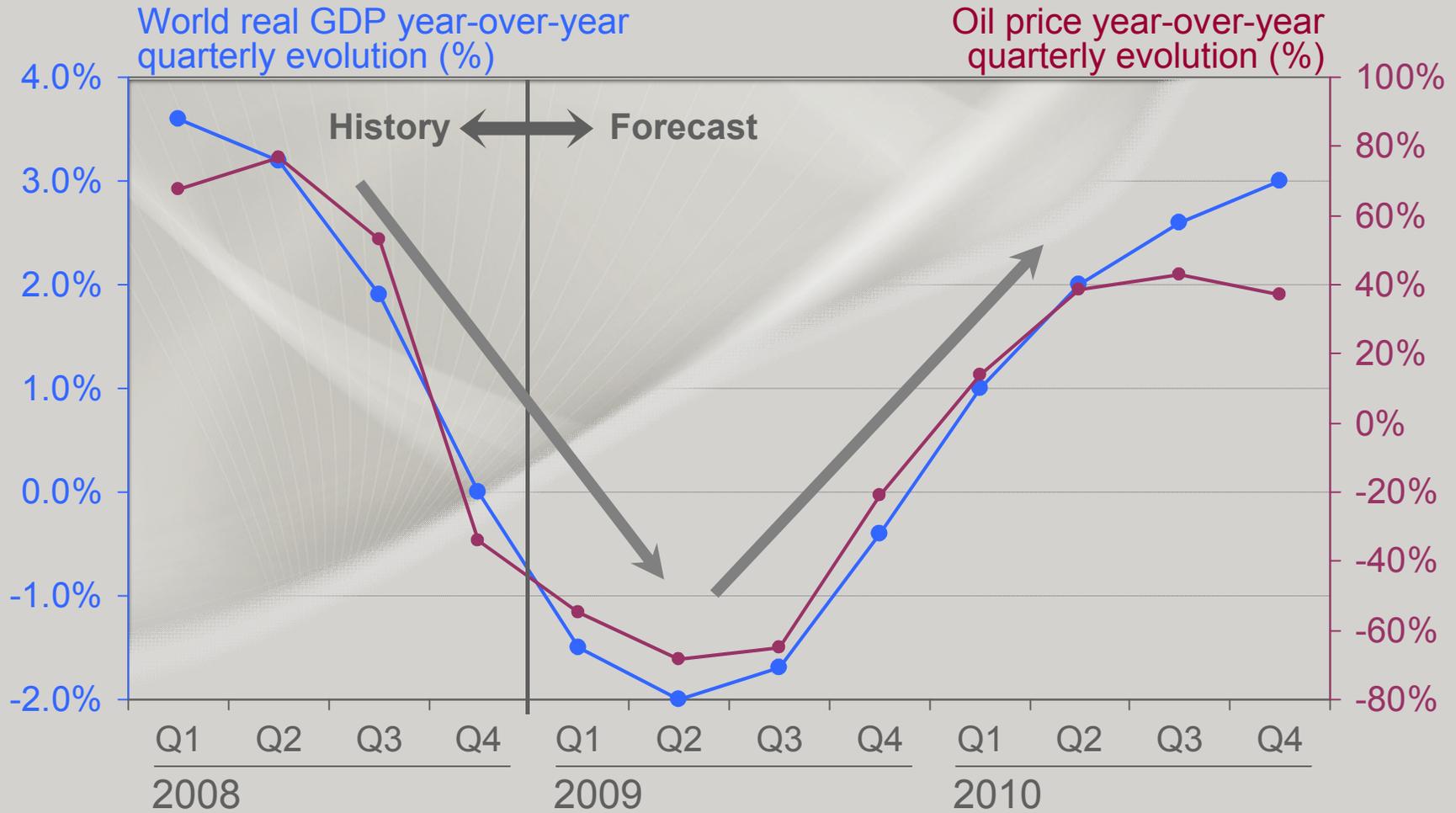
BCI sector coverage for the business tendency surveys comprises manufacturing, construction, retail trade and services.

Source: OECD, Airbus

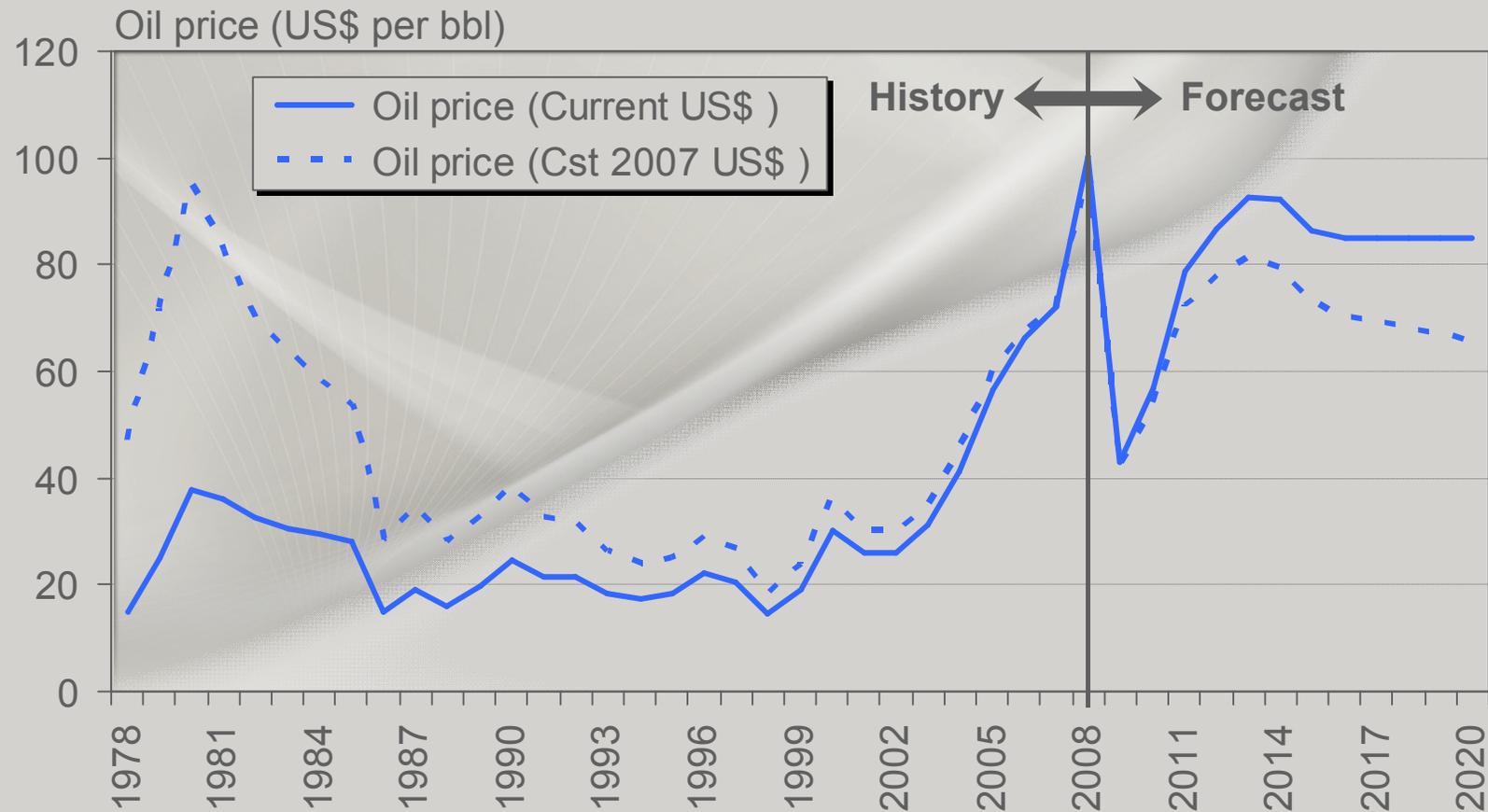
# Short term economic outlook driving down short term oil price



# 2010 recovering economy will drive oil price up



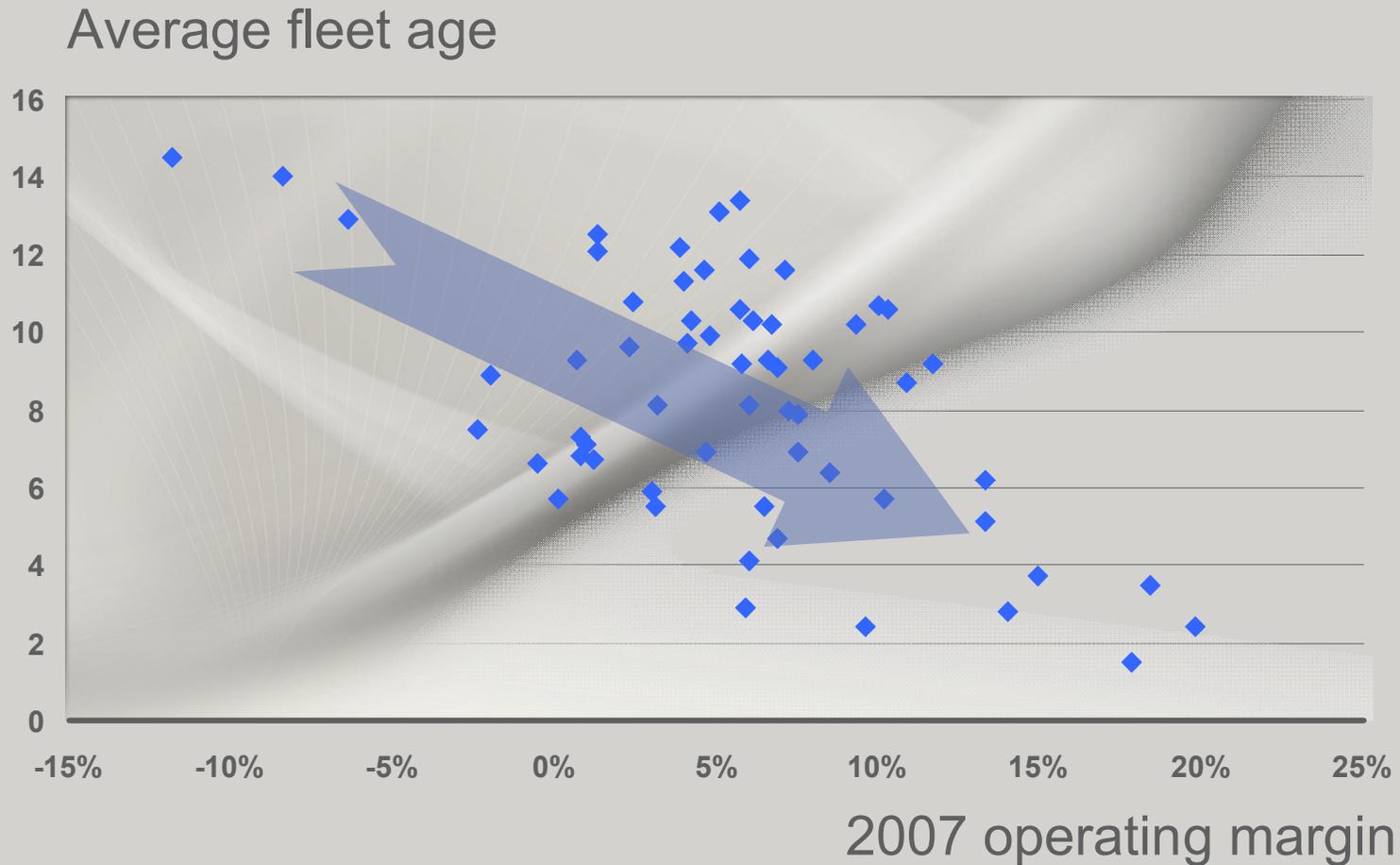
# A medium term perspective shows that cheap oil is over



**[\$80-\$100] per bbl expected from 2011,  
with spike above \$120 possible**

Source: EIA, Global Insight (Feb 2009), Airbus

# Top 60 airlines by 2007 revenues

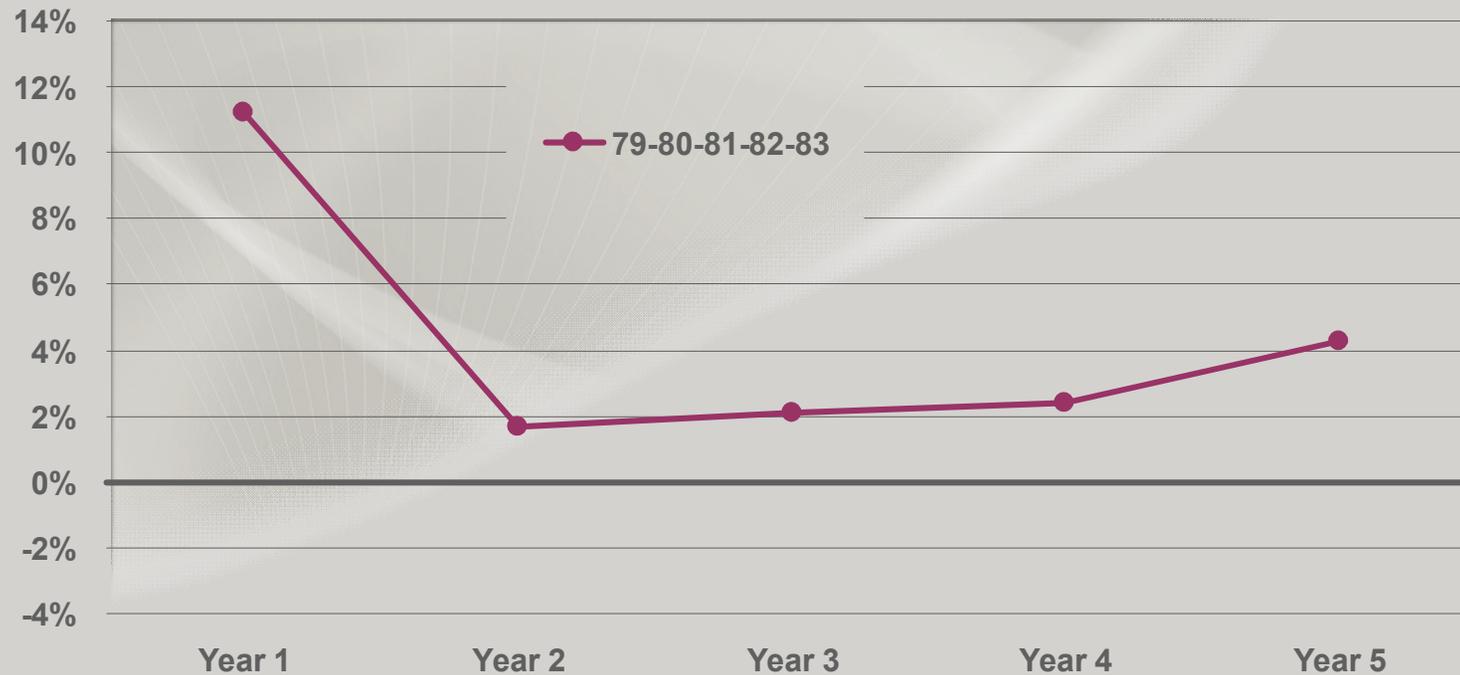


**Young, fuel efficient fleets are the most profitable**

Source: Airline Business, Ascend, Airbus

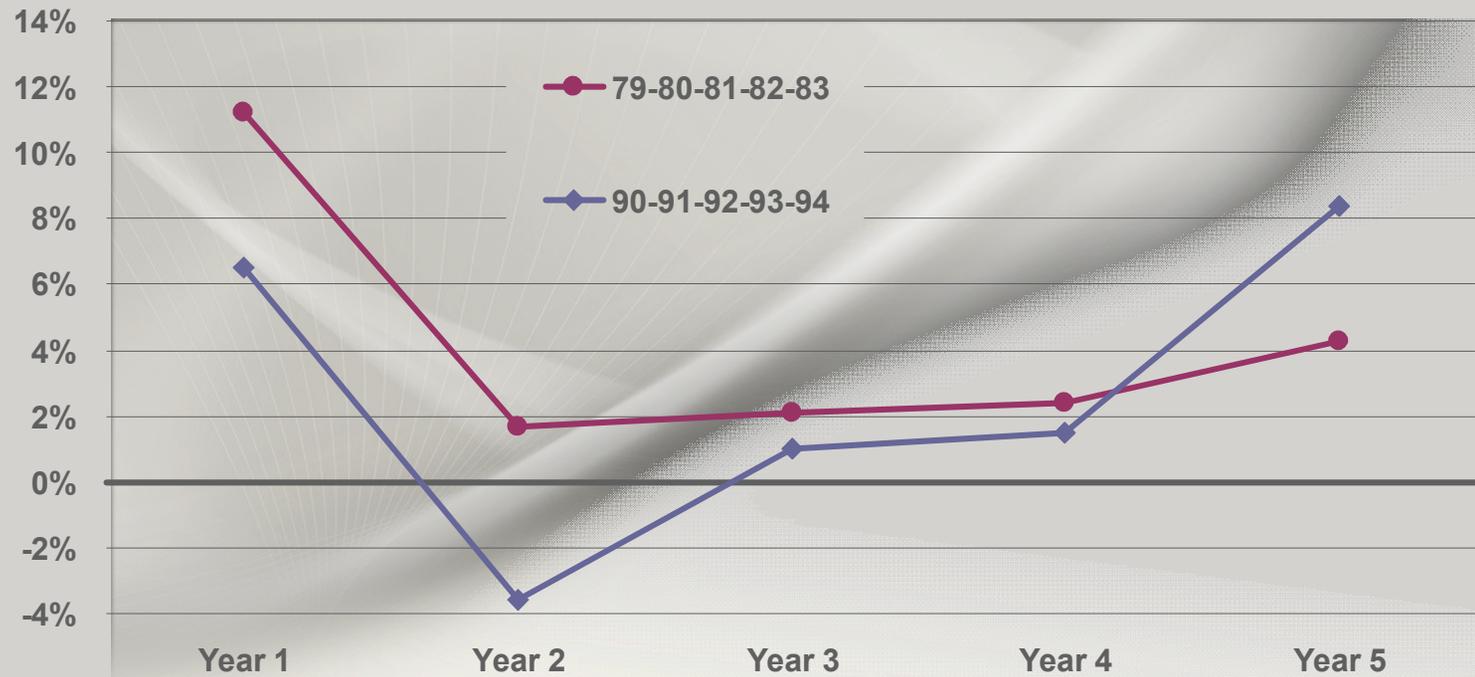
# Past experience in air traffic recovery

## World air traffic growth (%RPKs)



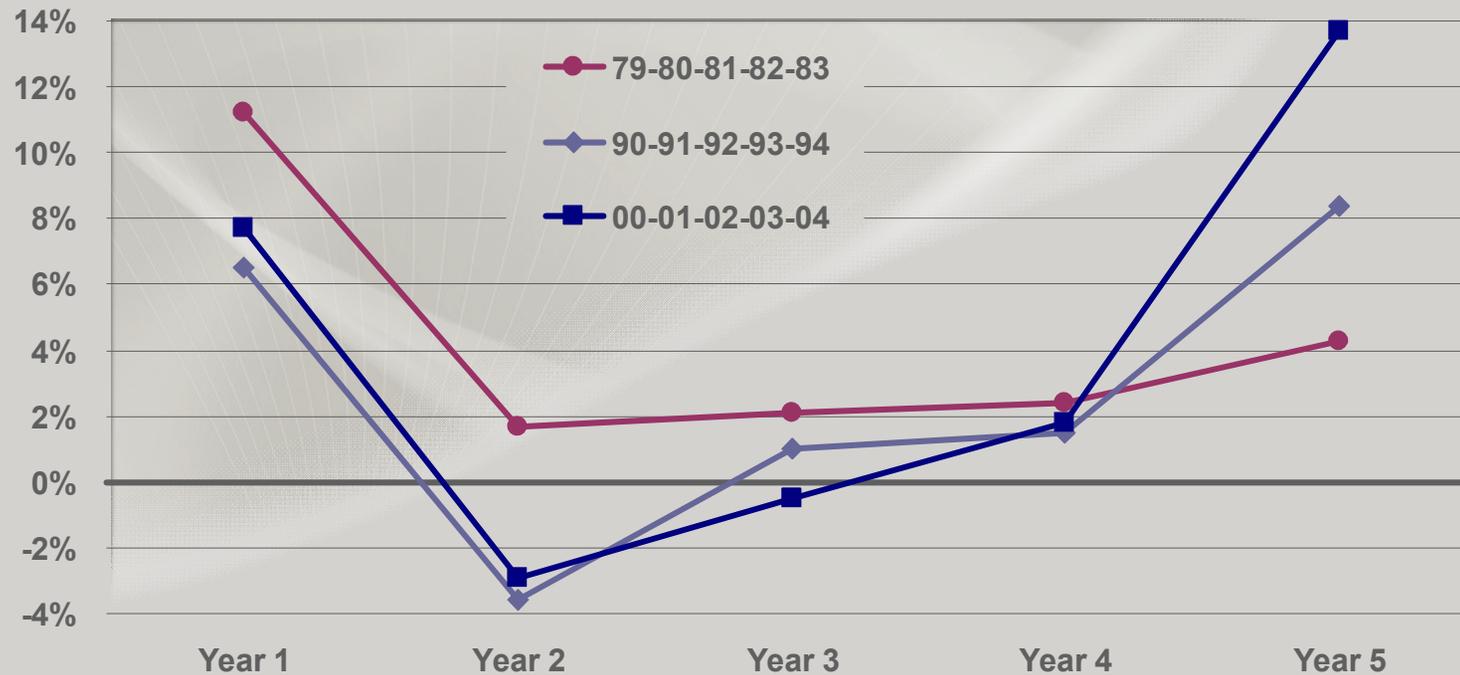
# Past experience in air traffic recovery

## World air traffic growth (%RPKs)



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## World air traffic growth (%RPKs)



Traffic recovery anticipated beginning 2010

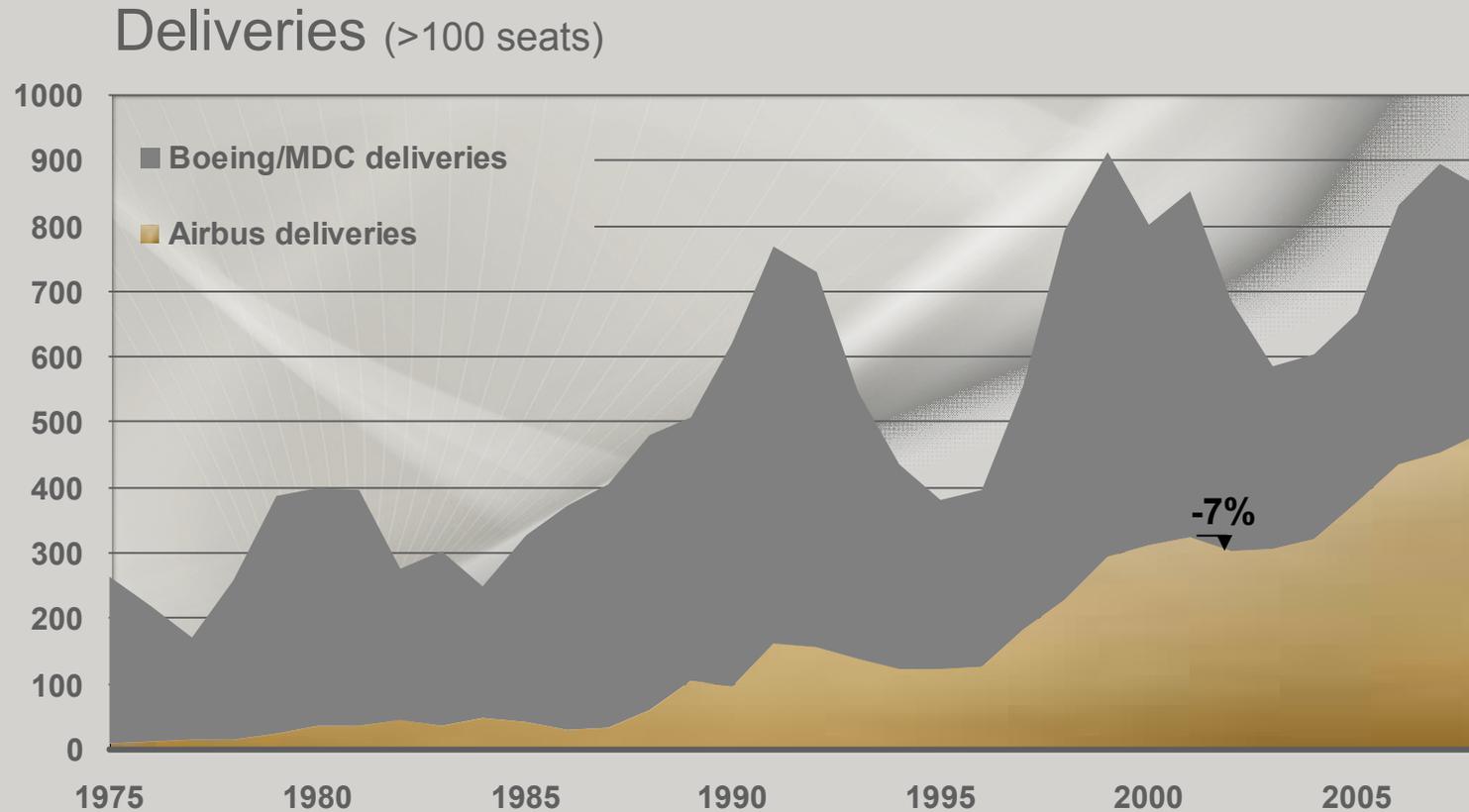
# World traffic recovery anticipated for 2010

Not to be presented for  
voice over only

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	Traffic growth (RPKs)		
	2009	2010	2011
North America	-4.4%	+3.3%	+5.3%
Europe/CIS	-2.1%	+3.9%	+5.6%
P.R. China*	+3.6%	+9.2%	+11.8%
Asia/Pacific	-0.6%	+5.7%	+7.6%
Latin America	-1.9%	+4.9%	+6.7%
Middle East	+0.9%	+6.6%	+7.9%
Africa	+0.3%	+5.8%	+7.2%
<b>World</b>	<b>-2.0%</b>	<b>+4.6%</b>	<b>+6.6%</b>

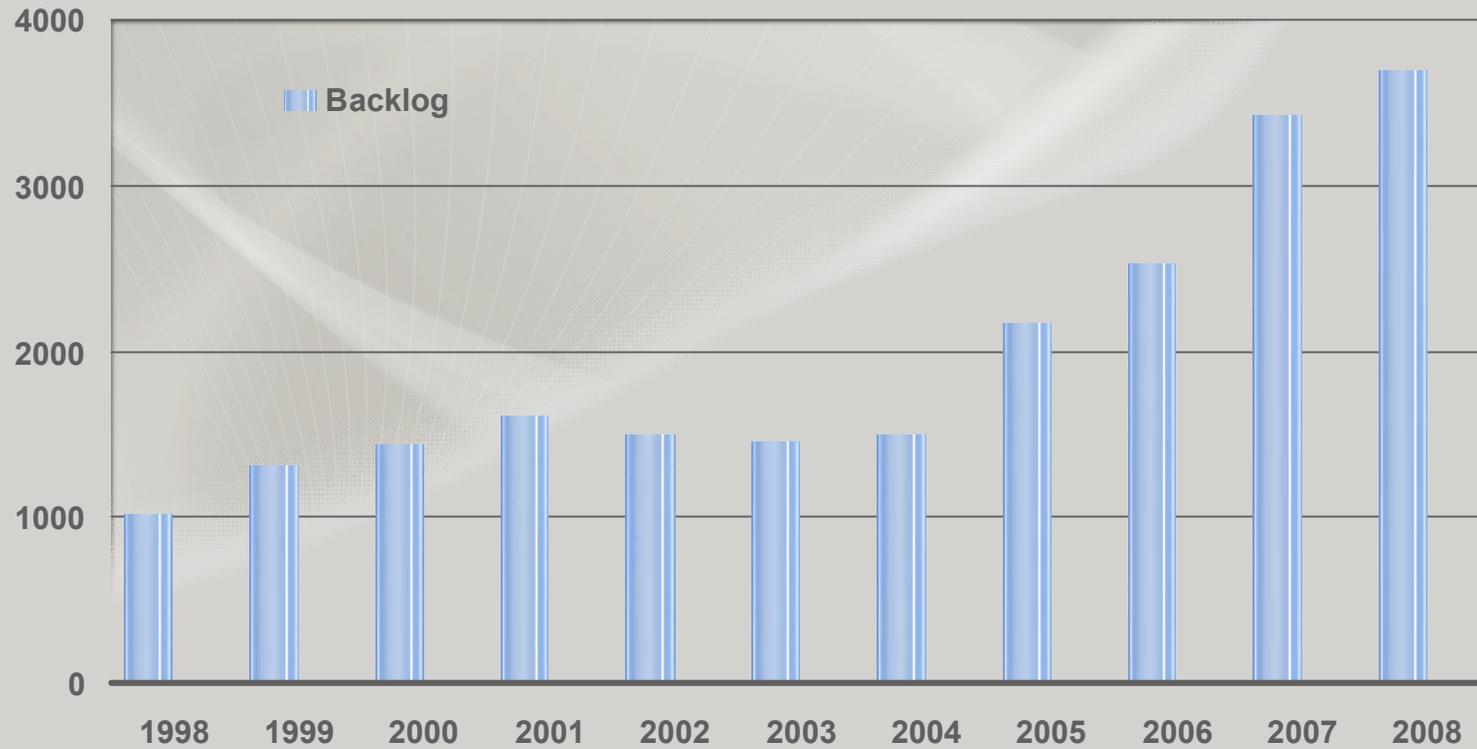
# 3 significant down cycles in the last 30 years



**Conservative production planning helps against downturns**

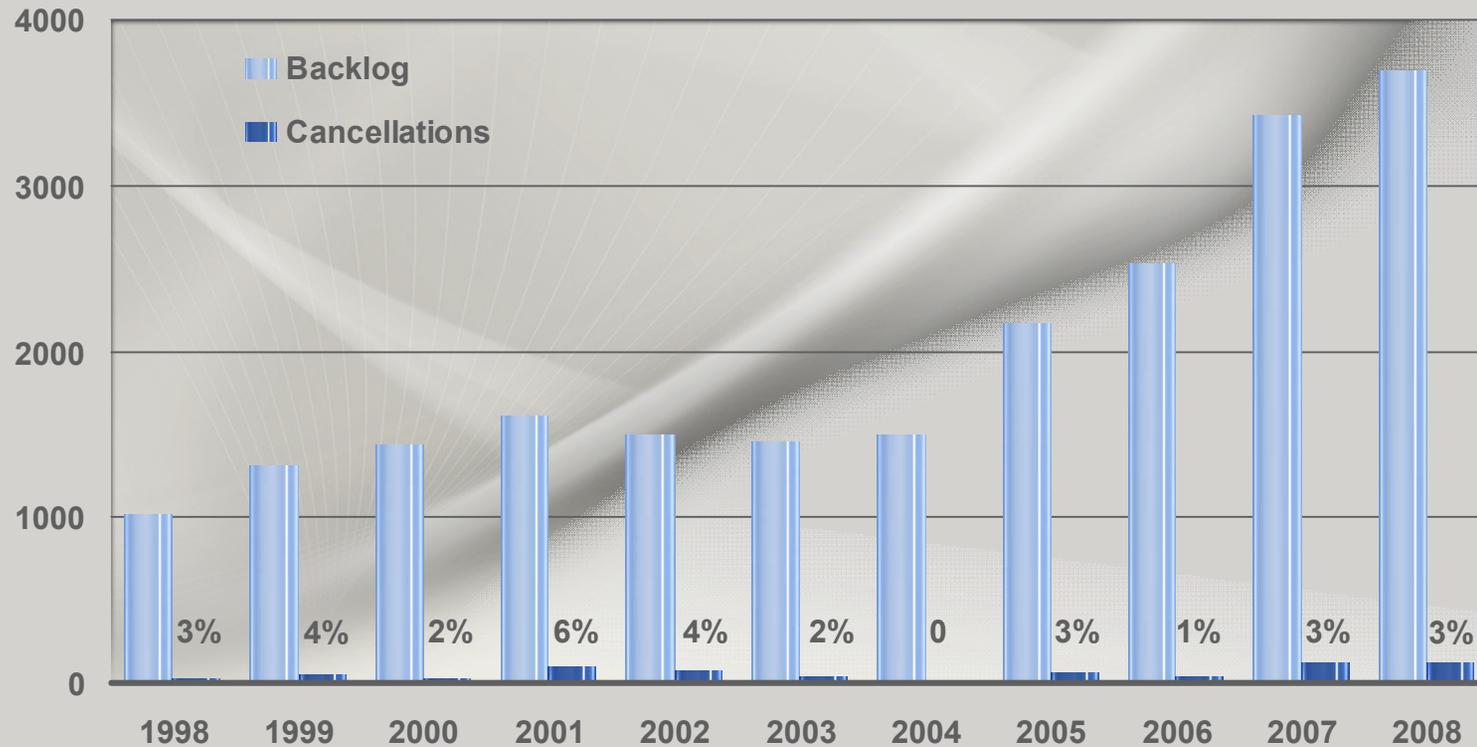
# A strong, well-managed order book

## Airbus order backlog



# A strong, well-managed order book

## Airbus order backlog vs order cancellations

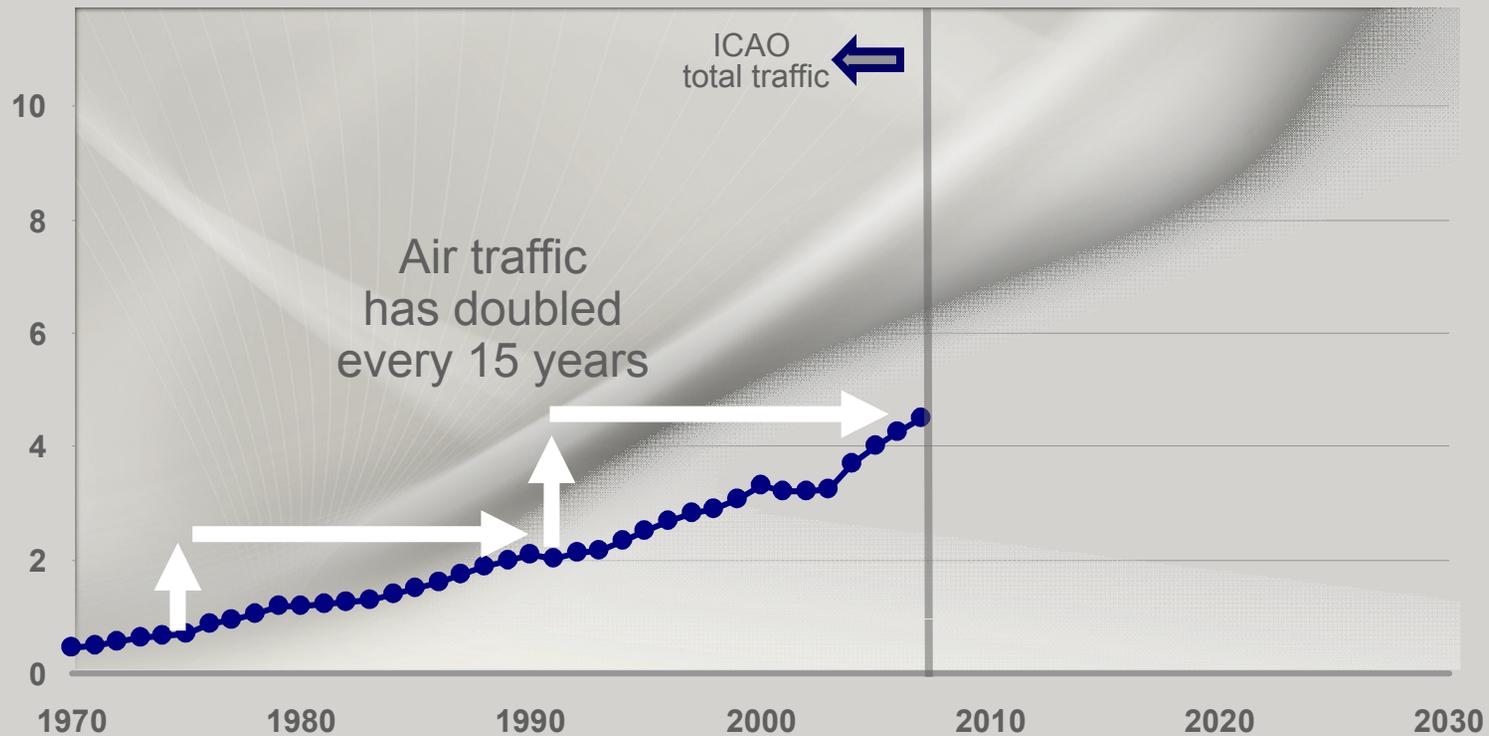


**Order cancellations are rare, even in 2001 and 2002**

Data end December 2008

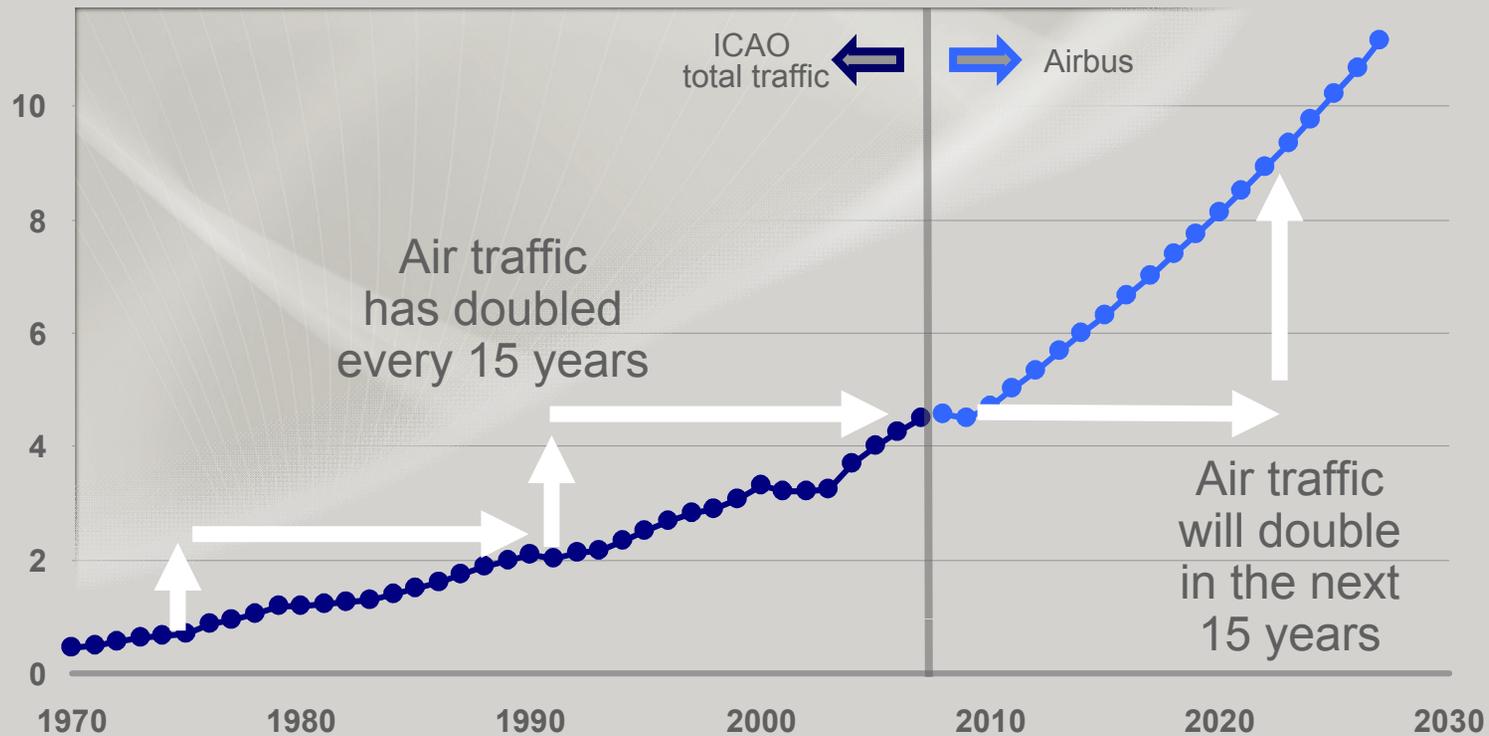
# Air travel remains a strong growth market

World annual traffic (RPK – trillions)



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World annual traffic (RPK – trillions)



**4.7% annual growth**

Source: ICAO, Airbus

# Summary of market outlook

- Respectable economic and traffic rebound anticipated beginning 2010
- Oil price anticipated to stay low in 2009 then increase in the \$80-100/bbl range when economy recovers
- Airlines with younger fleets and operating in emerging markets will do best when economy recovers
- Fuel efficient aircraft delivery positions are an asset for the coming recovery
- Air travel remains a growth market expected to double over next 15 years

