Yearbook 2003

AEA

Association of European Airlines

Association of European Airlines

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July 2003

Dear Reader of the AEA Yearbook,

The AEA Yearbook has always been the benchmark for the European aviation industry. It is a source of information on current trends supported by facts, figures and careful analysis.

This yearbook is no different.

It seeks to outline and explain the impact on our industry of one of the toughest periods in the history of aviation.

Against a background of global economic slowdown, the war with Iraq, and SARS, global airlines have suffered four consecutive years of losses and no growth.

The continued crisis however, has been a catalyst for change and it has energised us to develop new solutions to meet the changing needs of our customers and the marketplace.

AEA member airlines have dramatically reduced their overall cost of operations and many are re-evaluating core elements of their current business model, addressing structural inefficiencies, particularly in the short-haul sector.

This Yearbook details the problems and the solutions we are seeking to implement to ensure European aviation is healthy and vibrant.

During my chairmanship of the AEA in 2003, we have undertaken a root and branch review to raise awareness of its role and effectiveness as an industry body. The web-site has been revamped and well received and our communications have greatly improved.

Without doubt, this has been a very critical year for the industry as a result of external pressures - the continued threat of terrorist activity, the Iraq war and the weak global economy. However, it has also been an historic year. The European Commission has been granted the mandate to negotiate a new air treaty with the US. If it comes to fruition we will achieve true liberalisation and create a vibrant, competitive market which the AEA has long called for.

I hope you enjoy reading this document and that it will provide the basis for a continued discussion about the future of European aviation.

Rod Eddington

Rod Eddington

Chief Executive of British Airways
AEA Chairman 2003

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AT A GLANCE

-0.87 billion US$

Total Financial Loss (-0.94 € bn)

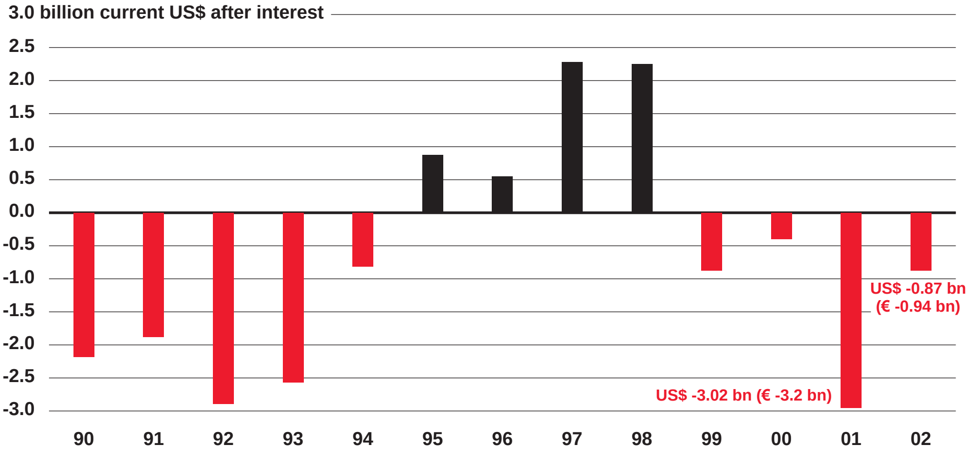
-2.4 bn US$ Revenue less

Total Scheduled Revenue all services (-2.5 € bn)

-13.8 million fewer Passengers

Total Scheduled Passenger numbers

OPERATING PROFIT / LOSS TOTAL SCHEDULED ROUTES



Source: AEA

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-4.8% Passenger Traffic loss

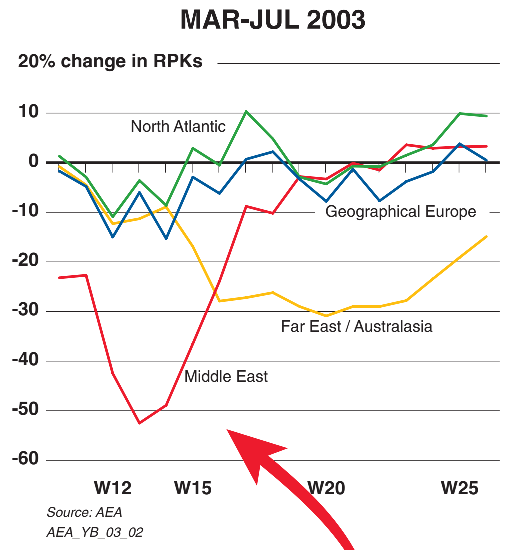
Total Scheduled Passenger-Kms

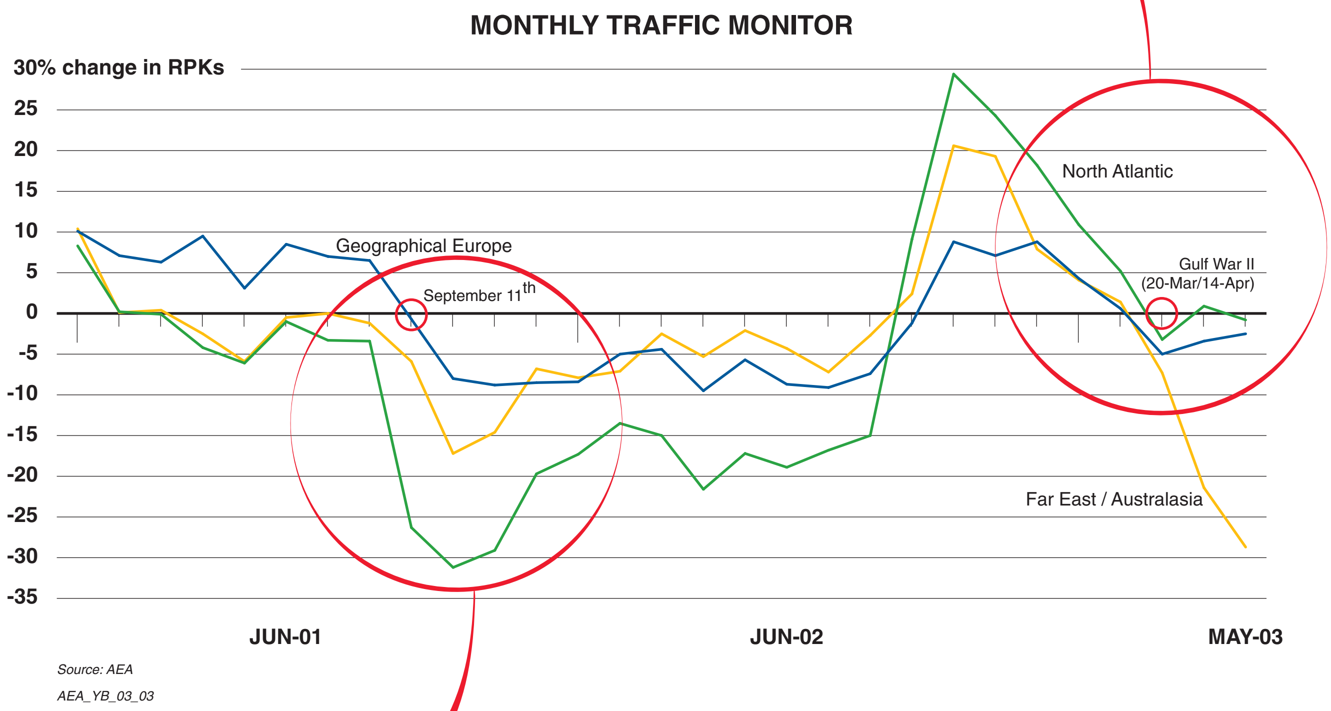
-8.7% reduction in Capacity

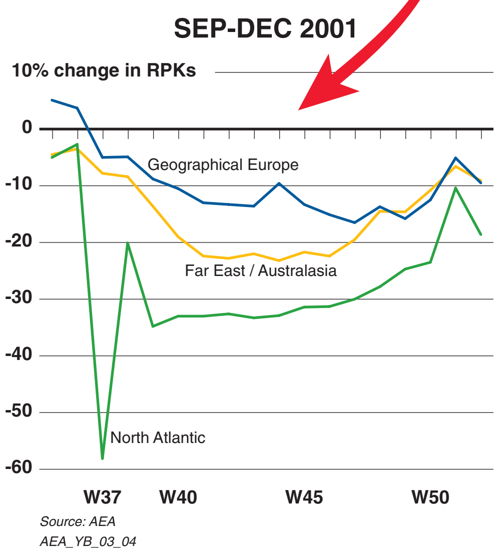
Total Scheduled Seat-Kms on offer

2002 over 2001

Markets which should have been recovering from their prolonged weakness were belaegured once again in early 2003 , first by the Iraq War, then by the wholly disproportionate effect of the SARS outbreak.







A graphic reminder of the shockwave sent through the market by the events of September 11.

WELCOME TO VIRGIN ATLANTIC AIRWAYS

AEA gained its newest member on July 1st 2003, with Virgin Atlantic Airways formally joining the Association.

Virgin's membership application was unanimously approved by the AEA Presidents' Assembly held in Brussels in May.

Virgin Atlantic began operations in 1984 with a single aircraft on a single route (Gatwick-Newark). From the outset, it has been seen as a pacesetter, with a strong public image combining both value and service elements – in the words of founder Sir Richard Branson, "a brand name that is known internationally for innovation, quality and a sense of fun". On early flights, performers were offered free passage if they would entertain their fellow-passengers en route.

From these modest beginnings, Virgin Atlantic has grown into a major global player. Its exclusively long-haul network links London (Heathrow and Gatwick) and Manchester with nine US destinations, five in the Caribbean, four in West and South Africa and four in Asia.

In 2002 passenger-kilometre terms, the airline ranked seventh among AEA airlines overall, fifth in long-haul and fourth across the North Atlantic. The passenger count for the year exceeded 3.8 million.

The fleet, amongst the youngest in the industry, consists of twelve Boeing 747s and 14 Airbus A340s. These latter include four dash-600 models – the longest civil aircraft in existence – for which Virgin was the launch customer.

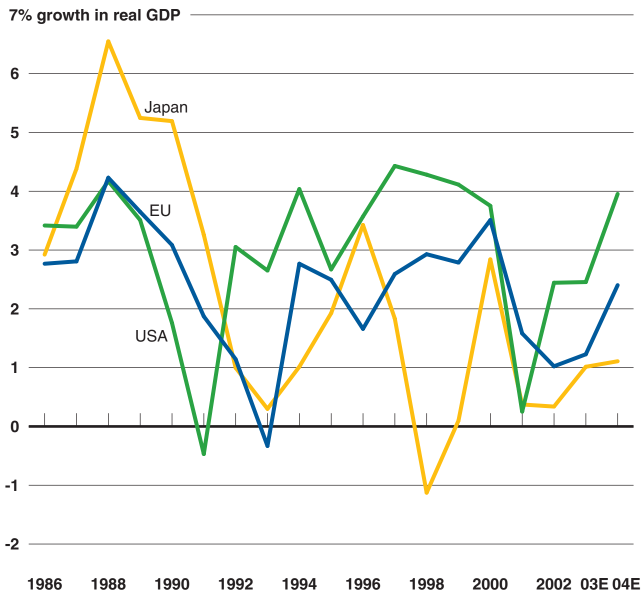
In December 1999, Singapore Airlines acquired a 49% stake in Virgin Atlantic. The two airlines cooperate on the London-Singapore route and offer reciprocal frequent-flyer and lounge benefits. Virgin also has commercial agreements with other airlines, including Continental, Malaysian and bmi.

Virgin Atlantic is part of the highly diversified Virgin Holdings group (retailing, publishing, financial services, telecommunications…). The group also includes low-fare airline brands in Europe (Virgin Express) and Australia (Virgin Blue).

THE GLOBAL ECONOMIC ENVIRONMENT

While 9/11, the Iraq War and SARS have dominated the airline-related headlines since 2001, it should not be overlooked that during this time the industry has been struggling through a serious economic downturn – a downturn, indeed, not unconnected with these events.

REAL GDP GROWTH RATES



Source: OECD Economic Outlook n.73

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The global economic slowdown of 2001-3 has been the most severe since the US economy slumped in 1991, followed by Europe two years later. This time around, US and European economies have weakened more or less simultaneously.

The slump in the US economy, from a GDP growth of close to 4% in 2000 to just above zero in 2001, was followed in 2002 by a partial recovery to 2.5%.

In Europe, the drop in 2001 was less severe, but worsened again in 2002 and is projected to mount only the weakest of recoveries in 2003. The three-year compound growth in the EU economy from 2000 to 2003, is expected to total 3.9% – equivalent to one year of strong increase.

The European airlines' second-largest overseas market, Japan, has under-performed both the EU and the US with close-to-zero growth in both 2001 and 2002. Japan has in fact suffered an extended period of depression, having posted only two GDP increases in excess of 2% (and one decrease) in eleven years.

Sustained powerful increases in the Chinese economy, pushing the passenger market into a position where it challenges Japan in importance for AEA airlines, have come to an abrupt end in 2003 with the devastating impact of SARS.

Within the EU, the largest national economy, Germany, has also been the most depressed, with GDP growth of only 0.2% in 2002 and a projected 0.4% in 2003. Fourth-place Italy and sixth-place Netherlands have been scarcely any stronger.

	Size of Economy 2002 GDP levels € bn	GDP growth rate 1995 prices 2002	2003
Germany	2108	0.2	0.4
United Kingdom	1661	1.8	2.2
France	1521	1.2	1.1
Italy	1258	0.4	1.0
Spain	694	2.0	2.0
Netherlands	444	0.3	0.5
Belgium	261	0.7	1.2
Sweden	256	1.9	1.4
Austria	217	1.0	1.2
Denmark	183	1.6	1.5
Finland	140	1.6	2.2
Portugal	129	0.5	0.5
Ireland	115	6.0	3.3
Greece	99	4.0	3.6
Luxembourg	19	0.4	1.1
EU15		1.0	1.2

Source: EUROSTAT

AEA_YB_03_06

The other major European economies – UK, France and Spain – are experiencing 2002/3 growth at or above the EU average, but still well below levels commensurate with a healthy momentum.

A number of specific macro-economic factors have impacted the market situation. The stock-market slump which began in 2000 has affected consumer wealth and confidence – more so than in the past, since many more individuals are affected, if not directly, then indirectly through their involvement in pension funds.

The USA in 2002 experienced the virtually unheard-of phenomenon of tumbling stock prices during an economic recovery, possibly mitigating the beneficial effect on travel demand of an improving economy.

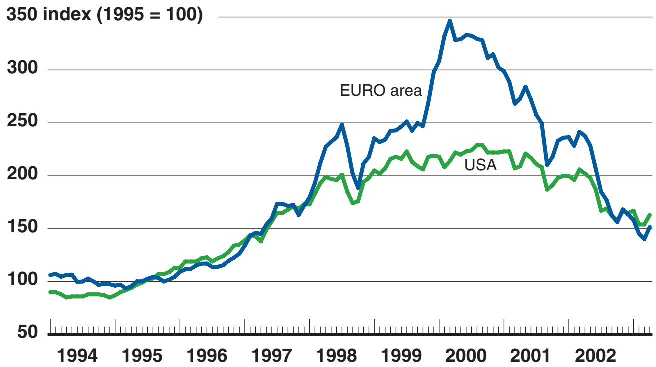
Government monetary policy to counteract the weak economy has included historically low interest rates, to boost household spending and encourage business investment.

Nevertheless, investment in business in OECD countries decreased by 4.25% in 2002, on top of a -2.25% in 2001 – a much larger decline than in recent recessions. As well as the falling share prices, other factors have included a focus on reducing debt burden and generating cash and – not insignificantly – avoiding the legal and reputation risks triggered by a series of well-publicised corporate governance scandals.

Full recovery for the OECD economies is foreseen to begin around the end of 2003 or early 2004. However, this scenario is dependent on a pick-up in investment, for which the situation of depressed business confidence in early 2003 was not an encouraging pointer.

Finally, the recovery in Europe could be hampered by the appreciation of the Euro, which began in the last quarter of 2002, slowing down the growth of European exports and reducing the value of profits earned abroad – as well, evidently, as making Europe a more expensive destination for US and other travellers.

SHARE PRICE INDEX



Source: OECD Main Economic Indicators - Dow Jones EURO STOXX Broad, NYSE
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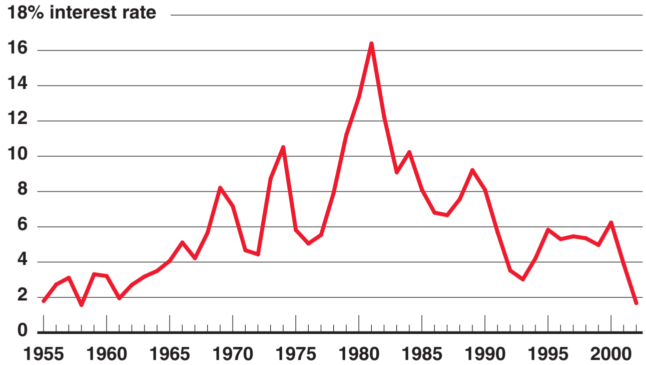
US FEDERAL FUND RATE



Source: Federal Reserve
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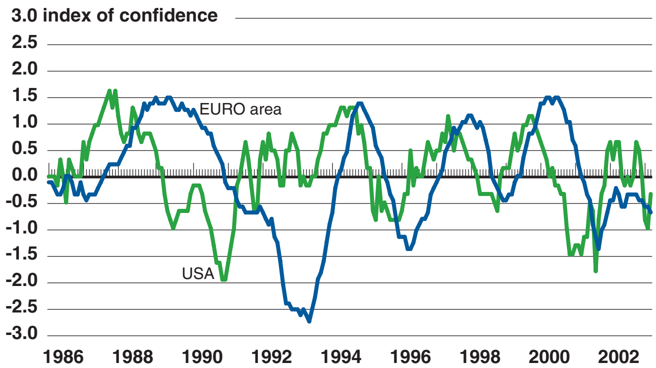
BUSINESS EXPECTATIONS



Source: OECD Main Economic Indicators - normalised series in units of standard deviation
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TRAFFIC DEVELOPMENT 2002

Total scheduled traffic on AEA carriers declined by 4.8% in 2002. For the first eight months of the year, comparison was with the pre-9/11 situation and the decrease was 10%, with no significant evidence of a diminution of the traffic loss from one month to the next.

In the last three months of the year, traffic increased 12%, which represented a recapture of only about 45% of the lost traffic in the previous year. By the end of the year 'real' traffic losses (measured against a year 2000 baseline) were beginning to diminish.

Making up the total picture were substantial regional variations, although all route groups reported minuses in Jan-Aug and plusses in Oct-Dec.

On the North Atlantic, hardest-hit after 9/11, Jan-Aug traffic was down 18.2%. Growth in the final quarter was 21.1% but the total for the year was 8.7% lower than in 2001.

Within Europe, the corresponding figures were: before September -9.6%, after September +7.9%, overall -3.7%.

Of the main traffic flows, Europe-Far East suffered the least: before -5.0%, after +15.8%, overall -1.0%. The traffic growth in the final quarter represented a better than full recovery of the previous year's lost traffic.

Among the lower-volume markets for the AEA carriers, two figures stood out: Europe-Sub Saharan Africa was the only route group to record a plus for the year, at +2.6%. The South Atlantic result of minus 13.0% probably owed more to the economic crisis in Argentina than to post-9/11 effects.

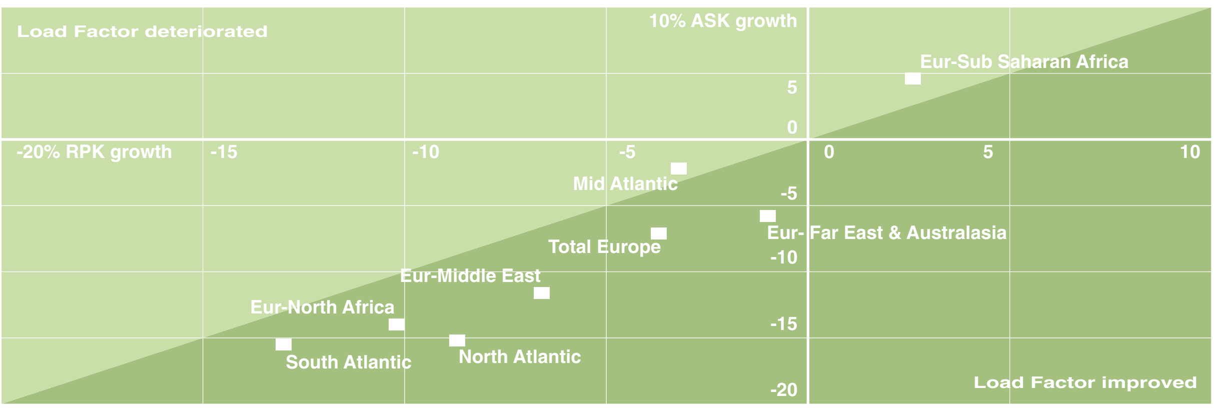
A positive aspect in 2002 was that, in overall terms, the airlines succeeded in tailoring capacity to the much-weakened demand and load factors did not suffer; in fact they were generally higher than in 2001.

Total Scheduled seat-km for the year were reduced by 8.7%, resulting in a three-point improvement in load factor, to 73.6%, which was actually the highest on record.

North Atlantic capacity was down 15.2% for the year, with a reduction in the Summer schedule of about 21%. Consequently, load factors were high, reaching 80.0% for the year and surpassing the previous high point of 78.4% in 1997.

In Europe, capacity was reduced by 7.1%, and the load factor of 64.7% equalled the previous highest.

2002 RPK VS ASK % GROWTH BY REGION



Source: AEA
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'NO-FRILLS' CARRIERS

2002, and early 2003, has been a period of substantial development in the industry sector variously labelled 'no-frills', 'low-cost' or 'low-fare.

Successive AEA Yearbooks have tracked the progress of this sector since the mid-1990s, when it comprised only Ryanair and Virgin Express, shortly joined by Easyjet.

Since that time, the number of players has increased. While no definition of a 'no-frills' carrier exists, it was commonly accepted that by 2002 the original three had been joined by Go, Buzz and bmibaby.

Although all these carriers shared some characteristics, all were, equally, substantially different from each other.

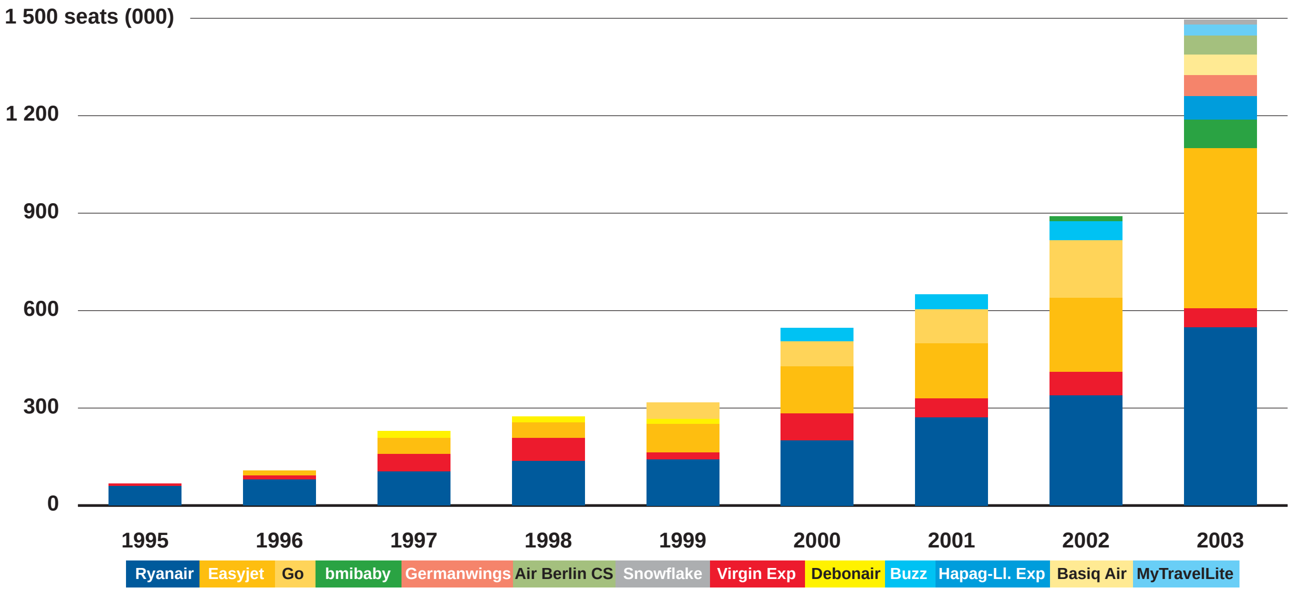
Since mid-2002, the sector has undergone an upheaval of fundamental proportions. Go and Buzz have been absorbed by Easyjet and Ryanair respectively. KLM subsidiary Transavia has created a no-frills brand, Basiq Air. There have been dramatic developments, too, in the German market. Eurowings, a Lufthansa affiliate, introduced the Germanwings brand with a hub at Cologne. Leisure airline Air Berlin set up a subsidiary, City Shuttle, connecting several German cities with European business destinations. Similarly, Hapag-Lloyd Express has introduced services from twin hubs at Cologne and Hannover.

Another newcomer to the market, is a new UK airline, MyTravelLite. Also scheduled for 2003 introduction are a no-frills subsidiary of the Italian airline Volare, and possible startups in France and Ireland.

SAS have set up a stand-alone low-fare operation, Snowflake, to mainly leisure destinations with – unusual for this sector – less than daily frequency.

While the no-frills sector is still dominated by operations involving UK points, 2003 has seen a huge upsurge in services within Continental Europe, accounting for

"NO-FRILLS" WEEKLY SEATS - SUMMER SCHEDULE



Source: OAG; Airline websites

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28.7% of seats offered, compared with 13.6% in 2002.

The German market climbed from seventh to second in importance, with a more than five-fold increase in capacity. The number of seats on offer more than doubled in the Italian and Netherlands markets.

As regards airports, the two London satellites of Stansted and Luton are dominant with, between them, more than 20% of capacity in this sector. Both are hubs for major players, but also destination airports for many of the new Mainland Europe start-up carriers.

Cologne, with two resident carriers, has the next largest share. Subsequent airports ranked by no-frills capacity are generally major hubs or larger regional airports. Of the remote airports which are supposed to typify this sector, Frankfurt-Hahn, Milan-Bergamo and Brussels-Charleroi (all Ryanair mini-hubs) would rank 12th, 14th and 17th respectively.

Among airports without a no-frills resident, the leisure destinations of Nice (served by 7 carriers), Malaga (6) and Alicante (5) are prominent.

TOP 20 AIRPORTS SERVICED BY THE "NO-FRILLS" WEEKLY SEATS (000)

London-Stansted	482	AB HV U2 4U FR
London-Luton	134	U2 X3 FR
Cologne	118	4U X3
Dublin	112	WW FR SK
Amsterdam	112	HV WW U2 VZ TV
Belfast	79	WW U2 VZ
London-Gatwick	77	U2 FR
East Midlands	76	WW U2,
Edinburgh	70	WW U2 4U FR
Nice	70	HV WW U2 X3 SK TV
Liverpool	65	U2 FR
Frankfurt-Hahn	64	FR
Barcelona	64	AB HV WW U2 4U VZ SK TV
Milan-Bergamo	61	AB HV WW X3 FR
Brussels	59	WW TV
Malaga	57	HV WW U2 VZ SK TV
Brussels-Charleroi	48	FR
Glasgow	47	WW U2
Alicante	45	HV WW U2 VZ SK
Rome-Ciampino	44	AB U2 X3 FR

4U - Germanwings, AB - Air Berlin, FR - Ryanair HV- Basiq Air,
SK - Snowflake, TV - Virgin Express, U2 - easyJet, VZ - MyTravelLite
X3 - Hapag-Lloyd Express, WW- bmibaby

Source: OAG; Airline websites

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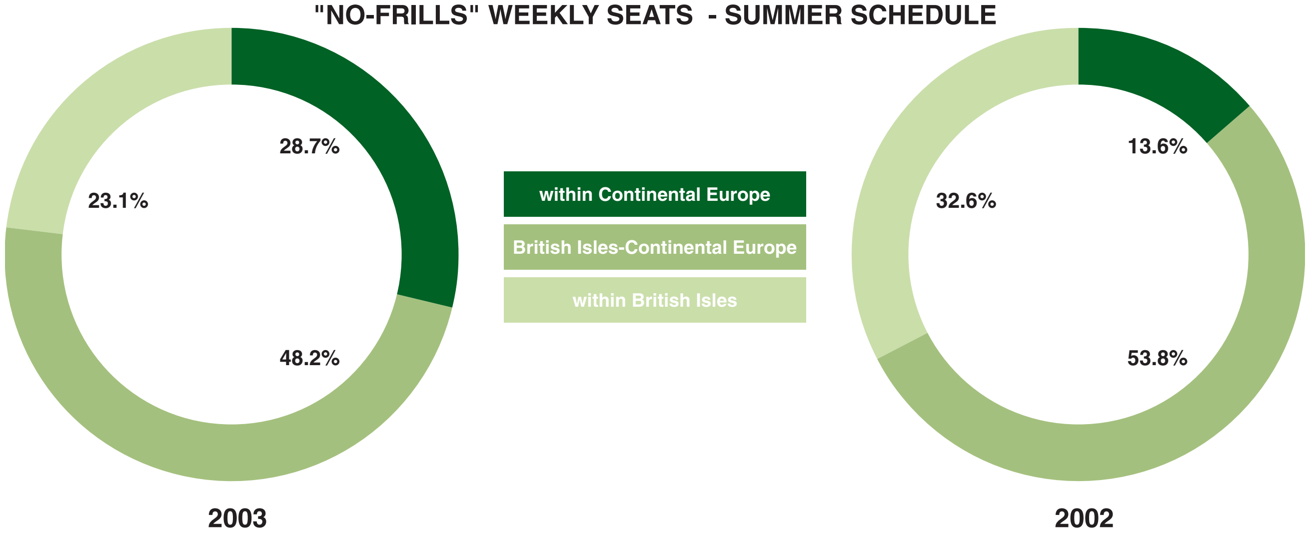
"NO-FRILLS" WEEKLY SEATS - SUMMER SCHEDULE



Source: OAG; Airline websites

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SPOTLIGHT ON THE NORTH ATLANTIC

In 2000, the North Atlantic market generated for AEA carriers 29.3% of total passenger-km and US$ 11.3 billion in revenue. By 2002 these figures had fallen to 27.8% and $9.1bn respectively.

Throughout the 1990s, the market was exhibiting very high growth rates. In the eight years 1993-2000, the average year-on-year increase for AEA carriers was 8.5%. In the last three years of this period, it was even higher, at 9.4%.

In this context, the dramatic downturn in the North Atlantic market for AEA carriers is all the more remarkable. 2002 total passenger traffic was at about the same level as in the 12 months to September 1998 – in other words, four and a quarter years of market growth had been lost.

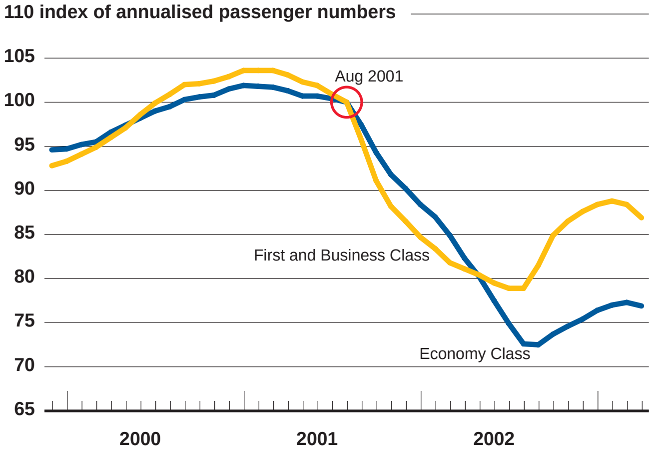
Since the beginning of 2003, the market has again been fluctuating strongly. In January, double-digit growth was recorded, in effect recovering about half the previous year's lost traffic, but thereafter conditions weakened greatly in the countdown to the Iraq conflict.

A traffic loss was posted in nine of the twelve weeks from mid-March. This period of depression was undoubtedly extended by SARS concerns, both specifically related to Canadian travel and a more general disinclination to fly.

The accompanying graph shows trends in the Europe/US market before and after September 2001. Clearly evident is the decrease in the market prior to 9/11.

Immediately after 9/11 high-yield traffic posted the largest decreases, although ultimately it was economy-class travel which suffered the greatest decline. It was very evident, however, that the next market shock, in the shape of the 2003 Iraq War, had its immediate impact again on the high-yield traffic.

NORTH ATLANTIC TRAFFIC DEVELOPMENT



Source: AEA
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AEA airlines moved decisively to adjust North Atlantic capacity to the new market conditions in 2002. In each of the twelve months, load factor improved and reached a record 80.0% for the year.

In the 2002 Summer schedule, AEA carriers reduced their Europe-US operations by 19.3%, from 1289 to 1040 weekly roundtrips – the equivalent of 35 fewer flights per day in each direction.

In 2002, twenty-one AEA and five other European airlines contested the Europe/US market with six US carriers.

In sharp contrast to the Europeans, the US carriers made much smaller capacity cutbacks in 2002. In the peak Summer schedule, their weekly seats were down only 6.4% and weekly flights -7.8%, compared with around 20% for the European airlines.

Consequently, the US carriers' share of the market increased from 41.8% to 46.1% in seats offered and – given their smaller average aircraft size – from 46.3% to 49.9% in number of flights.

SPOTLIGHT ON THE FAR EAST

AEA members' traffic on Far Eastern routes fell by 17% in the immediate aftermath of September 11, recovered to about -7% by the end of 2001 and averaged about -5% through the Summer of 2002.

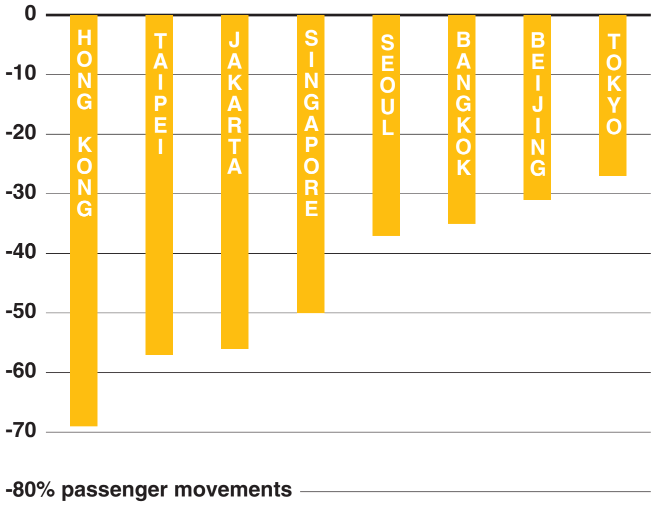
In the final quarter of 2002, traffic had almost returned to 2000 levels, with two years of growth lost.

As with other regions, the recovery in Far Eastern traffic faltered in early 2003 in anticipation of the Iraq War. From the beginning of February the market growth evaporated. At the outbreak of war, in late March, the traffic decrease reached 11-12%.

Such figures were, however, totally overshadowed by the subsequent upheaval in the market caused by the SARS outbreak – impacting not only affected areas as travel destinations, but also creating uneasiness about in-flight health issues.

The issue was fuelled by over-reaction on the part of the World Health organisation, compounded by media hype ('SARS Sweeps Asia').

TRAFFIC LOSSES AT SELECTED ASIAN AIRPORTS (APR-03/APR-02)



Source: ACI/Centre for Asia Pacific Aviation

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While the incidence of the disease was concentrated in four main areas – China, Hong Kong, Singapore and Vietnam, market effects were felt over a much broader range of destinations.

For eight straight weeks from mid-April to early June 2003, AEA carriers' traffic on Far East/Australia routes recorded decreases in the range 26-31%. Losses of this magnitude had been measured only once before in any of the AEA's major markets, when very similar figures were posted on the North Atlantic in October/November 2001.

The phenomenon impacted markets which had previously been among the strongest performers within the AEA members' networks. In particular, China – including Hong Kong – would probably in 2003 have overtaken Canada and Japan as the AEA's largest longhaul market after the USA.

Indicative of the size and importance of the China market, AEA member airlines had scheduled an average of 20 direct flights daily in Summer 2003, a 50% increase in just four years.

Many of these flights – and those to other affected destinations in the region – were suspended as the severity of the market reaction became apparent. However, substantial traffic losses had already occurred before significant capacity cuts could be realised.

In the early stages of the outbreak, load factor on all Eastern routes plummetted to just above 60%, and two months into the crisis had recovered only to about 70%, compared to near-80% levels which would normally have been anticipated.

OPERATING RESULTS 2002

Note:
Data in this section are aggregated from members' financial year results and may differ slightly from the calendar year figures elsewhere in the document. Load factors refer to passenger and freight capacity utilisation. Figures refer to total scheduled services, including Domestic.

AEA airlines suffered their fourth successive annual loss in 2002. Figures point to an operating loss, after interest, of US$870 million, following the worst-ever $3.02 billion deficit in 2001.

This represented an improvement in operating ratio (revenue:expenditure) from 95.4 to 98.6

As might be expected, most AEA member airlines improved their operating ratio from 2001 to 2002.

The main source of improvement was among the mid-size carriers; the group of smaller airlines provided the only examples of worsening results, while the larger carriers in general experienced less variability.

The main contributor to the operating ratio improvement was the increase in load factor, by 3.6 percentage points to 68.5%.

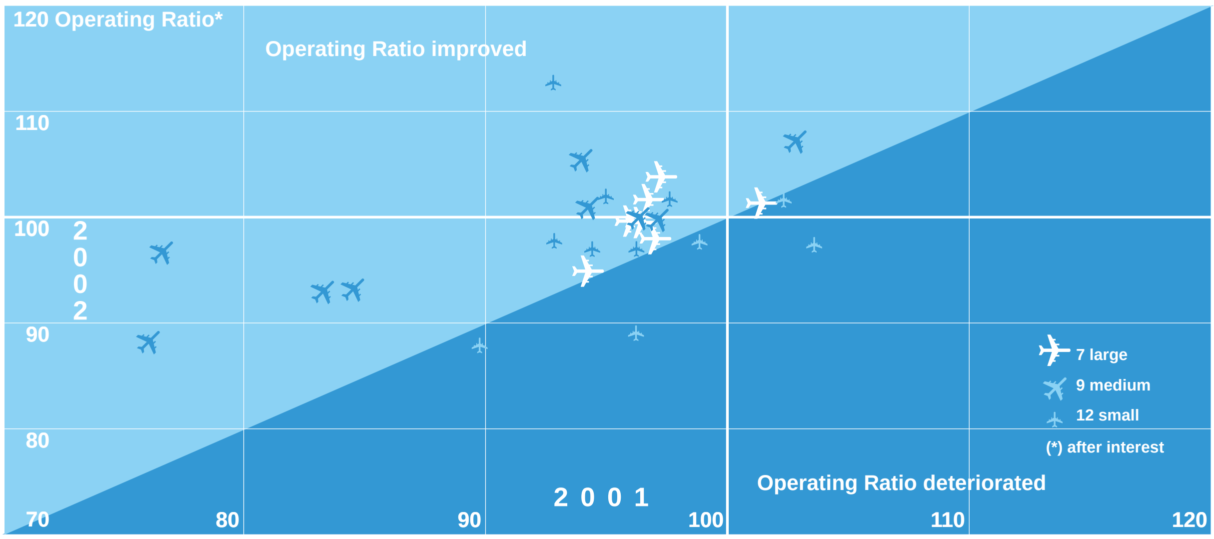
	2001	2002
Operating Ratio after interest	95.4	98.6
Points change in OR as a result of:		
Change in Load Factor	+3.6	
Cost vs Revenue Development	+0.1	
Change in net interest	-0.3	
Total Change	+3.2	

Source: AEA
AEA_YB_03_16

A yield increase (in current US$) of 6.9% was matched by a similar increase in unit costs, giving a more or less neutral cost/revenue development effect.

The net interest burden, which added 2.5% to operating expenses, was higher than in 2001 and made a small negative contribution to the change between the two years.

TOTAL SCHEDULED OPERATING RATIOS* BY CARRIER



Source: AEA
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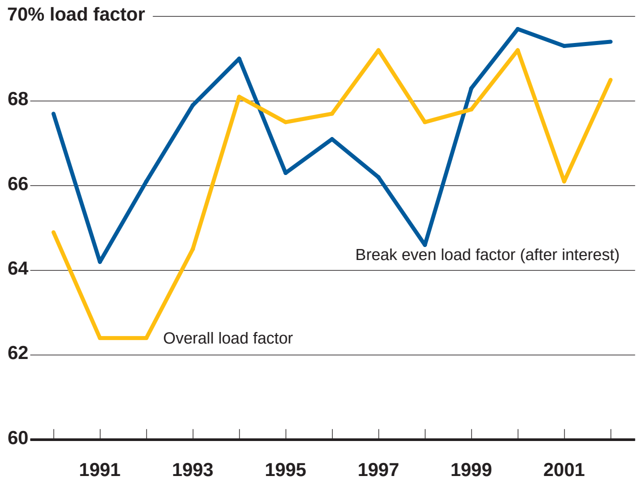
Following a very difficult 2001, quarterly results for 2002 returned to a 'normal' profile with profitable operations during the two Summer quarters offset by losses at the beginning and end of the year.

Comparing 2002 with 2000 in the graph below, any benefits realised by the relatively modest losses in the first quarter – which represented a substantial turnaround following the catastrophic impact of 9/11 – were lost in a poor fourth quarter.

The load factor required to break even – which is in fact the simple relationship between yields and unit costs – was 69.4% in 2002, a level which has been virtually unchanged for three years. All three of these annual figures have been above the highest ever AEA annual load factor – 69.2%, achieved in 1997 and again in 2000.

This highlights an essential structural dilemma in the industry. It is almost inconceivable that further load factor improvements can be squeezed out – certainly not sufficient to surpass breakevens of around 70% by an adequate margin.

TOTAL SCHEDULED OVERALL VS BREAK-EVEN L/F



Source: AEA

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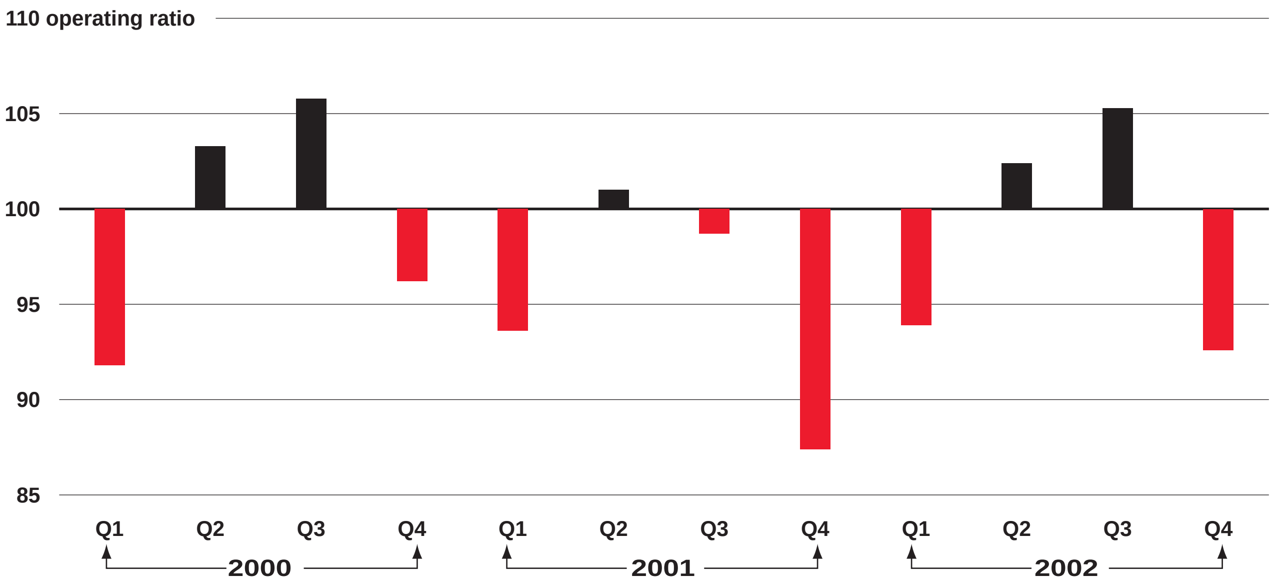
Therefore, the breakevens themselves must be brought down. This can be done in one of only two ways – increase yields, or reduce costs. The yield solution would involve reversing the steady downward trend which is a characteristic of the modern-day industry.

Reducing costs is, of course, a priority in the industry and had been so for many years. And so the dilemma becomes more acute, since a cost saved already can not be saved a second time.

OPERATING RATIO AFTER INTEREST



Source: AEA

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PUNCTUALITY PERFORMANCE

2002 saw a reduction in delay rate for AEA members. Within Europe, 19.9% of departures were delayed more than 15 minutes, down from 24.2% in 2001. The 2002 figure was the lowest for five years, but still very far from the levels around 13% which prevailed as recently as 1993-94.

A major contributory factor was the reduction in flights in 2002. By the end of the year, however, a slight growth in traffic had been resumed, accompanied by a deterioration in the delay trend.

Eurocontrol's own figures bear out the AEA's experience. For ten months of the year, 'slot' delay imposed by their Central Flow Management Unit was down on 2001, but increased in the last two months of the year, coincidental with a resumption of growth in the number of flights through European airspace.

The system is still close to saturation despite the 'breathing space' created by the drop in airspace utilisation.

Another 'breathing space' was achieved early in 2002 by the introduction of Reduced Vertical Separation Minima in European upper airspace. From 29,000 feet upwards, new flight levels were created at 1,000-feet intervals, replacing the former 2,000-feet spacing.

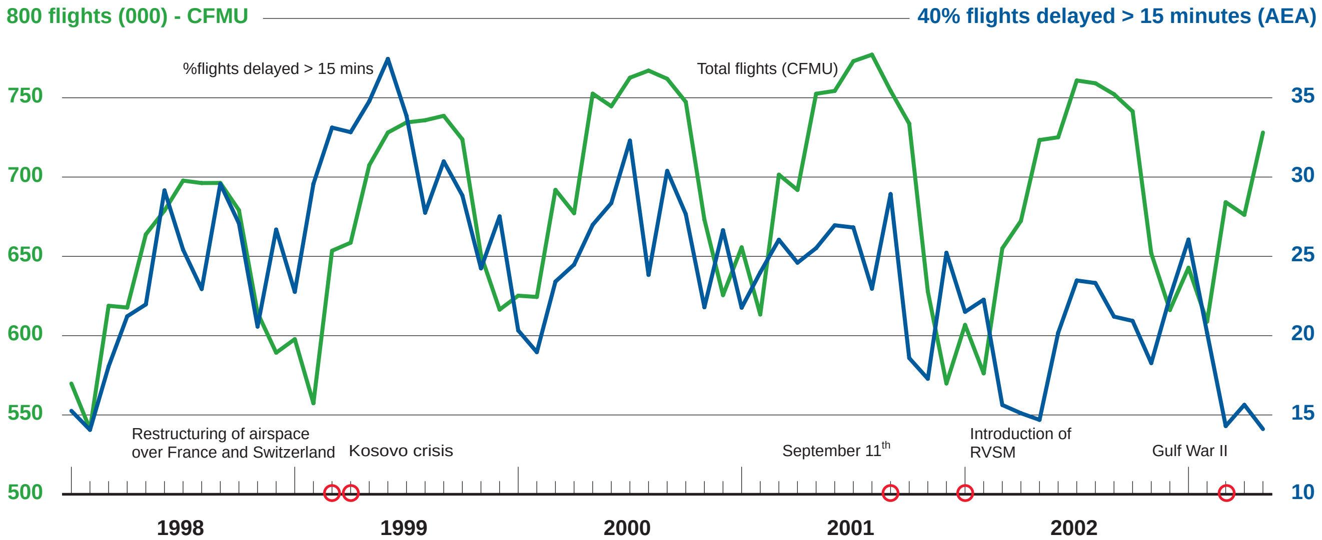
The change was made possible by much greater accuracy in onboard altitude-measuring equipment and substantially increased the capacity of upper airspace.

The Eurocontrol delay figures attribute a substantial proportion of the slot delay to problems with the UK system. Normally, no single part of Europe's fragmented system will contribute more than 20% of total annual delay. In 2002, the UK was responsible for 36.5% of the total – up from 13.9% in 2001.

Next, in order, were France (13.0%), Germany (9.4%) and Italy and Switzerland (both 8.4%).

AEA measures departure delay at airports, although the airports themselves are not necessarily the source of the delay. In 2002, the most frequent delays to AEA airlines were experienced at Madrid, with just over 30% of members' flights more than 15 minutes late. Other airports with delays substantially above the average included Dublin, Rome, London Gatwick and Paris CDG.

EUROPEAN FLIGHT & PUNCTUALITY TRENDS



Source: AEA; EUROCONTROL/CODA

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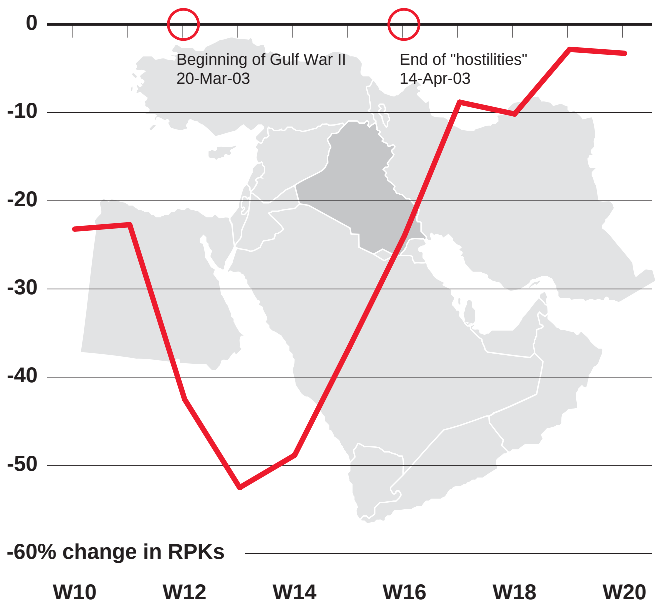
THE STORY SO FAR…

2003 WEEKLY TRAFFIC EUROPE-MIDDLE EAST



Source: AEA

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Traffic between Europe and the Middle East, weakening since the start of the year in anticipation of the start of the Iraq War, collapsed to less than half 2002 levels before recovering to about minus 10% shortly after direct hostilities ceased.

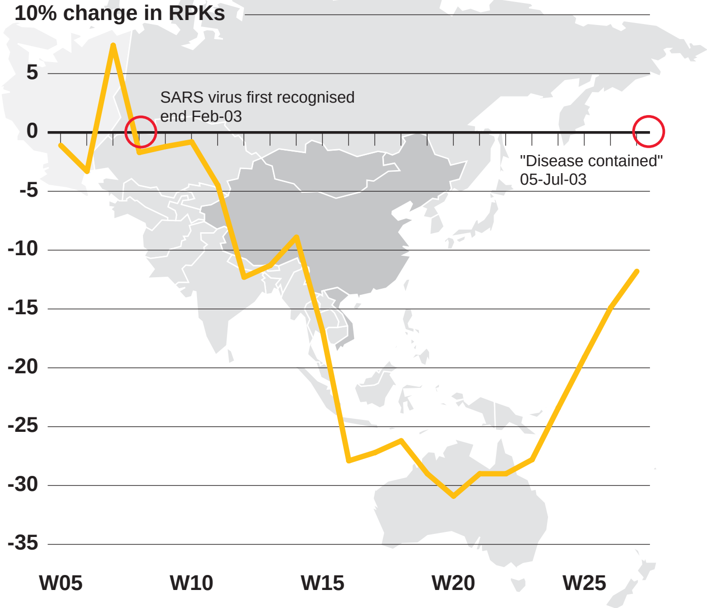
-1.1 to -2.4 bn US$ Financial Result*

Total Scheduled (-1.0 to -2.1 € bn)

+2% growth in Passenger Traffic*

Total Scheduled RPKs

2003 WEEKLY TRAFFIC
EUROPE-FAR EAST AUSTRALASIA



Source: AEA

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The Iraq War effect in weeks 11-13 had scarcely begun to moderate before the market was hit by another huge shock as SARS caused the market to plummet to minus 30% - a level at which it was anchored for eight weeks.

(*) estimates for 2003

TRAFFIC DEVELOPMENT 2003

The year 2003 began with traffic growth in all major AEA markets – as might have been anticipated, given the severely depressed situation at the beginning of 2002, just 16 weeks after the attacks of September 11.

Regions most hard-hit after 9/11 – the North Atlantic and the Middle East – were, evidently those in which nominal growth was strongest, both posting double-digit increases in January 2003.

The situation was not to last long. By the end of January the markets had weakened and by mid-February intra-Europe, the Middle East and the Far East were again in decline.

The most obvious cause of this instability was the well-signposted preparation for the Iraq conflict. Even before hostilities commenced on 20th March, all the AEA's major markets had gone into reverse with the Middle East recording decreases in excess of 20%.

The immediate impact of the war was to cause traffic decreases of about 50% on Middle Eastern routes, about 10% in Europe and to the Far East, and about 5% on the North Atlantic – all of these figures, of course, applying to underlying trends which themselves were distorted by post-9/11 effects.

The duration of the war-related effect is difficult, if not impossible, to determine, since another and potentially more damaging phenomenon intervened – SARS – with consequences for the Far Eastern market becoming visible in the third week of the War.

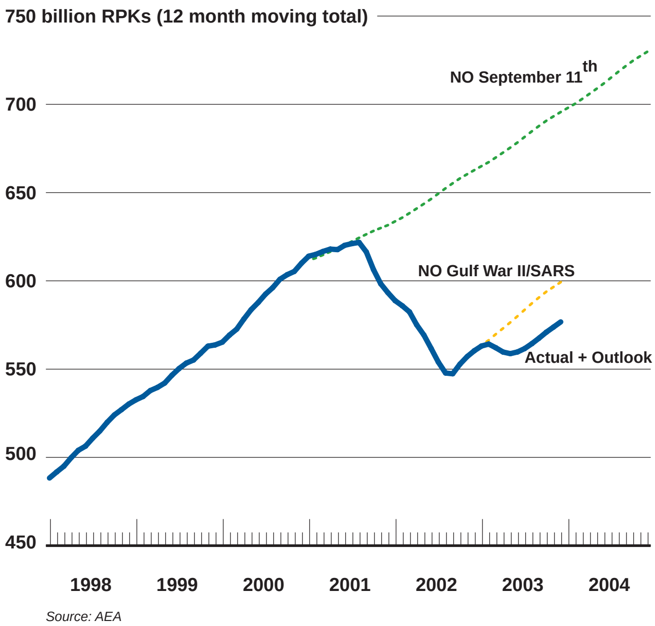
By the beginning of June, the Middle Eastern market had returned to growth, eliminating the last indication of Iraq War effect, eleven weeks on from the commencement of hostilities. There was, however, no sign of a diminution of the SARS effect on Far Eastern routes, which had resulted in an eight-week sequence of traffic losses in the range 27-30%.

For the remainder of 2003 the markets are expected to return to growth, although in the case of Far Eastern routes this may not materialise until the fourth quarter.

Strongest increases are expected on the North Atlantic, although evidently this is a function of the depth of the 2002 losses rather than any inherent buoyancy in the market.

For the year as a whole, an overall traffic increase of just under 2% is foreseen. Had it not been for the Gulf War and SARS effect, the increase would have been in the order of 7% – in other words, these events cost the industry almost three-quarters of its projected growth this year.

AEA TOTAL SCHEDULED RPKs



Source: AEA

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OPERATING RESULTS – OUTLOOK FOR 2003

The AEA airlines' market environment in 2003 has confounded any earlier predictions made in the context of a post 9/11 recovery phase.

Given the ongoing traffic losses of 2002, the operating result of -$870m, was no worse than might have been anticipated. With traffic picking up at the end of the year and load factors still high, a reasonable recovery was in prospect for 2003.

While certain cost items – notably security and insurance – had spiralled upwards, fuel was relatively cheap. Crisis-related cost-cutting programmes were also widely in place. Question-marks remained, however, over the recovery in premium traffic and the effect on yields of substantially increased no-frills competition in Europe.

While AEA has made no projections based on this scenario, it might reasonably be assumed that a positive result for 2003 in the region of $1bn might have been foreseen.

By the start of 2003, however, the industry was already making projections for the year based on the impact of the anticipated second Iraq War, including substantial traffic losses, fuel price increases, and possible further impacts in security and insurance.

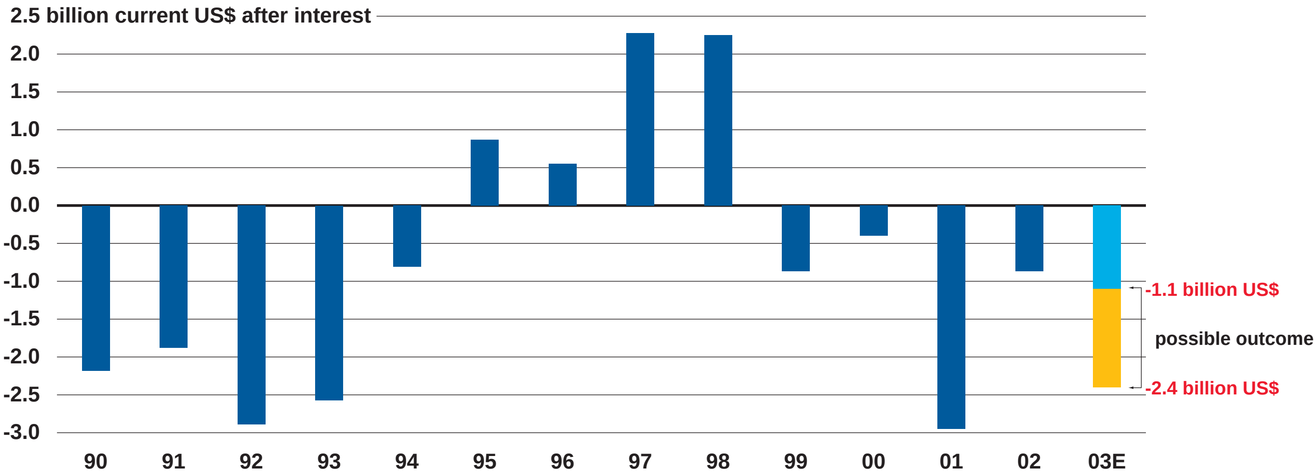
While the war impacts contained no major surprises for the airlines, they were totally unprepared for the subsequent devastating effect on their traffic – particularly in the vital Far Eastern market – of the SARS phenomenon.

While a small traffic increase for the year is anticipated – much lower than what should have been achieved in a recovery year, it will almost certainly fall below the level of capacity increase, leading to a drop in load factor.

The indications are that 2003 yields will be depressed, in the range 4.5% - 7%. This will probably be mitigated by a corresponding drop in unit costs as ongoing cost-cutting programmes contribute their effect.

As for the outcome, a range of possibilities is foreseen, with the most favourable already slightly worse than the 2002 outcome at minus $1.1bn, and this loss more than doubled in the worst-case scenario. For the AEA airlines as a whole, a fifth consecutive year of losses is in prospect.

OPERATING PROFIT / LOSS TOTAL SCHEDULED ROUTES



Source: AEA
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TOWARDS AN EFFICIENT EUROPEAN AIR TRANSPORT SYSTEM

Around the world, airlines are in trouble. In the USA, the world's five largest airlines have had to face the very real threat of bankruptcy – two have already been operating under protection from their creditors. In Europe, the members of the AEA have collectively lost US $ 8.5 billion in the last thirteen years.

The AEA has commissioned a far-reaching study into the structure – and the structural deficiencies – of the European air transport industry. This study – entitled 'Towards an Efficient European Air Transport System' – provides AEA airlines with a framework within which they can analyse their strengths and weaknesses and identify policy areas which need to be addressed if the sector is to avoid following its US counterpart to the brink of life-threatening crisis.

WHY ARE AIR TRANSPORT NETWORKS IMPORTANT?

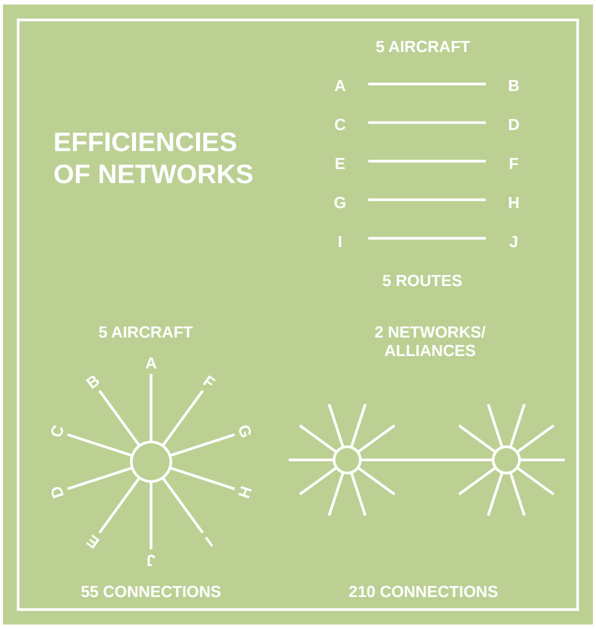
Essential components of the modern world are **Communication** and **Mobility**. Mobile phones … laptop and palm-top computers … the internet … ten or twelve years ago, the world functioned without them; today it could not. Mass-market air transport has been around for rather longer, and as such is an even more essential facilitator of communication and mobility.

Efficient, affordable air transport has become commonplace, so much so that it is taken for granted that, for every journey requirement, a convenient solution exists. This is because the major airlines function as **Networks**.

How do networks function?

Just as, on the London Underground or the Paris Metro, you can get from any station to any other station with a single change – at a single fare, on a single ticket – if you are connected to an airline 'hub', you are interconnected to every destination served from that hub.

Why are networks so important? Consider: after a long haul from Australia, the Far East, North or South America, virtually every city in Europe is just a short connecting flight away. Europe's regions become every bit as much a part of the 'Global Village' as the capital cities and great conurbations.



Source: AEA

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Airline networks – passenger and cargo – are essential for world trade. Companies engaged in globalised production and distribution need to be in easy reach of both their suppliers and their customers.

Consider also the effect of airline networks on the cohesion of the Single Market. A business, located almost anywhere in Europe, is one connection away from a customer located almost anywhere else. This is especially important for the peripheral regions: in many countries in Europe the national airline is a major contributor to the economy and the social fabric. In countries which rely heavily on tourism, their importance is self-evident. In all countries, they are major employers, both directly and indirectly.

Consider some figures: The thirty member airlines of the AEA alone employed, in 2002, 358,000 employees. It is estimated that every airline job generates between 4 and 10 airport jobs, as well as 3 in the neighbourhood of the airport. For AEA airlines alone this amounts to employment for about 4-5 million people. Add to this the tourism industry in Europe which generates receipts amounting to 700 million € per day, and the aircraft and engine manufacturing industry.

Air transport is an innovative industry that drives economic and social progress

Over 1.6 billion passengers rely every year on the world's airlines for business and vacation travel and estimates suggest that by 2010, the number of people travelling by air could exceed 2.3 billion.

The total economic impact of air transport on gross world output amounts to at least US$1,360 billion – which comprises US$320 billion in direct impact, US$390 billion in indirect impact, and US$650 billion in induced impact.

Over 29 million tonnes of freight a year are transported by air, representing 40%, by value, of the world's manufactured exports.

Air transport is one of the fastest growing sectors of the world economy with expansion rates 2.4 times above Gross Domestic Product (GDP) rates on average.

Air transport has provided 28 million jobs worldwide – and is expected to provide 31 million by 2010. This includes direct employment of nearly 4 million people, over 8 million who are employed indirectly, and induced employment conservatively estimated at more than 15 million jobs.

Source: AEA

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To take just a single one of those member airlines as an example, Air Malta is estimated to generate 7.6% of the national GDP.

It is not an exaggeration to say that, without the airline networks, the Single Market simply could not function.

What other benefits do networks bring?

In recent years, the major European airlines have worked hard to develop a seamless product across their networks. Through ticketing and baggage transfer has always been available, as has through pricing for unrestricted tickets.

To this has been added through fares at economy prices, simplified and shorter transfer procedures, and a vastly increased range of destinations, sometimes served through partner and affiliate airlines.

A consequence of this increase in scale has been that, for the vast majority of potential journeys, passengers have a choice of carrier, as several networks compete for their business.

Connectivity on this scale does not happen by accident. It is a product feature which carries a cost – the distribution cost of offering through pricing and ticketing, the infrastructure cost of guaranteeing efficient baggage transfer, the operational cost of coordinating schedules, and the costs involved in operating a mixed fleet of larger and smaller aircraft, in larger and smaller markets.

ARE AIR TRANSPORT NETWORKS SUSTAINABLE?

In recent years, the network airlines have struggled financially. The increase in competition which accompanied European liberalisation in the early 1990s coincided with a period of sustained economic depression for the industry which had begun in 1990, continued through the Gulf War of 1991, and did not end until 1995.

In 5 consecutive unprofitable years between 1990 and 1994, AEA airlines lost an accumulated US $ 10.3bn. In four subsequent profitable years, to 1998, the net benefit was just $ 6.0bn.

This was followed by three more lean years with an accumulated loss of $ 4.2bn. Even in the good years, it is arguable whether the network airlines, as a group, succeed in recovering their cost of capital.

What about non-network airlines?

The last two or three years have seen the phenomenon of the so-called ‘no-frills’ (or ‘low-cost’, or ‘low-fare’) carriers expanding very rapidly, and doing so – at least in the case of the two largest – with apparently a high degree of profitability.

The no-frills carriers have not wasted any opportunity to announce the end of an era, so far as the network carriers are concerned. They represent the future of the industry, they say. They have determined what the market wants – which is very low fares, and little else, and the market has responded in their favour.

They have also raided some of the networks’ more important city-pair segments, further weakening the established structure.

How do they affect the network airlines?

Once again, the focus is on costs. Although the network airlines are enormously more efficient than they were before the 1990-1 crisis, they are still at a substantial seat-cost disadvantage compared to the no-frills carriers.

The dual questions arise: how much more can they strip out of their cost base whilst preserving the quality of the product, and is the quality of the product worth preserving, in that it can command a premium in the market?

The success of the no-frills carriers suggests that the market’s expectations, at least for short-haul travel, have moved away from the product traditionally offered by the quality airlines. To remain responsive to their market, these airlines will have to re-analyse their business plans.

One consequence is that carriers must re-analyse their relationships with suppliers and service providers. Airlines spend money in a ‘Value Chain’ which stretches from manufacturers of aircraft and engines, through infrastructure providers such as airports and air traffic control services, to marketing and distribution systems. Airline workforces are, of course, part of the chain too.

An important consideration in this process is: what kind of living do the airline industry’s ‘dependents’ enjoy, in the current circumstances?

IMPROVING THE INDUSTRY'S REGULATORY FRAMEWORK

The European airline industry operates under a regulatory regime whereby we have de facto liberalisation within the Single Market, yet many other aspects of the EU's regulatory blueprint for air transport are incomplete, inconsistent and in some cases contradictory.

How are the regulators inconsistent?

Europe's regulators are frequently to be heard calling for the industry to consolidate, yet many of their policies are designed to hinder consolidation, and promote a proliferation of small airlines.

Throughout the liberalisation process, the European Commission was very publicly committed to achieving low fares, yet airlines continue to face a range of regulatory measures which either increase their costs, or hamper their efforts to reduce them.

An obvious consequence of lower fares is increased demand, yet the regulators have been very slow to promote infrastructure growth in the area of air traffic control, and have done nothing to encourage an increase in airport capacity in Europe.

Do the regulators recognise the importance of networks?

EU competition policy, notably as applied to airline alliances, has consistently failed to grasp the importance of networks and the need for network carriers to have a strong presence at their hub airports.

Recent developments in EU external aviation relations, as exemplified by the decision of the Court of Justice, have been cited by the Commission as strengthening the position of European airlines worldwide, yet have had the effect of creating uncertainty and instability throughout the framework of bilateral aviation agreements on which the global air transport structure is founded.

Regulatory processes within the USA – European airlines' major external market, and their major external competitors – have always had a clear focus, to promote and support the US network carriers. European policy-making has no such focus.

Clearly, it is overwhelmingly in the European interest that there is a strong and dynamic airline infrastructure of both internal and external networks. At present, the long-term future of those networks are threatened. It must be secured by interdependent measures taken by governments and airlines; the dilemma can only be resolved by collective will on both sides.

We are facing a structural crisis...

...the Road Map to recovery:

- *AEA airlines are adjusting their business models*
- *ATC, airports and other service providers must also become flexible and cost efficient*
- *We must redefine our business relationships*
- *We need intense dialogue with regulators*

Source: AEA

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THE DYNAMICS OF THE VALUE CHAIN

Many industry sectors earn their living from air transport, and available data suggests that most of them earn substantially higher rates of return than the airlines themselves.

Who are the winners in the air transport business?

AEA airlines, which invariably use new equipment, obtain their aircraft either directly from the manufacturer or from leasing companies. While these sectors also have good and bad years, on average they achieve returns of about 15-16%, well above their cost of capital.

Airports, too, can be prosperous businesses. In many countries where airports are in public ownership, profits from major airports are sufficient to subsidise those serving small and remote communities.

Where airports are privatised, profit margins are often far higher than those of the airlines who serve them. The same is true for other support services operating at airports, such as ground-handling companies and aircraft caterers.

Probably the largest profits in the value chain are earned by the computer reservations systems (CRSs), which are able to earn margins of 30% or more.

One link in the chain which is not profit-oriented is Air Traffic Control (ATC). It does not need to be, since, in Europe, it operates on a cost-recovery basis administered by Eurocontrol. In other words, whatever is spent, on facilities, equipment, staff and running costs is passed directly to the airlines through user charges.

Why do these sectors benefit at the airlines' expense?

All these elements in the value chain have a characteristic which sets them apart from the airlines: they are all monopolies or oligopolies.

Two airframe manufacturers, and three engine-makers, provide all the Western-built jets of over 100 seats. The two largest leasing companies have 45% of the market.

Very few airports offer a choice of more than two ground handling and catering service providers, while these sectors are also consolidating on a worldwide scale. Four CRSs provide distribution globally, but in individual local and regional markets, one or other is dominant.

Airports compete with each other only at the margins of the air travel business. Hub-based networks certainly do compete with each other, but these are the creation of airlines, not airports.

Insofar as ATC is concerned, it is obvious that, with airspace divided into country-sized national systems and into predetermined airway networks, airlines have little flexibility in choosing their routings from departure to destination.

Even sectors not normally connected with the mainstream of air transport operation can find themselves in very strong bargaining positions vis-à-vis the airlines. Recent experience has shown that the insurance community can make demands of the airlines which, if not met, can threaten their continued operation.

A TRANSATLANTIC OPEN AVIATION AREA?

The early part of 2003 has seen a momentous development in the geopolitical infrastructure within which airlines operate.

In June, a decision of the European Council granted to the Commission a mandate to negotiate a multilateral airline service agreement between the Community and the United States, which will replace the current structure of individual bilateral agreements, some restrictive, some liberal.

This development was made all the more likely following the late 2002 decision of the European Court of Justice that 'nationality clauses' in bilateral agreements – inasmuch as they limited operations from an EU country to airlines of that country (and its bilateral partner, evidently) – were inconsistent with single-market rules.

Within the liberalised European aviation area there is, for practical purposes, no such thing as a national airline; all are 'Community Carriers' and as such have access to the entire market.

One of the earliest manifestations of the new direction in Europe/US aviation relations is likely to be an extension of this concept to transatlantic routes, permitting any airline from an EU country to operate to the US from any Community airport.

That is not to say that immediate and dramatic developments can be anticipated. The experience of European liberalisation is that airlines with a strong national identity have opted to concentrate their resources in their home markets and develop their hub-based networks.

A more likely consequence may be that the new arrangements remove an obstacle to cross-border investment between airlines in Europe. In recent years, proposed mergers and other partnerships involving financial participation have faltered because of concerns that an airline losing its 'nationality' would also lose its traffic rights.

Any agreement between the EU and the US would, of course, concern itself chiefly with EU and US airlines. Any fifth-freedom operation by, for example, Middle Eastern or Asian carriers would be closely regulated, as it is today.

The status of EU airlines as Community Carriers requires them to be majority-owned by EU nationals – i.e. with no more than 49% foreign ownership. US rules are much more severe, with an upper limit of 25%.

In the European vision of an Open Aviation Area – shared by the AEA – an ultimate development could be the removal of ownership limits, allowing Europeans to invest in, or establish, US carriers – and vice versa.

At a more immediate level, the events of September 11 and their aftermath have created a new landscape in EU-US relations. Issues such as security, information exchange and privacy protection, insurance and financial assistance urgently require more harmonised policies.

All of these areas, along with market access, investment and competition rules, are essential components of the 'level playing field' which would benefit airlines – on both sides of the Atlantic – and customers alike.

BILATERAL AGREEMENTS – WHERE NOW?

The decision of the European Court of Justice, that the nationality clauses contained in the 'Open Skies' EU-US bilaterals were contrary to European law, had repercussions far beyond the eight agreements under investigation.

Evidently, what is contrary to the law in one case, is contrary in all cases, and all bilateral treaties between EU Member States and 'Third Countries' – totalling some 2000 agreements – can be assumed to include restrictive (i.e. discriminatory) nationality provisions.

In other words, the agreeement between, for example, Austria and Australia will restrict services to airlines which are either Austrian or Australian.

Remedying such anomalies will not be a straightforward process. While a multilateral approach is seen as appropriate for the huge US market, which is comparable in size to the EU, other country markets are much smaller. Even the next-largest non-EU markets – Japan, Canada and China/Hong Kong – are dwarfed by the US, which generates between six and seven times as much traffic for AEA airlines.

Where a multilateral solution is not likely to be appropriate, it may be imagined that the third-countries involved could question why they should agree to re-word their agreements with EU states such that it would grant additional opportunities only to the European side.

Into this scenario of uncertainty, the airlines – European and non-European – urgently need to see introduced a note of clarity, stability and commercial certainty.

Bilateral agreements, concluded and amended over the years, are a fundamental part of the industry's political and commercial infrastructure. The traffic rights enshrined in them are among the airlines' most valuable assets.

So far, the European Commission has given every indication that it will be pragmatic and flexible in the transition to a new formula for bilateral agreements.

Less clear is whether, in a new regime in which the Commission joins – and ultimately monitors – the negotiations between an EU state and its bilateral counterpart , the airlines will be permitted to maintain their traditional place at the negotiating table.

For years, airlines have individually and directly participated to bilateral negotiations with their Member States. Such participation has allowed airlines to provide expertise from a technical and commercial point of view.

Such involvement in negotiations with third countries is essential for AEA members to support their interests and continue business as usual.

There is no doubt whatever that the delegation from the non-European party to any such agreement will include full participation from that country's interested airlines, ensuring that their own interests are fully represented.

Whatever the strict legalities, the Community policy for external relations in the field of air transport should seek to create a European framework allowing the airline industry to prosper and further reinforce its unique and indispensible contribution to the mobility of European citizens, economic growth and political cohesion.

DENIED BOARDING COMPENSATION

A recent decision of the European Parliament has paved the way towards a substantial increase in the scale and scope of the statutory compensation to be paid to passengers who are not able to be accommodated on the flight on which they are booked.

Existing rules, which date from 1991, fixed compensation levels of €150 for shorthaul flights and €300 for longhaul. The proposed amendment would double the higher figure and set levels of €400 and €250 for shorter flights.

The proposal contains a number of other major changes. The provisions are applied to non-scheduled airlines for the first time, and are also extended to cover flight cancellations.

Another important aspect of the proposed legislation is the requirement for airlines to call for volunteers to surrender their seats. In such a situation, everyone who did not travel would do so voluntarily and come away satisfied with the deal they had struck with the airline. Only if volunteers were not found would the statutory compensation levels come into play.

In the USA, which has had a volunteer system in place for some time, 95% of passengers who surrender their seats do so willingly.

The AEA has long argued in favour of a system of volunteer calls, and member airlines have largely put in place such a system following the implementation of the Airline Passenger Service Commitment, which the Association pioneered in 2001-2 and which now protects the majority of air travellers in Europe.

A common perception is that denied boarding incidents are invariably the result of systematic overbooking by airlines.

This is far from being the case. A common problem is that of passengers who present themselves at check-in with 'OK' tickets but for whom there is no record in the airline's reservations system.

Equally significant is the standard practice among network airlines of routinely accommodating passengers who have missed their connecting flight on the next available service – whether it is already full or not.

The high incidence of delay in Europe in recent years, much of it outside the airlines' control, has contributed to this problem. Nevertheless, denied boarding remains, statistically, an extremely rare event on European airlines.

REVISING THE DENIED BOARDING REGULATION

	Proposed	Existing
< 1 500 km	€250	€150
1 500 - 3500 km	€400	€150
> 3 500 km	€600	€300
Include flight cancellations	Yes	No
Applicable to non-scheduled	Yes	No
Volunteer calls	Mandatory	Discretionary

Source: EU Parliament

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EXTERNAL SHOCKS – SECURITY AND INSURANCE

The terrorist attacks in New York and Washington on September 11 2001 turned the public spotlight on aviation and its specificities. One consequence was the establishment in the USA of a new agency which has as its core mission the enhancement of 'homeland security'.

This agency, and security agencies worldwide, have increased security measures at airports and for airlines, which have added substantially to the industry's cost burden.

The tempo of enhanced security has further increased with additional measures taken in relation to the 2003 Iraq War.

So far, AEA airlines have absorbed about €800 million in costs for such additional measures.

In 2001, and again in 2003, the US government paid billions of dollars to compensate their aviation industry for the costs of additional security measures.

In contrast, European governments have so far declined to bear the costs for aviation security measures that aim at the protection of society in general.

In addition, European states apply differing policies with regard to the financing of aviation security measures. An obvious consequence is distortion of competition.

The airlines are not seeking State Aid; simply that governments assume the responsibility and funding for security measures that aim at the protection of the general public against terrorist attacks.

Some areas in which additional security has directly impacted airline costs:

Reinforced cockpit doors
Onboard means of surveillance
New operational onboard procedures
Anti-terror crew training
Intensified guarding of aircraft
Regular background checks on staff
Staff screening
Indirect costs for catering and cleaning services
PNR access provision

Source: AEA

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As well as escalating security costs, insurance premiums for AEA airlines have soared. In addition to normal hull-loss and passenger cover, payments by AEA airlines for third party war and terrorism liability have increased from €80 million in 2001 to an expected €400 million in 2003.

Through late 2001 and much of 2002, European airlines had their third-party war risk underwritten by governments in a scheme approved by the EU. This approval was discontinued in October 2002; subsequently the airlines have had to rely on inferior – and expensive – commercial cover which can be cancelled at short notice.

By comparison, the US airlines have benefitted from a government scheme which provides twice their pre-9/11 war liability cover at a fraction of the price paid by European carriers on the commercial market. The US scheme will continue until at least December 2006.

The US, in supporting its airlines' security and insurance programmes, clearly takes the view that war and terrorism are government risks – i.e. threats against the state. European governments, singly or collectively within the EU, have shown little enthusiasm for acknowledging a responsibility in these matters.

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Rod Eddington, Chief Executive of British Airways
and 2003 Chairman of the AEA.

AEA HIGHLIGHTS

At the start of the year 2002 Leo van Wijk, CEO of KLM, took up the post of Chairman of the AEA. The position is held for one calendar year, by a member airline's President or CEO. Together with the Presidents' Committee, the Chairman has the task of overseeing the work of the AEA Secretariat office in Brussels. The newly elected Chairman for 2003 is Rod Eddington, Chief Executive of British Airways.

Ulrich Schulte-Strathaus joined the Association of European Airlines as its new Secretary General from 1st September, 2002. Formerly Corporate Vice President International Relations at Lufthansa, Schulte-Strathaus succeeded Karl-Heinz Neumeister who left his position after nineteen years of very valuable contributions to the Association.

Left to right: Karl-Heinz Neumeister, retiring AEA Secretary General, Leo van Wijk, CEO of KLM, and Ulrich Schulte-Strathaus, incoming Secretary General, at the official ceremony held on the occasion of the Autumn 2002 Assembly of Presidents.

Two new airlines joined the AEA in 2002: LOT Polish Airlines and SN-Brussels Airlines, the successor to Sabena as Brussels's hub airline.

On 1st July 2003 AEA welcomed its thirty-first member, Virgin Atlantic Airways. A profile of each member airline can be found on pages IV-6 to IV-36.

The activities of the AEA in 2002 and early 2003 were clearly focused on the tasks in hand. The economic slowdown, the events of September 11th, the Iraq war and the SARS epidemic left the industry facing an unprecedented crisis. This Yearbook gives an assessment of the current state of the European airline industry in section I.

Whilst the industry addressed its structural problems, AEA worked, on behalf of, and with, its members on a broad range of issues from efforts to minimize the cost burden of additional legislation on the airlines, to arguing for a level-playing field with the American aviation industry, and reassessing every link in the aviation chain on a cost-benefit basis. These and other topics are elaborated on in this Yearbook, to be found under section III.

Ulrich Schulte-Strathaus, AEA Secretary General

MISSION STATEMENT

The AEA is a non-profit making association. The AEA is represented jointly by all its members or by persons named for this purpose.

The AEA shall serve the common interests of its Members.

It shall represent the interests of its Members to the institutions of the European Union, to the European Civil Aviation Conference, to any other international organisation or association involved in or likely to be involved in issues of interest to AEA members and, as appropriate, to individual governments.

It shall advance co-operation amongst its Members on any matter likely to be of interest to the membership as a whole and permitted by the laws of the countries in which they operate, whilst respecting the independence of action of its members individually.

Association of European Airlines

AEA STRUCTURE

Twice a year the Presidents of the member airlines meet to discuss the state of the industry. Each year a Chairman is elected from amongst the Presidents, to preside the Assemblies and the AEA for a period of one year. The Chairman is assisted by the Presidents' Committee, which is composed of the past and present Chairmen and seven other Presidents elected by the Assembly, with a total of nine representatives. The AEA Secretariat, with at its head the Secretary General, is located in Brussels and has a staff of twenty.

AEA Chairman for 2003	Rod Eddington	British Airways
Presidents' Committee	Jean-Cyril Spinetta	Air France
	Francesco Mengozzi	Alitalia
	Vagn Soerensen	Austrian Airlines
	Rod Eddington	British Airways
	Ivan Mišetić	Croatia Airlines
	Wolfgang Mayrhuber	Lufthansa
	Fernando Conte	Iberia
	Leo van Wijk	KLM
	Jørgen Lindegaard	SAS
AEA Secretariat	Ulrich Schulte-Strathaus	Secretary General

ADRIA
ADRIA AIRWAYS

Review of 2002

2002 in numbers: 0.81 million passengers transported, 88% on scheduled services within Europe, 12% on charter services; 4.6 thousand tonnes of freight carried on passenger services.

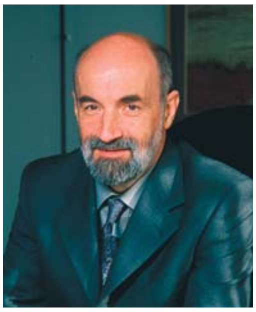
On a turnover up 4% over 2001, Adria Airways posted a positive operating result just over € 3 million in 2002, compared to € 2.6 million in 2001. Net profit (after taxes) stood at € 0.5 million. Adria implemented some measures to deal with the difficult economic climate the industry is operating in, which included cost-cutting measures, such as a reduction in staff numbers, and the generation of extra income from the servicing of foreign aircraft.

In July Bombardier Aerospace appointed Adria Airways as the first Bombardier recognised Canadair CRJ aircraft heavy maintenance facility in Europe. Adria is thus authorised to perform the so-called 'C' check and other heavy maintenance on the 50-seater CRJ -100 and -200, the 70 seater CRJ-700 and the 86-seater CRJ-900, as well as aircraft modifications and upgrades. As of 30th June, 2002 there were 211 CRJ aircraft in service with, or on firm order from, European airlines. Adria took delivery of its first Bombardier CRJ series regional jet in January 1998, and at year-end 2002 operated four CRJ-200s, as well as its three A320s. In early 2003 an additional CRJ was leased from Bombardier, for a period of two years, bringing the total of this aircraft type in the fleet to five.

Adria's established code-share partners include Air France co-operating on the Ljubljana-Paris route, Austrian Airlines with an agreement on Ljubljana-Vienna services and Lufthansa on the Ljubljana to Frankfurt and Munich routes. In November of the previous year (2001) Adria launched flights between Germany and Austria, on the Vienna-Frankfurt route, in direct competition with Austrian Airlines and Lufthansa, on a so-called 7th freedom service.

In May 2002 Adria started operating between the Slovenian capital and Podgorica, the capital of Montenegro, following an agreement with Montenegro Airlines.

London operations were switched from Heathrow to Gatwick airport with effect from the Summer timetable. In June Adria's Moscow services were moved from Sheremetyevo airport to the recently upgraded Domodedovo airport.



Branko Lučovnik
President

Adria Airways
Kuzmičeva 7
1000 Ljubljana
Slovenia

www.adria.si

Branko Lučovnik, President & CEO

19	**Scheduled Destinations**
1	within Slovenia
17	rest of Europe
1	beyond Europe
555	**Employees**
7	**Aircraft in Fleet**
3	Airbus A320
4	Canadair CRJ-200
0	**Aircraft on Order**

Status at 31st December for information on destinations, employees and fleet.

Owned by…

55.8%	Slovenian Pension Fund
20%	Slovenian Restitution Fund
10.3%	National Finance Corporation
9%	Nova Ljubljanska Banka
3.4%	Porbanka
1.5%	Zlata Moneta

Owner of…

-

Major partnerships

Code-share agreements with Air France, Austrian Airlines, Croatia Airlines, Lufthansa.

Financial Results

€ '000	2002	2001
Turnover	112066	107672
Operating profit/loss	3121	2634
Net profit/loss	521	752

Aer Lingus

Review of 2002

2002 in numbers: Not available.

2002 was a year of major change for Aer Lingus. The airline made substantial progress in moving the business from the threat of financial crisis at the outset of the year to a return to profitability by year end, recording a net profit of €35.3 million.

Following the terrorist attacks of 11th September, 2001 a radical Survival Plan was prepared by the Board and management of Aer Lingus and was implemented with great speed.

Subsequently the company took steps to put in place a new business model which incorporated reductions in its cost base, significant reductions in its business and leisure fares and the introduction of a series of popular, direct routes out of Ireland. Nine new routes were added in 2002, all through greater utilisation of existing aircraft and staff resources. Business and leisure fares were reduced by up to 60% and over 3 million customers availed of low fares seats in 2002.

Aer Lingus dotcom became the airline's main distribution point, with over 40% of all the airline's bookings being made online by year end, compared with just 2% at the start of 2002.

The results of these actions have been dramatic and have led to the transformation in the performance of the business in 2002. The outcome is a return to profitability for Aer Lingus, ahead of the projections in the Survival Plan.

Tom Mulcahy
Chairman

William Walsh
Chief Executive

Aer Lingus
Dublin Airport
Dublin
Ireland

www.aerlingus.com

Tom Mulcahy, Chairman
William Walsh, Chief Executive

37 Scheduled Destinations
3 within Ireland
29 rest of Europe
5 beyond Europe

4500 Employees (at 31st Dec '01)

34 Aircraft in Fleet
4 Airbus A330-300
3 Airbus A330-200
6 Airbus A321-200
4 Airbus A320-200
8 Boeing 737-500
3 Boeing 737-400
6 BAe 146-300

0 Aircraft on Order

Status at 31st December for information on destinations, employees and fleet.

Owned by…
95% State ownership
5% Aer Lingus employees

Owner of…
-

Major partnerships
Member of the Oneworld Alliance.
Code-share agreements with: American Airlines, British Airways, Iberia, KLM.

Financial Results (Group)

€ mill	2002	2001
Turnover	958.6	1097.2
Operating profit/loss	63.8	(52.1)
Net profit/loss	35.3	(139.9)

Review of 2002

2002 in numbers: 43.4 million passengers transported on scheduled services, of which: 40% on Domestic routes, 33% within Europe, 14% across the Atlantic, 8% to the African continent and the Middle East and 5% to the Far East; 648 thousand tonnes of freight carried, 51% on all-cargo services.

The economic activity of Air France held up well in 2002. Following on from a positive result in 2001, financial year results at 31^{st} March 2003 showed a Group net profit of € 120 million.

In January 2002 the US Department of Transport granted anti-trust immunity for the North Atlantic operations of SkyTeam members (AeroMéxico, Air France, Alitalia, CSA, Delta Air Lines and Korean Air). In June this was followed by immunity for Pacific routes, making the SkyTeam the first alliance to benefit from both transpacific and transatlantic immunity.

In March, American carrier Atlantic Southeast Airlines initiated a code-share agreement with Air France on flights from Atlanta to several US cities. In October Air France and Russia's Aeroflot embarked on a code-share agreement on Moscow-Paris. Further synergies were also developed with SkyTeam partners.

In 2002 Air France continued to capitalise on its Charles de Gaulle hub, adjusting capacity as required, and building up its transfer operations. For Summer 2002 schedule Air France maintained capacity levels of previous Summer, albeit with a shift from North and Mid Atlantic to Africa and Indian Ocean destinations. The Winter 2002-2003 season was similarly back at the level of planned Winter schedule capacity for 2001-2002, as announced before September 11^{th} 2001.

In the fleet, Air France cargo operations took delivery of 3 Boeing 747-400 extended range freighters, with 2 on order. Passenger operations saw the arrival of 6 new A330-200. Over the Winter season, various other aircraft were retired, including all A310s, bringing the total fleet size to 252 units by December 2002.

Jean-Cyril Spinetta
Chairman

Air France
45 rue de Paris
95747 Roissy CDG Cedex, France
www.airfrance.com

Jean-Cyril Spinetta, Chairman
Pierre-Henri Gourgeon, CEO

194	**Scheduled Destinations**
37	within France
75	rest of Europe
82	beyond Europe

70156 Employees (Group, at 31^{st} March '02)

252	**Aircraft in Fleet**
4	Concorde
22	Airbus A340-300
8	Airbus A330-200
9	Airbus A321-200
5	Airbus A321-100
50	Airbus A320-200
13	Airbus A320-100
39	Airbus A319-100
25	Boeing 777-200
4	Boeing 767-300
13	Boeing 747-400
3	Boeing 747-400F
4	Boeing 747-300
8	Boeing 747-200
11	Boeing 747-200F
27	Boeing 737-500
7	Boeing 737-300

62	**Aircraft Orders**
10	Airbus A380-800
9	Airbus A330-200
9	Airbus A320-200
15	Airbus A318-100
14	Boeing 777-300
3	Boeing 747-400
2	Boeing 747-400F

Status at 31^{st} December for information on destinations and fleet.

Owned by…

54%	State ownership
33%	Private and Institutional investors
13%	Air France employees

Owner of…

100%	Régional, Brit Air, CityJet
76.4%	Sté Nouvelle Air Ivoire (via Holding)
36%	Air Austral
11.9%	CCM (Corsica)
11.8%	Air Afrique
10%	Mediterranean Air Services
7.5%	Air Tahiti
5.6%	Tunis Air
2.9%	Royal Air Maroc

Major partnerships
Member of the SkyTeam Alliance.
Subsidiaries/Franchisees: Régional, Brit Air, CityJet, British European, CCM.
Various code-share agreements, incl. Aeroflot, Air Mauritius, Austrian Airlines, China Eastern, Iberia, JAL, LOT, Luxair, South African, TAM.

Financial Results (Group, FY 31^{st} March)

€ mill	2002/03	2001/02
Turnover	12687	12528
Operating profit/loss	192	235
Net profit/loss	120	153

AIR MALTA

Review of 2002

2002 in numbers: 1.61 million passengers transported, 87% on scheduled services, of which: 81% within Europe, 5% to North Africa and 1% to the Middle East; 8.1 thousand tonnes of freight carried, 11% on all-cargo services.

In 2002 Air Malta concluded a multi-million dollar agreement with ILFC for the renewal of its entire fleet over a four-and-a-half year period starting in 2004. Air Malta's new fleet will comprise Airbus A320 and A319 units with CFM engines and options for the A321 aircraft.

A far reaching agreement was also concluded with Sabre Inc. whereby Air Malta's inventory, DCS and other IT features migrated to Sabre in March 2003.

An Memorandum of Understanding was signed between Air Malta and Alitalia in August 2002 leading to code-sharing on all routes between Malta and Italy with effect from Summer 2003 and co-operation between the two carriers in other areas.

A landmark agreement was also reached in mid-2002 between Air Malta and Lufthansa Technik AG setting up Lufthansa Technik Malta as a joint venture between the two companies. Air Malta's Chief Engineer Ing. Louis Giordimaina has been appointed Lufthansa Technik Malta Chief Executive Officer. Ing. Silvio Falzon replaced him as Air Malta Chief Engineer.

In October 2002 Air Malta appointed Mr. Ernst Funk as its Chief Executive Officer. Mr. Joe Cappello was appointed Chief Operating Officer in December 2002.

In June 2003 Lawrence Zammit took up the position of Chairman of Air Malta, succeeding Louis Grech.

Lawrence Zammit
Chairman

Air Malta
Head Office
Luqa LQA05
Malta

www.airmalta.com

Lawrence Zammit, Chairman

43 Scheduled Destinations
1 within Malta
38 rest of Europe
4 beyond Europe

1945 Employees

13 Aircraft in Fleet
4 Airbus A320-200
7 Boeing 737-300
2 Boeing 737-200

0 Aircraft on Order

Status at 31st December for information on destinations, employees and fleet.

Owned by…
96.4% State ownership
3.6% Private shareholders

Owner of…
100% Malta Air Charter Co Ltd
49% AZZURRA Air

Major partnerships
Code-share agreement with Alitalia

Financial Results (Group, FY 31st July)

MTL mill	2002/01	2001/00
Turnover	173,679	123,854
Operating profit/loss	3,046	5,266
Net profit/loss*	332	(3,702)

* before tax

Review of 2002

2002 in numbers: 22 million passengers transported on scheduled services, of which: 53% on Domestic routes, 34% within Europe, 6% across the Atlantic, 5% to the African continent and the Middle East and 2% to the Far East; 211 thousand tonnes of freight carried, 49% on all-cargo services.

For Alitalia, 2002 was particularly focused on the continuing implementation of a two year restructuring plan defined following the events of September 11th. The main features of this plan are the following: (1) Focus on the Company core business and sale of non-core/non strategic activity subsidiaries. (2) Improving cost efficiency through labour cost reduction measures. (3) Redesigning the network with the focus on offering daily frequencies on intercontinental routes and improving the offer on domestic and European networks. (4) Modernising and rationalising the fleet with the entry of ERJ145, A319 and B777 and exit of B747 aircraft. (5) Recapitalisation.

The economic performance in 2002 was broadly in line with the objectives of the restructuring Plan with a net profit for the Group of € 93 million (€ 95 million for the Airline).

During the year 2002 Alitalia continued to be fully committed to the development of the SkyTeam alliance. In particular, closer ties were established with Air France as both companies proceeded with a cross shareholdings for 2% of their capital. In 2002 Alitalia also increased the number of its code-share partners, including with Italian airline Volare, strengthened its alliance with Delta with two new flights to Atlanta and Cincinnati and inaugurated the new oriental destination of Tashkent in code-sharing with Uzbekistan Airways.

Giuseppe Bonomi
Chairman

Francesco Mengozzi
Managing Director & CEO

Alitalia – Linee Aeree Italiane Spa
Viale Alessandro Marchetti 111
00148 Roma
Italy

www.alitalia.com

Giuseppe Bonomi, Chairman
Francesco Mengozzi, Managing Director & CEO

129	**Scheduled Destinations**
25	within Italy
68	rest of Europe
36	beyond Europe

22536 Employees

177	**Aircraft in Fleet** (Group)
152	of which **Alitalia**
23	Airbus A321
8	Airbus A320
5	Airbus A319
4	Boeing 777-200
12	Boeing 767-300
3	Boeing 747-200F
89	MD82
8	MD11
25	of which **AZ Express**
11	Embraer RJ-145
9	ATR-72
5	ATR-42 (grounded)

22	**Aircraft on Order**
12	of which **Alitalia**
7	Airbus A319
5	Boeing 777-200
10	of which **AZ Express**
6	Embraer RJ-170
3	Embraer RJ-145
1	ATR-72

Status at 31st December for information on destinations, employees and fleet.

Owned by…
62.3% State ownership
35.1% Private investors
2.6% San Paolo IMI Group (private shareholder)

Owner of…
100% Alitalia Express
100% Eurofly

Major partnerships
Member of the SkyTeam Alliance.
Various code-share agreements, incl. Air Canada, Air Europa, Azzurra Air, JAL, Meridiana, Malev, Minerva, Qantas, Varig, Volare.

Financial Results (Group)

€ mill	2002	2001
Turnover	4843	5263
Operating profit/loss	(118)	(291)
Net profit/loss	93	(907)

AUSTRIAN AIRLINES

Review of 2002

2002 in numbers: 8.6 million passengers transported, 82% on scheduled services, of which: 62% within Europe, 5% on domestic routes, 3% on the North Atlantic, 4% to Northern Africa and the Middle East, and 8% to the Far East; 75 thousand tonnes of freight carried on passenger services.

STAR ALLIANCE

In 2002 Austrian Airlines Group continued to implement long-term restructuring measures in operations and to make ongoing improvements in profitability and corporate value. The combination of increased revenues, the result of a network revision reducing long-haul capacities in favour of short and medium haul production with higher yields, and determined cost control measures, returned the company to profitability. Net profit for 2002 stood at € 42.8 million, just below 2000 level and a significant improvement over 2001.

Through 2002, as passengers returned, AUA gained market share on its important European and Asian services, with higher frequencies to main European destinations, increased services to eastern Europe and, on the Far East, more flights to Sydney, Beijing, Osaka and Tokyo. AUA improved the connectivity of its Vienna hub, and transfer possibilities between Western and Eastern Europe.

In July the European Commission gave its approval for AUA and Lufthansa to conclude their proposed partnership agreement, following concessions from both parties.

Four new aircraft were introduced into the fleet in 2002. Pending aircraft orders for A320 and A321 were converted to the smaller A319 type and an order for one B777 was replaced by three 737-800s. A total of 17 aircraft remain on the order book for the period from 2003 to 2006, of which three are scheduled for delivery in 2003.

In the course of 2002 wholly-owned subsidiary Rheintalflug was wholly integrated into Tyrolean Airways. Rheintalflug operates a regional network with a fleet of three 50-seater Embraer jets out of Altenrhein airport at Lake Constance.

Vagn Soerensen
CEO

Austrian Airlines
Fontanastrasse 1
P.O. Box 50
1107 Vienna
Austria

www.aua.com

Vagn Soerensen, CEO

116	**Scheduled Destinations** (Group)
6	within Austria
86	rest of Europe
24	beyond Europe
7271	**Employees** (Group)
95	**Aircraft in Fleet** (Group)
35	of which **Austrian Airlines**
4	Airbus A340
4	Airbus A330
6	Airbus A321
8	Airbus A320
4	MD87
2	MD83
3	MD82
4	Fokker 70
20	of which **Lauda Air**
3	Boeing 777
4	Boeing 767
10	Boeing 737
3	Canadair CRJ
40	of which **Tyrolean Airways**
6	Fokker 70
13	Canadair CRJ
18	de Havilland Dash-8
3	Embraer RJ-145
17	**Aircraft on Order**
7	Airbus A319
4	Boeing 737-800
2	de Havilland Dash-8
3	Canadair CRJ-200
1	Embraer RJ-145

Status at 31st December for information on destinations and fleet.

Owned by…
39.7% OIAG Austrian Privatisation Agency
43.2% Free flow
10.6% Austrian Institutional Investors
5.0% Austrian Airlines
1.5% Air France

Owner of…
100% Tyrolean Airways
100% Austrian Airtransport
100% Lauda Air
17.5% Ukraine International Airlines

Major partnerships
Member of the Star Alliance.
Various code-share agreements with: Air Dolomiti, Air France, Air Mauritius, CSA, LH CityLine, Luxair, MAS, Royal Jordanian, TAROM, Ukraine Internat'l.

Financial Results (Group)

€ mill	2002	2001
Turnover	2398.0	2171.8
Operating profit/loss	41.4	(88.9)
Net profit/loss	42.8	(166.0)

bmi

Review of 2002

2002 in numbers: 7.7 million passengers transported, 97% on scheduled services, of which: 48% within Europe, 46% on Domestic routes and 3% on the North Atlantic; 18 thousand tonnes of freight carried on passenger services.

STAR ALLIANCE

In January bmi announced the launch of a no frills subsidiary, known as bmibaby. Services out of East Midlands airport began in March and expanded to a second base at Cardiff with operations starting in October. The airline announced it was seeking a third UK base, which has subsequently been named as Manchester.

Throughout 2002 bmi continued its lobbying for greater competition, choice and lower fares on Heathrow-US routes. However, the restrictive Bermuda II agreement, which allows just four airlines – two British (BA and Virgin) and two American (United and American) – to operate direct between Heathrow and the US, remains in place.

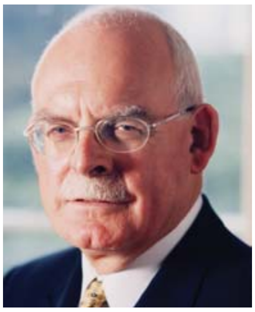
In April the US government granted anti-trust immunity to the proposed alliance between bmi and United Airlines, which was subsequently also approved by the UK Office of Fair Trading.

In April bmi became the first airline to install Tempus 2000 in-flight telemedicine technology on long-haul flights.

In June bmi scrapped its existing fare structure and introduced a new one-way system, which removed minimum stay requirements such as traditional Saturday night stopover. The move meant lower fares and greater convenience for passengers, and resulted in a significant increase in bookings. Many other European airlines made similar changes.

In the route network, bmi introduced Leeds Bradford-Cork, Edinburgh-Stornoway and Manchester-Toulouse in 2002.

In the fleet, all Boeing 737s (total of 14 aircraft) were transferred to bmibaby. Three Fokker 70 aircraft were also withdrawn from the fleet in the course of the year.



Sir Michael Bishop
Chairman

bmi
Donington Hall
Castle Donington
Derby
East Midlands DE74 2SB
Great Britain

www.flybmi.com

Sir Michael Bishop CBE, Chairman
Austin Reid, CEO

25	**Scheduled Destinations**
10	within the United Kingdom
14	rest of Europe
1	beyond Europe
4853	**Employees**
41	**Aircraft in Fleet**
3	Airbus A330-200
10	Airbus A321-200
10	Airbus A320-200
1	Boeing 737-400
6	Fokker 100
9	Embraer RJ-145
2	Embraer RJ-135
0	**Aircraft on Order**

Status at 31st December for information on destinations, employees and fleet.

Owned by…

50% plus 1 share	BBW
30% minus 1 share	Lufthansa
20%	SAS

Owner of…
100% bmibaby

Major partnerships
Member of the Star Alliance.
Various code-share agreements with: All Nippon Airways, Air Canada, Austrian Airlines, Gulf Air, Lufthansa, SAS, South African Airways, United Airlines and Virgin Atlantic.

Financial Results

£ mill	2002	2001
Turnover	723.8	756.9
Operating profit/loss	-	-
Net profit/loss	(19.6)	12.4

BRITISH AIRWAYS

Review of 2002

2002 in numbers: 34.4 million passengers transported, 99% on scheduled services, of which: 20% on domestic routes, 46% within Europe, 19% across the Atlantic, 7% to the African continent and the Middle East and 6% to the Far East; 614 thousand tonnes of freight carried, 14% on all-cargo services.

In February 2002 British Airways announced its 'Future Size and Shape' programme which focused on reducing costs, reducing complexity and restructuring its short-haul business.

'Future Size and Shape' targeted £650 million annualised cost saving by March 2004, with £450 million to be secured by the end of the financial year 2002/03 and a reduction in headcount of 13,000 by March 2004.

The restructuring of its short haul business to compete with no-frills carriers included a new year-round pricing structure on 176 key routes to Europe and the launch of Fare Explorer, a new booking engine, to encourage more booking online. Changes to travel agents payments were also introduced and eight route transfers were made from Gatwick to Heathrow.

British Airways and American Airlines withdrew their filing for anti-trust immunity from the US Department of Transportation because the regulatory price for code-sharing on transatlantic routes was too high for both airlines.

In July British Airways announced its preferred option for a third runway at London Heathrow in response to the Government paper on airport infrastructure in the UK.

In September the airline extended its code-sharing relationship with Iberia and later in the year announced an alliance with SN Brussels Airlines.

In early 2003 Rod Eddington, British Airways' Chief Executive, was elected AEA Chairman for 2003.

Rod Eddington
Chief Executive

British Airways plc
Waterside
P.O. Box 365
Harmondsworth UB7 0GB
Great Britain

www.britishairways.com

Rod Eddington, Chief Executive &
2003 Chairman of the AEA

159 Scheduled Destinations
29 within the United Kingdom
55 rest of Europe
75 beyond Europe

61,460 Employees (Group, at 31st March '02)

348 Aircraft in Fleet (Group*)
7 Concorde
23 Airbus A320
33 Airbus A319
43 Boeing 777
21 Boeing 767-300
16 Boeing 757-200
56 Boeing 747-400
10 Boeing 737-500
29 Boeing 737-400
21 Boeing 737-300
28 Embraer RJ-145
16 Avro RJ100
5 British Aerospace 146
12 BAe Jetstream 41
13 BAe ATP
5 ATR-72
10 de Havilland Dash-8
* Group includes BA, CityFlyer Express, Deutsche BA, BA CitiExpress.

20 Aircraft on Order
10 Airbus A321
7 Airbus A320
3 Airbus A319

Status at 31st December for information on destinations and fleet.

Owned by…
100% Publicly quoted company.

Owner of…
100% British Airways CitiExpress
100% Deutsche BA
18.9% Qantas Airways
18.3% Comair (South Africa)
9% Iberia

Major partnerships
Member of the Oneworld Alliance.
Franchisees: British Mediterranean, Comair (South Africa), GB Airways, Loganair (UK), Maersk Air (UK), Regional Air (Kenya) and Sun-Air (Denmark)
Various code-share agreements.

Financial Results (Group, FY 31st March)

£ mill	2002/03	2001/02
Turnover	7688	8340
Operating profit/loss	295	(110)
Net profit/loss	72	(142)

Review of 2002

2002 in numbers: 478 thousand tonnes of freight transported, 94% on scheduled all-cargo services, of which: 50% to the Far East, 22% on the North Atlantic (including Mid Atlantic), 9% on the South Atlantic, 13% to the African continent and the Middle East.

In November 2002 Cargolux appointed Ulrich Ogiermann as President of the Executive Committee and Chief Executive Officer of the company, effective 1st January 2003.

In 2002 air cargo carriers were challenged by political instability, rising fuel and insurance costs, weaker consumer markets and diminished demand for automotive, high tech and telecommunications products. Nevertheless Cargolux did well, with financial results indicating a 10% increase in turnover. An operating profit of US$ 55.7 million was recorded. After taxes, net profit for 2002 stood at US$ 49.3 million, up from US$ 15.4 million.

Cargolux uses twelve B747-400 freighter and 20 trucking contractors, to move valuable and time-sensitive commodities between 108 destinations, 53 served by aircraft and 55 by truck. The twelfth B747-400F to be delivered to Cargolux since 1993 arrived in August. A thirteenth B747-400F is on order for delivery in the second quarter of 2004.

Flexibility is one of Cargolux' assets and it made a number of schedule adjustments in 2002 to improve services for forwarders whose own customers were rapidly changing their logistics requirements. New destinations introduced included Budapest, Malpensa and Recife. Services to Penang were introduced in January, carrying electronics and computers from, and raw materials to, the Silicon Valley of Malaysia. From Penang, Cargolux also offers fifth freedom services to Australia and New Zealand. Hungary, enjoying a thriving high tech industry and expanding automotive production activities, led to the addition of Budapest to the Cargolux network, effective April 2002, with flights arriving from Hong Kong, Singapore, Kuala Lumpur, Bangkok and Madras. Services on other routes were adjusted, including the introduction of direct flights from Abidjan, Ivory Coast, bringing fresh fruit and fish to Europe.

Ulrich Ogiermann
President & CEO

Cargolux Airlines International
Luxembourg Airport
L-2990 Luxembourg
Grand Duchy of Luxembourg

www.cargolux.com

Ulrich Ogiermann, President & CEO

53 Scheduled Destinations
1 within Luxembourg
8 rest of Europe
44 beyond Europe

1342 Employees

12 Aircraft in Fleet
12 Boeing 747-400F

1 Aircraft on Order
1 Boeing 747-400F

Status at 31st December for information on destinations, employees and fleet.

Owned by…
34.9% Luxair
33.7% SAir Lines
31.1% Luxembourg financial institutions
0.3% Others

Owner of…
-

Major partnerships
Various agreements with: China Airlines, China Eastern Airlines, Aeromexpress, Asiana, Alitalia and Pacific East Asia Cargo.

Financial Results

US$ mill	2002	2001
Turnover	807.5	731.1
Operating profit/loss	55.7	22.3
Net profit/loss	49.3	15.4

CROATIA AIRLINES

Review of 2002

2002 in numbers: 1.3 million passengers transported, 85% on scheduled services, of which: 60% within Europe, 24% on Domestic routes and just under 1% to the Middle East; 3.9 thousand tonnes of freight carried on passenger services.

In February 2002, Croatia Airlines introduced a new online booking service 'FlyOnLine', enabling passengers to book business and economy class tickets on its flights via internet.

In May, Croatia Airlines marked the 10th anniversary of its first international flight Zagreb-Frankfurt, then operated with a Boeing 737-200 purchased from Lufthansa.

In April, in anticipation of increased summer demand, a 90-seater BAe 146, popularly called Jumbolino, was introduced into the fleet to operate scheduled domestic and international flights.

From 1st to 31st August Croatia Airlines carried 169,800 passengers. This was the highest number of passengers carried in any month in the company's history.

In October 2001, the Croatian Transport Ministry issued the JAR 145 Certification to Croatia Airlines, authorising the company to perform maintenance work on foreign aircraft in accordance with European Aviation Standards. This was the first of such permissions to be granted in the Republic of Croatia. Subsequently the German aviation authorities authorised base and line maintenance of German aircraft at the Technical sector in Zagreb. In September 2002 Croatia Airlines and Lufthansa Technik subsequently also signed an agreement enabling Croatia Airlines' technical sector experts to install reinforced flight deck doors on 14 Lufthansa A320 aircraft.

In November Mr. Ivan Mišetić, President & CEO of Croatia Airlines, became a member of the AEA Presidents' Committee at the bi-annual meeting of the Association, held in Amsterdam.

Ivan Mišetić
President & CEO

Croatia Airlines
Savska 41
10000 Zagreb
Croatia

www.croatiaairlines.hr

Ivan Mišetić, President & CEO

23	**Scheduled Destinations**
8	within Croatia
15	rest of Europe
0	beyond Europe
992	**Employees**
11	**Aircraft in Fleet**
3	Airbus A320-200
4	Airbus A319-100
3	ATR 42-300
1	BAe 146
0	**Aircraft on Order**

Status at 31st December for information on destinations, employees and fleet.

Owned by…

94.08%	State ownership
2.44%	State agency
1.65%	Croatian Privatisation Fund
1.83%	Other shareholders

Owner of…

-

Major partnerships

Marketing and code-share agreement with Lufthansa.
Various code-share agreements with: Adria Airways, Air Bosna, Air France, Alitalia, Austrian Airlines, CSA, LOT and Turkish Airlines.

Financial Results

US$ mill	2002	2001
Turnover	161.9	141.8
Operating profit/loss	16.2	8.6
Net profit/loss	(3.0)	(11.6)

Review of 2002

2002 in numbers: 3.06 million passengers transported, 92% on scheduled services, of which: 79% within Europe, 2% on Domestic routes, 5% on the North Atlantic, 5% to North Africa and the Middle East and less than 1% to the Far East; 14.6 thousand tonnes of freight carried on passenger services.

In 2002 CSA exceeded the level of 3 million passengers transported, a growth of 6.5% compared to 2001. The transport of freight and mail also increased. These good results should be seen in the context of the negative effect of the August floods in the Czech Republic, which brought a significant drop in tourist arrivals in the latter part of the year.

At the start of the Summer 2002 timetable, CSA offered two new destinations – Venice in Italy and Cologne/Bonn in Germany and from Winter season 2002/2003 flights to Colombo in Sri Lanka via Dubai were introduced. Frequencies to London, Paris and Madrid were increased. New destinations planned for 2003 are Cork in Ireland, Edinburgh in Scotland and Tallinn in Estonia.

The CSA fleet includes A310-300s, utilised for long-haul services, with the backbone of the fleet consisting of Boeing 737, -400 and -500 variants, operating on European routes and to the Middle East. The ATR aircraft are used for short-haul and domestic flights. In early 2003 the company announced the expansion of the fleet by Summer 2003 by four aircraft: one Airbus 310-300, one Boeing 737-400 and two Boeing 737-500, which will bring the fleet total to 35 aircraft.

In 2003 CSA celebrates its 80th anniversary. The company's first flight took place on 29th October 1923 with an Aero A-14 Brandenburg bi-plane flight from Prague to Kbely.

Miroslav Kula
President, CEO,
Chairman of the Board

Czech Airlines
Head Office
Ruzyně Airport
160 08 Prague 6
Czech Republic

ww.czech-airlines.com

Miroslav Kula,
President, CEO, Chairman of the Board

62	**Scheduled Destinations**
4	within the Czech Republic
47	rest of Europe
11	beyond Europe
4556	**Employees**
31	**Aircraft in Fleet**
2	Airbus A310-300
10	Boeing 737-500
10	Boeing 737-400
4	ATR-72
5	ATR-42
4	**Aircraft on Order**
1	Airbus A310-300
2	Boeing 737-500
1	Boeing 737-400

Status at 31st December for information on destinations and fleet.

Owned by…

56.43%	Czech National Property Fund
34.59%	Czech Consolidation Bank
4.33%	Czech investor (Česká pojitovna a.s.)
2.94%	City of Prague
0.98%	City of Bratislava
0.49%	Shares for Endowment Fund
0.24%	National Property Fund of the Slovak Republic

Owner of…

-

Major partnerships
Member of the SkyTeam Alliance.
Various agreements with: Air France, Aeroflot, Aeromexico, Aerosvit Airlines (Ukraine), Air Malta, Alitalia, Austrian Airlines Group, Croatia Airlines, Delta Air Lines, KLM, LOT, Lufthansa, Malev, Olympic Airways, TAROM and Turkish Airlines.

Financial Results

USD mill	2002	2001
Turnover		463.9
Operating profit/loss		25.7
Net profit/loss	14.6	7.8

CYPRUS AIRWAYS

Review of 2002

2002 in numbers: 1.65 million passengers transported, 99% on scheduled services, of which: 86% within Europe, 12% to the Middle East and 1% to North Africa; 16.4 thousand tonnes of freight carried on passenger services.

The indication of financial results for the Cyprus Airways Group for the financial year ending 31st December 2002, shows a net profit after tax of CY£ 10.7 million (€ 18 million), compared to CY£ 2.4 million (€ 4 million) in 2001. Turnover increased by 4% to CY£ 185 million. Passenger numbers transported by Cyprus Airways in 2002 increased by some 9% over 2001.

In October 2002 Cyprus Airways announced the creation of a new airline in Greece, to benefit from the anticipated increase in traffic associated with the 2004 Olympic Games. The new airline, Hellas Jet, is 49% owned by Cyprus Airways, 51% by Greek private investors. The company will start operations in June 2003 and will fly to four European destinations – Brussels, London, Zurich and Paris - using three Airbus A320 aircraft.

In the fleet Cyprus Airways saw the addition of a new aircraft type, the A319 aircraft, with deliveries in April and one in July 2002. At 31st December 2002 the fleet also included one leased-in 295-seater A330-200s, seven A320 and one A320 formerly operated by 100% owned subsidiary Eurocypria returned to the fleet (early 2003), four Airbus A310 which are due to be withdrawn by April 2003. An additional A330 is to be leased in with effect from April 2003.

In April 2003, Haris A. Loizides resigned as Chairman of the company. By June a new Board of directors was appointed, with Constantinos Loizides as Cyprus Airways' new Chairman.

Constantinos Loizides
Chairman

Cyprus Airways Ltd
21 Alkeou Street
2404 Engomi
P.O. Box 21903
1514 Nicosia
Cyprus

www.cyprusair.com.cy

Constantinos Loizides, Chairman

35 Scheduled Destinations
2 within Cyprus
24 rest of Europe
9 beyond Europe

2126 Employees

15 Aircraft in Fleet
1 Airbus A330-200
8 Airbus A320-200
2 Airbus A319-100
4 Airbus A310-200

1 Aircraft on Order
1 Airbus A330-200

Status at 31st December for information on destinations, employees and fleet.

Owned by…
69.62% State ownership
30.38% Private shareholders

Owner of…
100% Eurocypria
49% Hellas Jet

Major partnerships
Various code-share agreements with: Aeroflot, Alitalia, El Al, Gulf Air, KLM and Syrian Arab Airlines.

Financial Results (Group)

CY£ '000	2002*	2001
Turnover	185432	178268
Operating profit/loss	11063	8511
Net profit/loss	10714	2376

*preliminary

Review of 2002

2002 in numbers: 7.1 million passengers transported, 82% on scheduled services, of which: 41% within Europe, 33% on Domestic routes, 2% on the North Atlantic and 6% to the Far East; 49 thousand tonnes of freight carried on passenger services.

Finnair's campaign of capacity adjustment and cost-cutting resulted in improved financial results in 2002, with net profit for the Finnair Group at € 36.8 million in 2002. Finnair airline recorded a net profit of € 53.9 million, up from € 8.5 million.

Growth in traffic to and from Asia contributed to the results. Besides Tokyo and Singapore already served, 2002 saw the introduction of a new service to Hong Kong and increased frequencies to Bangkok and Beijing. The Far East now accounts for close on 6% of all Finnair passengers, up from 3% in 2001. New start-up services to Shanghai and Osaka are scheduled for 2003.

Aero Airlines, established in Estonia, made its maiden flight in March 2002, flying Helsinki-Tallinn. Aero Airlines, which is 49% owned by Finnair Group, is scheduled to take over certain domestic routes from Finnair in 2003.

In November a new, third, runway was inaugurated at Helsinki-Vantaa Airport.

In 2002 Finnair expanded its code-share agreement with fellow Oneworld Alliance partner British Airways, and entered new agreements with SN Brussels Airlines and Swiss.

In the fleet, Finnair have a fifth MD11 on order, for service on the long-haul routes. The Airbus fleet for use on European and domestic routes, saw the arrival of 5 A320s in 2002. By the end of 2003 there should be a total of 24 Airbus aircraft in the fleet, offering crew and operational flexibility with capacity varying between 123-182 seats.

Keijo Suila
President & CEO

Finnair Oy
P.O. Box 15
01053 Finnair
Finland

www.finnair.com

Keijo Suila, President & CEO

54 Scheduled Destinations
16 within Finland
33 rest of Europe
5 beyond Europe

7381 Employees

59 Aircraft in Fleet
4 Airbus A321-200
7 Airbus A320-200
6 Airbus A319-100
7 Boeing 757-200
8 MD83
6 MD82
4 MD11
8 Douglas DC9-51
9 ATR-72

12 Aircraft on Order
2 Airbus A321-200
5 Airbus A320-200
4 Airbus A319-100
1 MD11

Status at 31st December for information on destinations, employees and fleet.

Owned by…
66% Public bodies (state, local government, employment pension funds)
8% Foreign investors
7% Financial institutions & insurance companies
7% Registered in nominee name
7% Private individuals
4% Private companies
1% Associations

Owner of…
49% Aero Airlines (Estonia)

Major partnerships
Member of the Oneworld Alliance.
Various code-share agreements, with: Aero Airlines, Air China, Air France, City Airline, CSA, Golden Air (Sweden), Lithuanian Airlines, LOT, Malev, SN Brussels Airlines, Sun Air, SWISS, TAP, Ukraine International Airlines.

Financial Results (Group)

€ mill	2002	2001
Turnover	1639.9	1631.0
Operating profit/loss	60.0	13.3
Net profit/loss	36.8	7.1

Review of 2002

2002 in numbers: 23.9 million passengers transported on scheduled services, of which: 54% on Domestic routes, 33% within Europe, 12% across the Atlantic and 1% to the African continent and the Middle East; 180 thousand tonnes of freight carried, 12% on all-cargo services.

In 2002 Iberia results presented a strong turnaround, with operating profit up from € 5 million in 2001 to € 249 million in 2002. Net profit reached € 160 million, compared to € 53 million in the previous year. The results followed the implementation of the airline's crisis programme in 2001, which included cuts in capacity on offer, a reduction of some 2,500 in staff numbers, the temporary suspension of all wet lease agreements and the postponement of future aircraft deliveries.

At year end Iberia's board approved the strategic objectives for the 2003-2005 period. The strategic objectives of consolidating profitability, achieving growth with flexibility and boosting productivity are keyed to the challenges and opportunities foreseen in the next three years, such as the opening of new runways at Madrid and Barcelona airports, the new passenger terminal at Madrid-Barajas, and the advent of a high-speed train service between Madrid and Barcelona.

In April 2002 Iberia sold Binter Canarias, the leading passenger airline of the Canary Islands, 100% owned by Iberia. The company had already sold its other 100% owned company, Binter Mediterraneo to its regional franchisee Iberia Regional/Air Nostrum in 2001. Both sales form part of the strategy of strengthening the mother company's core business lines.

November 2002 brought the delivery of an additional Airbus A321, now numbering five in the fleet. In the course of the year, all Airbus A300s were retired from service. Over the next few years the fleet will be expanded and modernised.

Fernando Conte
Chairman & CEO

Líneas Aéreas de España SA
Calle Velazquez 130
28006 Madrid
Spain

www.iberia.com

Fernando Conte, Chairman & CEO

97	**Scheduled Destinations**
33	within Spain
34	rest of Europe
30	beyond Europe

25692 Employees (Group)

145	**Aircraft in Fleet**
17	Airbus A340-300
5	Airbus A321-200
55	Airbus A320-200
4	Airbus A319-100
18	Boeing 757-200
3	Boeing 747-300
5	Boeing 747-200
12	MD88
24	MD87
2	DC8F

14	**Aircraft on Order**
12	Airbus A340-600
2	Airbus A320

Status at 31st December for information on destinations, employees and fleet.

Owned by…

60%	Floating
30%	Banks and various companies
9%	British Airways
1%	American Airlines

Owner of…

-

Major partnerships

Member of the Oneworld Alliance.
Franchisee: Iberia Regional/Air Nostrum
Various code-share agreements with: Aer Lingus, Air France, El Al, LOT, Royal Air Maroc, Royal Jordanian, SWISS, Syrian Arab Airlines, TAP, TAROM , Ukraine International Airlines.

Financial Results (Group)

€ mill	2002*	2001
Turnover	4700	4738
Operating profit/loss	249	5
Net profit/loss	160	53

* estimates

Review of 2002

2002 in numbers: 1.4 million passengers transported, 86% on scheduled services, of which: 63% within Europe and 23% on the North Atlantic; 31 thousand tonnes of freight carried, 69% on all-cargo services.

The on-going reforms of the Flugleidir/Icelandair Group saw the implementation of a new organisational structure. It addition to the subsidiaries set up in recent years to handle cargo, charter/leasing and ground services, a dedicated subsidiary, Icelandair ehf., was set up at the end of 2002 to handle scheduled international flights, as well as companies to deal with financial services and aircraft maintenance. With effect from the beginning of 2003, the Icelandair parent company Flugleidir is a holding company whose main focus is to generate returns on shareholder capital, investing primarily in companies which are active in flight operations, (Icelandair, Icelandair Cargo and Air Iceland), the travel industry and transportation.

The strategic plan implemented in 2001-2002 reaped rewards, with good financial results posted in 2002. The Group recorded a net profit (after tax) of ISK 2611 million (€ 30 million).

In the network, regular services operated year-round to Copenhagen, Oslo, Stockholm, London, Glasgow, Amsterdam, Frankfurt and Paris. In winter a sizeable reduction was made in flights to continental Europe, where flight frequency had been sustained to a considerable extent by North Atlantic passengers. In Summer 2002 Icelandair also flew to Milan and Barcelona. On the North Atlantic, the relative importance of the route area was reduced, with services to Boston, Baltimore and Minneapolis operated year-round, while Winter services to New York were discontinued. As before, Orlando was only served in Winter.

With the introduction of a Boeing 757-300 in March, Icelandair became the first carrier in the world to operate all models of the 757 simultaneously. At year-end the fleet consisted of thirteen jets, eight of the jets being deployed on scheduled services within the route network, two on cargo flights for Icelandair Cargo and three for Icelandair Charter and Leasing on projects outside Iceland. A further seven turboprops are operated by regional operator Air Iceland.

Sigurdur Helgason
President & CEO

Icelandair
Reykjavik Airport
101 Reykjavik
Iceland

www.icelandair.com

Sigurdur Helgason, President & CEO

23 Scheduled Destinations
4 within Iceland
14 rest of Europe
5 beyond Europe

2181 Employees (Group)

13 Aircraft in Fleet
1 Boeing 757-300
10 Boeing 757-200
1 Boeing 757-200F
1 Boeing 737-300F

0 Aircraft on Order

Status at 31st December for information on destinations, employees and fleet.

Owned by…
100% Fully Privatised

Owner of…
Flugleider hf. Holding company is owner of the following airline operations:
100% Icelandair
100% Icelandair Cargo
100% Air Iceland

Major partnerships
Code-share agreements with SAS.

Financial Results (Group)

ISK mill	2002	2001
Turnover	38945	37971
Operating profit/loss	3873	(765)
Net profit/loss	2611	(1212)

JAT YUGOSLAV AIRLINES

Review of 2002

2002 in numbers: 1.08 million passengers transported, 91% on scheduled services, of which: 59% within Europe, 26% on Domestic routes, 3% to North Africa and 3% to the Middle East; 3.8 thousand tonnes of freight carried on passenger services.

For the first time after many years, last year JAT showed positive business results in the number of passengers carried on its international flights, especially on its European destinations. As a result, JAT leased-in one B-737-300 aircraft, to supplement the 22 aircraft already in the fleet.

The so-called 'Serbian air traffic development program' is oriented towards establishing Belgrade Airport as crossroads of the corridors between the East and West, benefiting from Belgrade and Serbia & Montenegro's geo-strategic location.

JAT for its part, is re-establishing traffic with countries that sprang up from former Yugoslav republics, Bosnia, Croatia,... At the end of 2002 services to Slovenia and Albania were resumed, with the possibility of returning to Pristina being explored. JAT has also initiated cooperation with carriers in the Balkan.

JAT is heading towards the inevitable process of transition, namely privatisation, fleet renewal, streamlining of operations... Furthermore, JAT has evolved a Business Plan up to the 2007 aimed at meeting the needs of passengers and adapting to European standards. JAT forecasts a further growth of the number of passengers at an average rate of 9 % annually, whereby JAT should reach 1,700,000 of carried passengers by the year 2007. The purchase of new generation aircraft remains a priority for the future.

As a system, JAT owns a Flight Academy, Maintenance Workshops, Training Centre, Catering, Agricultural (General) Aviation, hotels in downtown Belgrade, an in-house tour-operator Air-Lift. It is expected that these will be privatised in the forthcoming period, with the contribution of either domestic or foreign investments.

In 2003 the company will launch a new corporate logo and has changed its name from JAT Yugoslav Airlines to JAT Airways.

Predrag Vujović
President

JAT Airways
16 Bulevar umetnosti
11070 Novi Beograd
Yugoslavia

www.jat.com

Predrag Vujović, President

37	**Scheduled Destinations**
3	within Yugoslavia
27	rest of Europe
7	beyond Europe
4952	**Employees**
22	**Aircraft in Fleet**
10	Boeing 737-300
2	Boeing 727-200
1	Douglas DC10-30
6	Douglas DC9-30
3	ATR-72
8	**Aircraft on Order**
8	Airbus A319-100

Status at 31st December for information on destinations, employees and fleet.

Owned by…
100% State ownership

Owner of…
-

Major partnerships
Code-share agreements with Adria Airways and CSA Czech Airlines.

Financial Results

YUN mill	2002	2001
Turnover	9895	8364
Operating profit/loss	(522)	(616)
Net profit/loss	(522)	(616)

Review of 2002

2002 in numbers: 20 million passengers transported on scheduled services, of which: 67% within Europe, 10% on the North Atlantic, 5% on the Mid and South Atlantic, 10% to the African continent and Middle East and 8% to the Far East; 522 thousand tonnes of freight carried, 14% on all-cargo services.

For the fiscal year ending 31st March 2003, KLM posted a negative operating income of € 113 million, compared to an operating loss of € 94 million in the previous year. Net loss for the year stood at € 416 million. In particular the latter months of the year saw pressures on revenues and declining demand, which resulted in capacity modifications and a commitment to further cost management for the future.

In 2002 KLM reviewed its no-frills strategy, culminating in January 2003 with the sale to Ryanair of its 100% shareholding in buzz. Transavia, the 80% owned leisure carrier, and its activities under the Basiq Air label, will continue to represent the Group in the no-frills sector.

In the course of 2002 the company embarked on several new code-share agreements with, amongst others, TAM of Brazil to Buenos Aires from November, Comair of South Africa on routes to Durban and Port Elizabeth, effective January 2003 and with Spanish airliner Air Europa from July 2002. An agreement has also been signed with the French Railways SNCF offering passengers a single ticket journey by high-speed rail from several French cities to Charles de Gaulle airport with onward flight to Amsterdam and beyond.

KLM's order for Boeing 747-400 ER freighters, Boeing 777-200 ER and Airbus A330-200 during 2002 marked the start of an extensive intercontinental fleet renewal. At the end of March 2003 the three freighters were delivered to KLM Cargo. The A330 will be the first aircraft from this manufacturer in the KLM fleet, with delivery from 2005.

Leo M. van Wijk
President & CEO

KLM
P.O. Box 7700
Schiphol Airport 1117ZL
The Netherlands
www.klm.nl

Leo M. van Wijk, President & CEO

136	**Scheduled Destinations**
4	within the Netherlands
67	rest of Europe
65	beyond Europe

33038 Employees (Group)

156	**Aircraft in Fleet**
103	**of which KLM**
12	Boeing 767-300
5	Boeing 747-400
17	Boeing 747-400 Combi
3	Boeing 747-300
8	Boeing 747-300 Combi
2	Boeing 747-300F
4	Boeing 737-900
13	Boeing 737-800
14	Boeing 737-400
15	Boeing 737-300
10	MD11
32	**of which KLM cityhopper**
20	Fokker 70
12	Fokker 50
21	**of which KLM uk**
15	Fokker 100
6	Fokker 50

19	**Aircraft on Order**
6	Airbus A330-200
10	Boeing 777-200
3	Boeing 747-400F

Status at 31st December for information on destinations and fleet.

Owned by…
100% Publicly quoted company

Owner of…

100%	KLM cityhopper
100%	KLM uk
80%	Transavia Airlines
50%	Martinair
26%	Kenya Airways

Major partnerships
KLM-Northwest Alliance.
Various agreements with e.g. Alaska Airlines, Aer Lingus, China Southern Airlines, Comair, Continental, CSA, Cyprus Airways, KLM exel, Maersk Air, MAS, Malev, Meridiana, Surinam Airways, TAM, TNT, Nippon Cargo.

Financial Results (Group, FY 31st March)

€ mill	2002/03	2001/02
Turnover	6485	6532
Operating profit/loss	(133)	(94)
Net profit/loss	(416)	(156)

Review of 2002

2002 in numbers: 3.27 million passengers transported, 89% on scheduled services, of which: 55% within Europe, 20% on Domestic routes, 13% on the North Atlantic and 1% to the Middle East; 17.1 thousand tonnes of freight carried on passenger services.

STAR ALLIANCE

With the prospect of joining the Star Alliance in 2003, the ascension of Poland to the European Union in 2004 as well as a possible stock market floatation in the same year, LOT embarked on a deep restructuring program in 2002. A revision of the route network, significant reductions in costs and an improvement in yields meant that by year-end the company reported a net profit of € 29.1 million, compared to a net loss of € 120.8 million in 2001. Revenues in core business activities increased by 12% over 2001, whilst operating costs were reduced by 7%.

In 2002 LOT increased the number of passengers transported by 5%. With a reduction in offer of close to 11%, load factors improved significantly. This was the result of a greater tailoring of the company activities to market needs, the implementation of a flexible pricing policy, the growing efficiency of the LOT hub at Okęcie Airport in Warsaw coupled with expanding co-operation with other carriers to Poland, especially Lufthansa and Austrian Airlines.

On 1st September 2002, LOT and SN Brussels Airlines of Belgium took up membership of the AEA.

In the fleet, LOT has bought 18 new aircraft over the last two years and has plans to place an order for up to ten 70-seater aircraft. In the course of 2002 the ATR 42 aircraft of the -300 variant in the fleet were replaced by the -500 variant. LOT currently operates a fleet of 5 wide-body B767, 19 single aisle B737 and 14 regional Embraer RJ-145 jets and 13 ATRs.

Marek Grabarek
President & CEO

LOT Polish Airlines
ul.17 Stycznia 39
00-906 Warszawa
Poland

www.lot.com

Marek Grabarek, President & CEO

58	**Scheduled Destinations**
13	within Poland
40	rest of Europe
5	beyond Europe

3800 Employees

51	**Aircraft in Fleet**
3	Boeing 767-300
2	Boeing 767-200
10	Boeing 737-500
7	Boeing 737-400
2	Boeing 737-300
14	Embraer RJ-145
8	ATR-72
5	ATR-42

0 Aircraft on Order

Status at 31st December for information on destinations and fleet.

Owned by…

67.96	State treasury
25.10	SAir Lines
6.94	Employees

Owner of…
100% EuroLot

Major partnerships
Member of the Star Alliance from 2003. Various code-share agreements with: American Airlines, Austrian Airlines, bmi, CSA, Finnair, Lufthansa, SN Brussels Airlines.

Financial Results

€ mill	2002	2001
Turnover	702.6	663.2
Operating profit/loss	28.6	(173.4)
Net profit/loss	29.1	(120.8)

Lufthansa

Review of 2002

2002 in numbers: 44 million passengers transported on scheduled services, of which: 46% within Europe, 32% on Domestic routes, 11% across the Atlantic, 4% to the African continent and the Middle East and 7% to the Far East; 1047 thousand tonnes of freight carried, 56% on all-cargo services.

STAR ALLIANCE

On 14th May the Star Alliance celebrated its 5th anniversary. In April the cargo alliance between Lufthansa Cargo, SAS Cargo and Singapore Airlines Cargo, adopted a new name 'WOW', and were joined by Japan Airlines Cargo in July.

Lufthansa and Shanghai Airlines agreed to closer co-operation in several areas. Along with Air China, Shanghai Airlines offers the potential of Lufthansa connecting flights within China. Lufthansa and LOT Polish Airlines, signed a strategic co-operation agreement in September.

Eurowings announced its entry into the 'no-frills' market, with the creation of 'Germanwings', which will operate alongside Eurowings in transporting regional traffic.

In the first international 'travel bank' arrangement, Lufthansa started Frankfurt to Portland, Oregon services. Generally a 'travel bank' consists of local businesses and industry working together, often through the local Chamber of Commerce, to entice a new air carrier or service to their region.

From the Summer timetable Lufthansa returned 18 aircraft withdrawn from service after September 11th, to the fleet, including three A340 and 13 short-haul aircraft.

Wolfgang Mayrhuber, was elected as successor to Jürgen Weber as Chairman and CEO of Lufthansa, effective June 2003.

Wolfgang Mayrhuber
Chairman & CEO

Deutsche Lufthansa AG
2-6 Von-Gablenz-Strasse
50679 Cologne
Federal Republic of Germany

www.lufthansa.com

Wolfgang Mayrhuber, Chairman & CEO

170	**Scheduled Destinations**
19 Germany / 71 Europe / 80 beyond	
39822	**Employees**
384	**Aircraft in Fleet** (Group)
225	of which **Lufthansa**
28 / 6	Airbus A340-300 / -200
26	Airbus A321
33	Airbus A320
16	Airbus A319
6	Airbus A310-300
13	Airbus A300-600
30/2	Boeing 747 -400/-200
30/35	Boeing 737-500/-300
73	of which **LH CityLine**
11/44	Canadair CRJ -700/ -100/200
18	Avro RJ85
22	of which **LH Cargo**
8	Boeing 747-200F
14	MD11F
64	of which **Team LH**
1	Boeing 737-700
8/6	ATR 42-500/200 / ATR 72
8	BAe 146
9	Canadair CRJ-100
20	de Havilland Dash-8
1	Embraer RJ-145
2	Fairchild Dornier 328
9	Fokker 50
44	**Aircraft on Order**
35	of which **Lufthansa**
15	Airbus A380
10	Airbus A340 -600
10	Airbus A330
9	of which **LH CityLine**
9	Canadair CRJ-700

Owned by…

89.95%	Free float
10.05%	Public sector

Owner of…

100%	Lufthansa Cargo
100%	Lufthansa CityLine
98.8%	Air Dolomiti
30%	bmi
24.9%	Eurowings
13%	Luxair
10%	Condor

Major partnerships
Member of the Star Alliance.
Franchisees (Team Lufthansa): Augsburg Airways, Cimber Air, Cirrus Airlines, Contact Air, Rheintalflug.
Code-share agreements: Adria Airways, Air China, Air Dolomiti, Air One, Croatia Airlines, CSA, Eurowings, Luxair, Maersk Air, SAA.

Financial Results (Group)

€ mill	2002	2001
Turnover	16971	16690
Operating profit/loss	1592	(316)
Net profit/loss	717	(633)

LUXAIR

Review of 2002

2002 in numbers: 1.15 million passengers transported, 78% on scheduled services within Europe; 0.21 thousand tonnes of freight carried on passenger services.

Despite the difficult economic context and fierce competition in the Luxembourg catchment area, Luxair was able to end the financial year 2002 with a positive net profit totalling € 29.6 million. The substantial increase in freight handling volume at the Luxair-owned CargoCenter, increased activity of Luxair's main partners and especially the new shareholder Panalpina, as well as a good performance by Luxair Tours contributed to the positive results of this business year.

In spite of an adverse economic context, Luxair increased the number of passengers carried. This result was achieved through the enhancement of the network: new destinations were added and frequency was increased in several cities. Luxair managed to increase its market share at Luxembourg Airport from 68% in 2001 to 75% in 2002.

The Luxair Group also includes tour operators, Luxair Tours and Happy Summer, transporting passengers on chartered holiday flights to the Mediterranean, Canary Islands, Madeira and North Africa.

In December Luxair announced the signing of a share sales agreement between Luxair and Panalpina World Transport of Basle. Subject to statuary approval from the State of Luxembourg and the Luxair Board of Directors, Panalpina will join the institutional shareholders of Luxair, being the Luxembourg State, the state-owned Banque et Caisse d'Epargne de l'Etat, the Dexia Banque Internationale of Luxembourg, the Banque Générale du Luxembourg and the Deutsche Lufthansa AG. Panalpina is a leading provider of intercontinental airfreight and sea freight forwarding and transportation.

In the fleet one Fokker 50 was removed in 2002, whilst an order was placed with the Boeing Company for two Boeing 737-700 jetliners, with an option for an additional two aircraft of the same type.

Christian Heinzmann
President & CEO

Luxair
Luxembourg Airport
2987 Luxembourg

www.luxair.lu

Christian Heinzmann, President & CEO

57	**Scheduled Destinations**
1	within Luxembourg
50	rest of Europe
6	beyond Europe
2184	**Employees**
16	**Aircraft in Fleet**
3	Boeing 737-500
2	Boeing 737-400
3	Fokker 50
8	Embraer RJ-145
2	**Aircraft on Order**
2	Boeing 737-700

Status at 31st December for information on destinations, employees and fleet.

Owned by…
37.3% Private Companies
23.1% State ownership
13.4% State-owned bank
13.2% Luxair Group and others
13.0% Lufthansa

Owner of…
34.88% Cargolux

Major partnerships
Various agreements with: Air France, Austrian Airlines Group, Finnair, Lufthansa and VLM.

Financial Results (Group)

€ mill	2002	2001
Turnover	302.0	282.6
Operating profit/loss	13.3	11.7
Net profit/loss	29.6	20.3

Review of 2002

2002 in numbers: 2.32 million passengers transported, 90% on scheduled services, of which: 80% within Europe, 5% on the North Atlantic, 4% to the Middle East and 1% to Northern Africa; 10.4 thousand tonnes of freight carried on passenger services.

Malev reported an operating loss of HUF 4.3 billion (€ 16.9 million) in 2002 which is a significant improvement compared to the operating loss of HUF 11.2 billion (€ 44.1 million) in 2001. The improvement was the result of on-going reorganisation efforts designed to return the company to a healthy growth path. External factors such as fuel price and USD exchange rate followed a favourable trend in 2002 which is also reflected in the results.

As part of the reorganisation process Malev developed a new strategy which aims to transform the company to one of the leading carriers in Central-Eastern-Europe. To fulfill this objective the company started to redesign its network and opened four new regional destinations, namely Odessa, Venice, Bologna and Timisoara. In June a new subsidiary - Malev Express - was launched to support the regional expansion. Malev also signed a deal with Bombardier to supply the company with regional aircraft. In 2002 two Canadair CRJ-200 aircraft joined the fleet, operated by Malev Express; a further two are on order. Both new destinations and new regional aircraft showed promising results, although in the introductory phase the cost of market development had a negative financial impact on the company.

In 2003 Malev will continue its regional expansion and will introduce new destinations to its network. In parallel the reorganisation will continue to improve the efficiency of the operation and to prepare for the increased competition expected as Hungary joins the European Union in 2004.

In 2002, the code-share market changed, with numerous new code-share agreements signed, with: Aeroflot, Air Bosna, Air Europe, Balkan Air. With partners KLM and Northwest the existing code-sharing co-operation was extended to additional destinations.

In 2003 Mr. László Sándor was elected as the new Chairman of the Board and CEO of the company.

László Sándor,
Chairman & CEO

Malev Hungarian Airlines
Roosevelt tér 2
1051 Budapest V
Hungary

www.malev.hu

László Sándor, Chairman & CEO

44	**Scheduled Destinations**
1	within Hungary
37	rest of Europe
6	beyond Europe
2922	**Employees**
25	**Aircraft in Fleet**
2	Boeing 767-200
2	Boeing 737-500
6	Boeing 737-400
7	Boeing 737-300
6	Fokker 70
2	Canadair CRJ-200
20	**Aircraft on Order**
5	Boeing 737-800
7	Boeing 737-700
6	Boeing 737-600
2	Canadair CRJ-200

Status at 31st December for information on destinations, employees and fleet.

Owned by…

97.9%	State privatisation and assets handling company
1.2%	Municipalities
0.9%	Private shareholders and other organisations

Owner of…

100% Malev Express

Major partnerships

Marketing agreements with KLM and Northwest Airlines.
Various code-share agreements with: Air Bosna, Aeroflot, Aerosvit Airlines (Ukraine), Air Europa, Air France, Alitalia, Austrian Airlines, Balkan Air, CSA, Finnair, KLM, LOT, Northwest Airlines, SWISS and TAROM.

Financial Results

HUF bn	2002	2001
Turnover	108.9	108.6
Operating profit/loss	(4.3)	(11.2)
Net profit/loss	(2.3)	(7.5)

Meridiana

Review of 2002

2002 in numbers: 3.4 million passengers transported, 98% on scheduled services, of which: 89% on Domestic routes and 9% within Europe; 2.1 thousand tonnes of freight carried on passenger services.

2002 saw a thorough restructuring of Meridana's route network. With demand still low following 11th September and the aircraft disaster in Linate, Winter season, up to March 2002, saw a reduction of 25% in seat capacity on offer. At the start of the Summer season the network was again reviewed, with services to some routes terminated.

In order to recover traffic and strengthen Meridiana's position in the market, strong marketing campaigns were put in place in 2002, including special fares for indigenous inhabitants of Sicily, Sardinia and Campina.

A new EC/Government rule is applied on the routes from the airports of Cagliari, Alghero and Olbia to the destinations Rome and Milan that assigns the 6 routes to 3 different carriers, for a period of at least two, and possibly three years. Under this rule, known as 'Territorial Continuity', Meridiana loses the Cagliari-Milan route and gains routes from Olbia to Milan and Rome.

In 2002 established code-share agreements with Alitalia and KLM were joined by new agreements, with Italian carrier Panair on the route Rome-Palermo in March and later in the year, with another Italian airline, Air Industria, flying its three ATRs to and from Naples.

At the end of the Summer season the Mount Etna volcano became active, forcing all carriers to divert scheduled services away from Catania during a two month period, which obviously impacted on Winter traffic figures.

Giovanni Sebastiani
Managing Director & CEO

Meridiana S.p.A
Centro Direzionale
Aeroporto Costa Smeralda
07026 Olbia (SS)
Italy

www.meridiana.it

Giovanni Sebastiani, Managing Director & CEO

26 **Scheduled Destinations**
22 within Italy
4 rest of Europe
0 beyond Europe

1393 **Employees**

21 **Aircraft in Fleet**
17 MD82
4 BAe 146-200

0 **Aircraft on Order**

Status at 31st December for information on destinations, employees and fleet.

Owned by…
57.19% Interprogramme Holding SA
17.59% Aga Khan SA
16.10% Meridiana employees
7.90% Financial institutions
1.22% Others

Owner of…
-

Major partnerships
Code-share agreements with: Air Industria (Italy), Alitalia, Alpi Eagles, KLM and Panair (Italy).

Financial Results

€ mills	2002	2001
Turnover	358.6	366.5
Operating profit/loss	(1.9)	(15.4)
Net profit/loss	0.4	(10.2)

Review of 2002

2002 in numbers: 5.7 million passengers transported, 98% on scheduled services, of which: 51% on Domestic routes, 38% within Europe, 3% on the North Atlantic, 5% to Africa and the Middle East and 1% to the Far East; 35 thousand tonnes of freight carried on passenger services.

The implementation of the plan to turn the company around which had been drawn up after 11th September, 2001 continued through 2002. The main aims and thrust of the plan comprised the following: Withdrawal from all non-financially viable routes; stringent measures to lower fixed costs; further cuts in the number of personnel; re-negotiation of existing aircraft leases and adoption and implementation of more aggressive marketing policies and practices. The company expects to post a financial result close to break-even for the year 2002.

The Greek State, sole owner of Olympic Airways, will continue with the restructuring of the company and the eventual establishment of an entirely new legal entity ('New Olympic Airways') to replace the existing one, which will operate entirely according to free market principles.

In the network the termination of the Athens-Bangkok-Melbourne-Sydney-Athens route was noteworthy, in line with the stated objectives of the restructuring plan.

The ongoing fleet rationalisation continued through 2002. An additional 148-seater Boeing 737-300 joined the fleet, whilst all 737-200s were retired from the fleet.

Olympic Airways was named the 'Official Carrier' for the 2004 Olympic Games which will be held in Athens.

Dionyssis Kalophonos
Chairman & CEO

Olympic Airways
96-100 Syngrou Avenue
Athens 11741
Greece

www.olympic-airways.gr

Dionyssis Kalophonos, Chairman & CEO

45 Scheduled Destinations
10 within Greece
23 rest of Europe
12 beyond Europe

5027 Employees

47 Aircraft in Fleet
22 of which **Olympic Airways**
4 Airbus A340-300
3 Airbus A300-600
13 Boeing 737-400
2 Boeing 737-300
22 of which **Olympic Aviation**
3 Boeing 717-200
7 ATR-72
6 ATR-42
6 Fairchild Dornier 228
3 of which **Macedonian Airlines**
3 Boeing 737-400

0 Aircraft on Order

Status at 31st December for information on destinations, employees and fleet.

Owned by…
100% State ownership

Owner of…
100% Olympic Aviation
99.9% Macedonian Airlines

Major partnerships
Code-share agreement with AeroSvit, Air Malta, CSA Czech Airlines, Egyptair, Kuwait Airways, TAP.

Financial Results

€ mill	2002	2001
Turnover		
Operating profit/loss		
Net profit/loss		

Scandinavian Airlines

Review of 2002

2002 in numbers: 23.1 million passengers transported, 99% on scheduled services, of which: 51% within Europe, 42% on Domestic routes within each of the three countries Norway, Sweden and Denmark, 4% on the North Atlantic and 2% to the Far East; 129 thousand tonnes of freight carried, 10% on all-cargo services.

STAR ALLIANCE

Effective 1st July 2002 the SAS Group was restructured to comprise five business areas, of which two - 'Scandinavian Airlines' (including SAS Commuter) and 'Subsidiary and Affiliated Airlines' - provide airline transport services. Subsidiaries include 100% owned Braathens and Air Botnia, 99.4% owned Widerøe and 74% owned Spanair. The Affiliated airlines are airBaltic, Air Greenland, Skyways and bmi. All figures and information provided in this Yearbook refer to Scandinavian Airlines.

In March the EU Commission gave its approval for the SAS Group increase of its stake to 74% in another AEA member airline, Spanair. By year-end the company's stake in Widerøe had increased from 63.3% to 99.4%.

In the second quarter of 2002, SAS implemented a new share issue of SEK 200 million as the final step in the introduction of a single share.

In April Scandinavian Airlines and Braathens coordinated their route networks for Norwegian domestic traffic.

Total fleet for Scandinavian Airlines stood at 199 units at the end of 2002. The long-term planned renewal of the fleet is almost complete, with just 10 aircraft remaining on the order books. Early in 2002 the A340 aircraft was phased in on all the company's routes to Asia. Three additional A340 joined the fleet in 2002, coming to a total of 7 aircraft. In October the company's first Airbus A330-300, for deployment on North Atlantic routes, was delivered.

Jørgen Lindegaard
President & CEO

SAS
Frösundaviks Allé 1
19587 Stockholm
Sweden
www.scandinavian.net

Jørgen Lindegaard, President & CEO
Sören Belin, COO Sandinavian Airlines

86	**Scheduled Destinations**
40	within Scandinavia
38	rest of Europe
8	beyond Europe

7566 Employees

199	**Aircraft in Fleet**
7	Airbus A340-300
2	Airbus A330-300
8	Airbus A321-200
9	Boeing 767-300
19	Boeing 737-800
6	Boeing 737-700
30	Boeing 737-600
8	MD90-30
15	MD87
2	MD83
32	MD82
15	MD81
5	DC-9-41
24	deHavilland Q400
3	Embraer RJ-145
7	Fokker 50
7	Fokker 28

10	**Aircraft on Order**
2	Airbus A330-300
4	Airbus A321-200
4	Boeing 737-800

Status at 31st December for information on destinations, employees and fleet.

Owned by…

50%	Private interests
21.4%	Swedish State
14.3%	Danish State
14.3%	Norwegian State

Owner of…

100%	Air Botnia (Finland)
100%	Braathens (Denmark)
99.4%	Widerøe's Flyveselskap(Norway)
74%	Spanair
47.2%	airBaltic (Latvia)
37.5%	Air Greenland
26%	Cimber Air (Denmark)
25%	Skyways (Sweden)
20%	bmi

Major partnerships
Member of the Star Alliance.
Various agreements with: Air Canada, AUA, bmi, Lufthansa, Mexicana, United Airlines, Varig.

Financial Results

SEK mill	2002	2001
Turnover	37163	41166
Operating profit/loss	1613	(430)
Net profit/loss	(1032)	(1499)

Review of 2002

2002 in numbers: 7.3 million passengers transported, 70% on scheduled services, of which: 62% on Domestic routes, 8% within Europe, and with limited traffic on Mid Atlantic, South Atlantic and to Africa; 8.3 thousand tonnes of freight carried.

STAR ALLIANCE

Spanair significantly improved its results during 2002 despite weak market development.

Domestic scheduled traffic is the biggest business area for Spanair. As in other European countries, the overall Spanish domestic market declined in 2002 compared to previous year. Spanair nevertheless maintained its passenger volume and increased market share by cancelling unprofitable routes and moving capacity to markets with higher volumes and better profit potential.

New European routes to Spanair´s partner's home markets in Scandinavia, Germany and Austria were successfully inaugurated. Spanair ceased its intercontinental operations as of March 2002, substituted by code-share co-operations.

Spanair started in the charter business in 1988. The operation is performed by a dedicated fleet of charter configured aircraft with additional capacity deployed from scheduled aircraft at peak times. With Spain as the base, more than 100 destinations are served mainly in Scandinavia, UK, Ireland and Italy. The on-going fleet renewal focuses on optimizing synergies between charter and scheduled operations.

Spanair joined Star Alliance in April 2003.

Gonzalo Pascual Arias
Executive President &
Chairman of the Board

Enrique Meliá
CEO

Spanair
Edificio Spanair
Palma de Mallorca Airport
0700 Palma de Mallorca
Spain

www.spanair.com

Gonzalo Pascual Arias, Executive President & Chairman of the Board
Enrique Meliá, CEO

32	**Scheduled Destinations**
21	within Spain
8	rest of Europe
3	beyond Europe
2854	**Employees**
54	**Aircraft in Fleet**
50	of which **Spanair**
4	Airbus A321
6	Airbus A320
3	Boeing 767
3	MD87
23	MD83
11	MD82
4	of which **AeBal**
4	Boeing 717
10	**Aircraft on Order**
2	Airbus A321
8	Airbus A320

Status at 31st December for information on destinations, employees and fleet.

Owned by…
51% Spanair Holding
49% SAS

Owner of…
100% AeBal

Major partnerships
Member of the Star Alliance in 2003.
Various agreements with: Air Canada, Aerolíneas Argentinas, Austrian Airlines Group, Cubana de Aviación, Lufthansa, PGA Portugalia Airlines, Regional Airlines (Morocco), SAS, United Airlines and Varig (Brazil).

Financial Results

€ mill	2002	2001
Turnover	783.4	783.6
Operating profit/loss	(17.3)	(121.2)
Net profit/loss	(25.8)	(49.0)

Review of 2002

2002 in numbers: 2.34 million passengers on scheduled services, of which 92% within Europe, 8% to Sub-Saharan Africa; 7.8 thousand tonnes of freight carried.

DAT, which operated a fleet of 32 BAe and Avros from Brussels on a wet lease basis, started operations serving European destinations under its own name on 10th November 2001, following the bankruptcy of Sabena, its main customer.

A few weeks later DAT and Virgin Express concluded a code-share agreement which will terminate in March 2003.

A new identity and trade name - 'SN Brussels Airlines' – were launched in February 2002. Rob Kuijpers' team was joined by Peter Davies as CEO on 1st May.

In April SN Brussels Airlines started operations to Africa with two (three as from June) Airbus 330 wet leased from Birdy. By year-end 13 African destinations were being served, representing for some points the only direct link to Europe.

The continuously expanding portfolio of services to European destinations is complemented with code-share agreements with Alitalia, British Airways, CSA Czech Airlines, Finnair, Gandalf Airlines, Iberia, LOT and SWISS.

In February 2003, a code-share agreement was signed with American Airlines of the US.

Three Airbus 319 will be added to the fleet in March 2003 at the end of the code-share agreement with Virgin Express.

While keeping costs strictly under control, SN Brussels Airlines managed to continuously improve revenue performance through 2002.

On 1st September 2002 SN Brussels Airlines joined AEA.

Rob Kuijpers
Executive Chairman

Peter Davies
CEO

SN Brussels Airlines
Delta Air Transport nv/sa trading as
SN Brussels Airlines
The Corporate Village
Da Vinci laan 9
1930 Zaventem
Belgium

www.flysn.com

Rob Kuijpers, Executive Chairman
Peter Davies, CEO

52	**Scheduled Destinations**
1	within Belgium
38	rest of Europe
13	beyond Europe
1846	**Employees**
38	**Aircraft in Fleet**
3	Airbus A330
3	Airbus A319 (to enter service 31st March '03)
12	Avro RJ100
14	Avro RJ85
6	BAe 146
0	**Aircraft on Order**

Status at 31st December for information on destinations, fleet and employees.

Owned by…
78% SN Air Holding
22% SIC

Owner of…
-

Major partnerships
Code-share agreements: Alitalia, American Airlines, British Airways, CSA, Finnair, Gandalf, Iberia, LOT, SWISS.

Financial Results

€ mill	2002	2001
Turnover	464.9	188.7
Operating profit/loss	(102.5)	(52.6)
Net profit/loss	(36.8)	(207.2)

Review of 2002

2002 in numbers: 11.3 million passengers transported on scheduled services, of which: 72% within Europe, 8% on Domestic routes and 9% across the Atlantic, 4% to the African continent, 3% to the Middle East and 5% to the Far East; 198 thousand tonnes of freight carried on passenger services.

On April 1st 2002, when Swissair discontinued its operations, SWISS expanded its former operations as regional carrier Crossair: new aircraft were leased or purchased and more than 6000 new staff were recruited. Within 4 months SWISS obtained all required new traffic rights and airport slots and fulfilled the requirements for an extension of its Air Operator Certificate to include Airbus A-320 and long-haul operations. Contracts with all service suppliers were negotiated under new terms and three new collective labour agreements were concluded.

The company formally adopted its new name Swiss International Air Lines Ltd. on July 1st 2002. In November SWISS and American Airlines were granted U.S. antitrust immunity allowing them to embark on a comprehensive business co-operation, a process which had started with the conclusion of a code-share agreement in May.

In the fourth quarter SWISS also announced the first step of a financial and product improvement programme labelled 'Destination Excellence'. The programme aims at achieving an improvement of the financial results by reducing the fleet by one Boeing MD-11 and Airbus A-320 aircraft each and three 50-seater regional aircraft, operating a reduced charter fleet of four Airbus A-320 aircraft instead of seven Boeing MD-83 aircraft and by making improvements in the in-flight product.

Before year-end all major shareholders of SWISS, both private and public, agreed to extend the lock-up period for the sale of their shares in the company until August 2004.

Pieter Bouw
Chairman of the Board

André Dosé
President & CEO

Swiss International Air Lines Ltd
4002 Basel
Switzerland

www.swiss.com

Pieter Bouw, Chairman of the Board
André Dosé, President & CEO

117	**Scheduled Destinations**
6	within Switzerland
70	rest of Europe
41	beyond Europe

11425 Employees

135	**Aircraft in Fleet**
13	Airbus A330-200
8	Airbus A321
11	Airbus A320
7	Airbus A319
7	MD83
13	MD11
15	Avro RJ100
4	Avro RJ85
25	Embraer RJ-145
29	Saab 2000
3	Saab 340

76	**Aircraft on Order**
12	Airbus A340-300
4	Airbus A320
30	Embraer RJ-195
30	Embraer RJ-170

Status at 31st December for information on destinations, employees and fleet.

Owned by…
64.1% Institutional investors
20.4% Swiss Confederation
12.2% Cantons and communities
3.3% Private individuals

Owner of…
70% Europe Continental Airways (ECA) 'Crossair Europe'

Major partnerships
Code-sharing with American Airlines, El Al, Finnair, Iberia, Malaysian Airline System,

Financial Results (Group)

CHF mill	2002	2001
Turnover	4395	1385
Operating profit/loss	(909)	(299)
Net profit/loss	(980)	(342)

Review of 2002

2002 in numbers: 5.4 million passengers transported on scheduled services, of which: 55% within Europe, 26% on Domestic routes, 3% on the North Atlantic, 1% on the Mid Atlantic, 9% on the South Atlantic and 5% to Sub-Saharan Africa; 49 thousand tonnes of freight carried on passenger services.

On a turnover up 5.5% over 2001, TAP airline posted a positive operating result of € 11.4 million. The net result (after taxes) closed at € 19 million down, compared to a deeper loss of € 66 million in 2001. The Group registered an operating profit of close to € 50 million, up from € 20 million in the previous year, with net result a small loss of € 6 million compared to the 2001 loss of € 44 million.

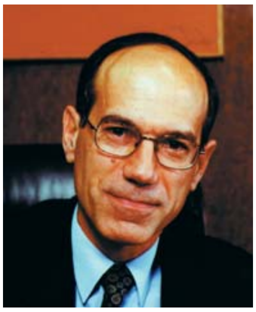
For TAP, 2002 was designated 'The Customer's Year', characterised by several initiatives to optimise customer service and satisfaction.

In April, TAP entered into a code-share agreement with SATA, the airline company of the Azores, on the Lisbon-Funchal-Lisbon route. In June TAP and Iberia established a bilateral co-operation including code-share operations to twenty-one domestic and European destinations. A block space agreement with Ukraine International Airlines in October enabled the first direct flight link between Lisbon and Kiev.

In 2002 TAP consolidated its position in the Brazilian market, offering on average 28 direct flights from Lisbon to Rio de Janeiro, Sao Paulo, Fortaleza, Recife and Salvador da Bahia. Passenger numbers were up 27% compared to 2001.

In the fleet TAP took delivery of its third A321, completing the company's medium-haul fleet renewal program.

António Cardoso e Cunha
Chairman



Fernando Pinto
CEO

TAP Air Portugal
Apartado 50194
1704-801 Lisbon
Portugal

www.tap.pt

António Cardoso e Cunha, Chairman
Fernando Pinto, CEO

36	**Scheduled Destinations**
7	within Portugal
15	rest of Europe
14	beyond Europe
8200	**Employees**
36	**Aircraft in Fleet**
4	Airbus A340-300
3	Airbus A321-200
8	Airbus A320-200
16	Airbus A319-100
5	Airbus A310-300
0	**Aircraft on Order**

Status at 31st December for information on destinations, employees and fleet.

Owned by…
100% State ownership

Owner of…
51% YES Charter Airlines
40% Air Sao Tome e Principe
15% Air Macau via SEAP holding company (in which TAP holds 75%).

Major partnerships
Various agreements with:
American Airlines, bmi, Iberia, LAM (Mozambique), Olympic Airways, PGA Portugalia Airlines, SATA (Air Azores), TACV-Transportes Aereos de Cabo Verde.

Financial Results

€ mill	2002	2001
Turnover	1084.7	1027.9
Operating profit/loss	11.4	(6.1)
Net profit/loss	(19.4)	(66.0)

Review of 2002

2002 in numbers: 1.11 million passengers transported, 83% on scheduled services, of which: 57% within Europe, 8% on Domestic routes, 12% to the African continent and the Middle East, 5% on the North Atlantic and 1% to the Far East; 3.9 thousand tonnes of freight carried on passenger services.

The year 2002 saw the beginning of a new restructuring process at TAROM, focusing on the adaptation to new technological and marketing requirements such as the use of internet for ticket sales. The company succeeded in halving its operating loss in 2002, ending the year on an estimated net loss – after taxes – of US$ 21.4 million. The operating loss was halved, to minus US$ 13.4 million on a turnover of US$ 192.5 million.

In its network, TAROM expanded its partnership with new code-share arrangements with LOT Polish Airlines and Syrian Air. A code-share agreement was also set up with Angel Airlines, a private airline set up in late 2001 offering predominantly domestic Romanian and some regional services on 18-seater Jetstream 32 aircraft.

Alexandru Szlivka, who succeeded Nicolae Demetriade in October 2002, was himself succeeded by Ioan Lixandru as President and CEO of TAROM, from February 2003.

Ioan Lixandru
President & CEO

TAROM – Romanian Air Transport
Ploiesti Road 16.5 Km
Otopeni Airport
Bucharest
Romania

www.tarom.ro

Ioan Lixandru, President & CEO

48	**Scheduled Destinations**
11	within Romania
27	rest of Europe
10	beyond Europe
2645	**Employees**
18	**Aircraft in Fleet**
2	Airbus A310-300
2	Boeing 737-700
7	Boeing 737-300
7	ATR 42-500
2	**Aircraft on Order**
2	Boeing 737-700

Status at 31st December for information on destinations, employees and fleet.

Owned by…

90.59%	State ownership
4.85%	International Airport Bucharest-Otopeni
4.11%	Romanian Air Traffic Services
0.28%	SIF Muntenia (private financial institution society)
0.17%	Romanian Civil Aviation Authority

Owner of…

-

Major partnerships

Various code-share agreements with: Aeroflot, Air France, Alitalia, Angel Airlines, Austrian Airlines, CSA, Iberia, LOT, Malev and Syrian Air.

Financial Results

US$ milll	2002*	2001
Turnover	192.5	192.3
Operating profit/loss	(13.4)	(26.5)
Net profit/loss	(21.4)	(38.3)

* estimate

TURKISH AIRLINES

Review of 2002

2002 in numbers: 10.4 million passengers transported, 96% on scheduled services, of which: 48% on Domestic routes, 34% within Europe, 2% on the North Atlantic, 7% to Africa and the Middle East and 5% to the Far East; 119 thousand tonnes of freight carried, 7% on all-cargo services.

Turkish Airlines operates a network of 103 destinations, serving 26 points in Turkey from its mainbases in Istanbul and Ankara, 46 other destinations in Europe and 31 long-haul destinations. New introductions in 2002 included services to Pristina, the capital of Kosovo.

In the fleet Turkish Airlines took delivery of two additional Boeing 737-800, bringing the total for this aircraft type in the fleet to twenty-six. At year-end 2002 the fleet counted 66 aircraft, consisting of 11 wide-body Airbus aircraft, 42 narrow-body Boeing aircraft and 11 Avro regional jets.

In a reshuffle of the management at Turkish Airlines in early 2003 Abdurrahman Gündogdu took up the position of President and Chairman of the Board of Turkish Airlines.

Abdurrahman Gündogdu
President & Chairman

Türk Hava Yollari A.O.
Genel Müdürlük Binasi
Atatürk Havalimani
34830 Yesilköy
Istanbul
Turkey

www.turkishairlines.com

Abdurrahman Gündogdu, President
& Chairman of the Board

103	**Scheduled Destinations**
26	within Turkey
46	rest of Europe
31	beyond Europe

10984 Employees

66	**Aircraft in Fleet**
7	Airbus A340-300
5	Airbus A310-300
26	Boeing 737-800
2	Boeing 737-500
14	Boeing 737-400
9	Avro RJ-100
3	Avro RJ-70

0 Aircraft on Order

Status at 31st December for information on destinations, employees and fleet.

Owned by…

98.2%	State-owned Privatisation Administration
1.8%	Private investors

Owner of…

100%	THY SRL
50%	Sun Express

Major partnerships

Code-share agreements with American Airlines.

Financial Results

TRL tn	2002	2001
Turnover		1935.4
Operating profit/loss		
Net profit/loss		19.9

virgin atlantic

Review of 2002

2002 in numbers: 3.81 million passengers transported on scheduled services, of which 71% on the North Atlantic, 8% on Mid Atlantic, 9% to Sub-Saharan Africa and 11% to the Far East; 123 thousand tonnes of freight carried on passenger services.

After the events of 11th September 2001, Virgin Atlantic acted immediately to realign its business to meet the new demands of the marketplace. With the support of a £25 million investment injection from the shareholders, the company was able to build on the gradual improvements in market conditions to strengthen growth and profitability, resulting in an estimated £10 million pre-tax profit for the financial year ending 30th April 2003.

During 2002 Virgin Atlantic Airways opened a new hangar at London's Heathrow Airport. The hangar, which is double the size of a football pitch, is able to accommodate the new addition to the fleet, the Airbus A340-600, and will allow Virgin Atlantic to complete much of its engineering work in-house. The A340-600, for which Virgin Atlantic Airways was launch customer, made its inaugural flight in Virgin Atlantic service at the Farnborough Air Show in July 2002. This 311-seater, is also the longest airplane in the world. At year-end the Virgin Atlantic Airways fleet included four A340-600, ten A340-300 and twelve 747-400. During the running financial year, 1st May 2003 to 30th April 2004, three Airbus A340-600 and one Boeing 747-400 will be delivered.

Early in 2003 Virgin Atlantic Airways introduced a new service from London Gatwick to Port Harcourt in Nigeria, the first ever direct to this destination from the United Kingdom. This was followed in May 2003 by a new service to Grenada and Tobago in the Caribbean. Towards the end of the year, December 2003, Virgin Atlantic will launch a new Manchester to Barbados service.

Sir Richard Branson
Chairman

Steve Ridgway
CEO

Virgin Atlantic Airways
The Office
Manor Royal
Crawley, West Sussex
RH10 9NU
Great Britain

www.virgin-atlantic.com

Sir Richard Branson, Chairman
Steve Ridgway, CEO

22	**Scheduled Destinations**
3	within the United Kingdom
0	rest of Europe
19	beyond Europe
6671	**Employees**
26	**Aircraft in Fleet**
4	Airbus A340-600
10	Airbus A340-300
12	Boeing 747-400
12	**Aircraft on Order**
6	Airbus A380
5	Airbus A340-600
1	Boeing 747-400

Status at 31st December for information on destinations, employees and fleet.

Owned by…
49% Singapore Airlines

Owner of…
-

Major partnerships
Various agreements with: Air India, bmi, Continental Airlines, Malaysian Airline System, Singapore Airlines.

Financial Results
(Group, FY ending 30th April)

£ mill	2002/03	2001/02
Turnover		
Operating profit/loss		
Net profit/loss*	10	(92)

*pre-tax, 2002/03 preliminary

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KEY STATISTICS - TOTAL AEA

SCHEDULED TRAFFIC BY ROUTE AREA & NON-SCHEDULED TRAFFIC

2002	1 Domestic	%/pt	2 Geographical Europe	%/pt	1 - 2 *Total Europe*	%/pt
Passengers (000)	98 066.8	*-5.6*	135 727.3	*-3.7*	233 794.1	*-4.5*
Passenger Kilometres (mill)	51 244.1	*-6.3*	134 444.5	*-2.7*	185 688.7	*-3.7*
Share in Tot. Sched. AEA Traffic (%)	8.7		22.8		31.5	
Seat Kilometres (mill)	79 377.0	*-7.4*	207 584.2	*-6.9*	286 961.2	*-7.1*
Passenger Load Factor (%)	64.6	*0.8*	64.8	*2.8*	64.7	*2.2*
Total Freight Tonnes Carried (000)	218.6	*-6.5*	564.7	*-11.1*	783.3	*-9.9*
Total Freight Tonne-Kilometres (mill)	166.5	*-3.3*	740.7	*-8.6*	907.3	*-7.7*
% Freight on Passenger Services	83.3		85.2		84.8	
Total Revenue Tonne-Kilometres (mill)	4 994.3	*-6.4*	13 504.7	*-2.9*	18 499.0	*-3.9*
Available Tonne-Kilometres (mill)	8 721.5	*-10.4*	23 935.5	*-7.6*	32 656.9	*-8.4*
Overall Load Factor (%)	57.3	*2.4*	56.4	*2.7*	56.6	*2.6*
Average Seats per Aircraft	127		118		120	
Average Stage Distance (km)	462		859		702	

2002	3 Europe - North Africa	%/pt	4 Europe - Middle East	%/pt	2 - 4 *Int'l Short/ Medium Haul*	%/pt
Passengers (000)	2 837.6	*-9.3*	5 224.2	*-8.6*	143 789.1	*-4.0*
Passenger Kilometres (mill)	5 488.4	*-10.2*	17 424.5	*-6.6*	157 357.5	*-3.4*
Share in Tot. Sched. AEA Traffic (%)	.9		3.0		26.7	
Seat Kilometres (mill)	7 987.2	*-14.0*	25 884.9	*-11.6*	241 456.3	*-7.7*
Passenger Load Factor (%)	68.7	*2.9*	67.3	*3.6*	65.2	*2.9*
Total Freight Tonnes Carried (000)	51.4	*-9.3*	199.9	*2.7*	816.0	*-8.0*
Total Freight Tonne-Kilometres (mill)	139.5	*-9.1*	856.4	*6.4*	1 736.6	*-1.8*
% Freight on Passenger Services	92.4		83.7		85.0	
Total Revenue Tonne-Kilometres (mill)	667.7	*-9.9*	2 575.6	*-2.0*	16 748.0	*-3.1*
Available Tonne-Kilometres (mill)	1 026.1	*-12.0*	4 246.3	*-4.5*	29 207.9	*-7.3*
Overall Load Factor (%)	65.1	*1.5*	60.7	*1.6*	57.3	*2.5*
Average Seats per Aircraft	155		194		124	
Average Stage Distance (km)	1 699		2 691		914	

5 North Atlantic	%/pt	6 Mid Atlantic	%/pt	7 South Atlantic	%/pt	8 Europe - Sub Saharan Africa	%/pt
23 956.7	*-8.6*	5 474.9	*-2.0*	2 925.6	*-7.9*	6 695.0	*7.4*
163 905.2	*-8.7*	41 666.4	*-3.2*	25 013.3	*-13.0*	44 029.8	*2.6*
27.8		7.1		4.2		7.5	
204 959.3	*-15.2*	52 968.6	*-2.2*	32 872.6	*-15.5*	57 675.2	*4.6*
80.0	*5.7*	78.7	*-0.8*	76.1	*2.2*	76.3	*-1.5*
1 280.5	*-8.1*	156.3	*-1.4*	202.8	*-6.7*	350.7	*9.5*
9 173.7	*-5.8*	1 287.3	*-0.8*	1 664.8	*-13.5*	2 515.0	*9.0*
70.6		79.9		51.9		58.9	
25 125.5	*-7.9*	5 221.6	*-2.8*	4 053.3	*-13.3*	6 752.4	*4.4*
35 457.0	*-12.2*	7 863.2	*-0.2*	6 225.7	*-11.6*	9 872.5	*6.0*
70.9	*3.3*	66.4	*-1.8*	65.1	*-1.3*	68.4	*-1.1*
272		329		262		295	
6 335		6 246		6 505		4 975	

9 Europe - Far East/Australasia	%/pt	5 - 9 *Total Long Haul*	%/pt	1 - 9 *Total Scheduled*	%/pt	Non-Scheduled	%/pt
12 642.9	*0.1*	52 018.7	*-3.8*	293 874.7	*-4.5*	8 865.5	*5.3*
106 804.9	*-1.0*	381 746.6	*-5.1*	590 348.2	*-4.8*	19 638.1	*7.9*
18.1		64.7		100.0			
132 671.2	*-5.8*	481 610.3	*-9.3*	802 443.6	*-8.7*	24 302.2	*9.3*
80.5	*3.9*	79.3	*3.5*	73.6	*3.0*	80.8	*-1.1*
1 546.5	*3.4*	3 537.6	*-1.4*	4 572.2	*-2.9*	55.0	*26.4*
14 005.6	*4.7*	28 647.4	*0.0*	30 550.6	*-0.1*	395.2	*26.7*
36.5		52.3		54.3		8.4	
24 496.0	*2.4*	65 679.6	*-3.1*	87 421.9	*-3.3*	2 231.9	*12.6*
32 117.5	*-3.1*	91 577.6	*-6.3*	129 507.0	*-6.8*	3 230.5	*14.1*
76.3	*4.1*	71.7	*2.4*	67.5	*2.5*	69.1	*-0.9*
290		284		188		173	
6 537		6 142		1 184		1 762	

KEY STATISTICS - BY CARRIER

TOTAL EUROPE - Geographical Europe + Domestic

2002	Passengers			Passenger Kilometres		
	(000)	%	rank	(mill)	%	rank
Adria Airways	720.5	4.5	27	677.9	3.2	27
Aer Lingus						
Air France	31 358.6	-2.1	2	21 712.7	-0.7	2
Air Malta	1 311.6	2.2	22	2 246.3	2.4	19
Alitalia	19 089.0	-9.2	6	13 552.1	-7.7	6
Austrian Airlines	5 804.3	3.3	11	4 492.0	4.1	12
bmi	7 277.9	9.9	10	4 063.6	4.3	15
British Airways	22 937.1	-0.2	3	18 907.7	-2.8	3
Cargolux	-	-	-	-	-	-
Croatia Airlines	1 096.0	5.9	23	766.3	5.5	26
CSA	2 475.6	11.2	17	2 277.3	13.7	17
Cyprus Airways	1 425.4	9.3	21	3 157.9	9.0	16
Finnair	5 292.9	-7.7	12	4 961.3	-3.1	11
Iberia	20 733.3	-5.0	5	18 069.2	-4.3	4
Icelandair	875.0	-6.3	26	1 769.0	-6.5	22
JAT	921.8	-2.6	24	849.6	13.1	24
KLM	13 289.4	14.9	7	10 803.1	14.5	7
LOT	2 431.0	10.2	18	2 061.4	12.8	20
Lufthansa	34 395.4	-1.4	1	24 049.1	1.2	1
Luxair	895.0	1.0	25	577.5	-1.4	28
Malev	1 851.8	5.5	20	1 939.2	5.8	21
Meridiana	3 322.5	1.6	16	2 248.3	5.1	18
Olympic Airways	5 030.1	-8.2	14	4 485.7	-4.2	13
SN Brussels Airlines	2 157.5		19	1 583.3		23
SAS	21 436.1	-1.6	4	14 105.2	-2.8	5
Spanair	5 133.8	-6.1	13	4 088.5	2.3	14
SWISS	8 965.1	-24.1	8	6 972.2	-22.5	9
TAP Air Portugal	4 414.0	0.2	15	5 440.2	4.4	10
TAROM	714.1	-5.0	28	834.3	-16.5	25
THY Turkish Airlines	8 439.3	-1.7	9	8 998.0	-0.4	8
Virgin Atlantic	-	-	-	-	-	-
AEA	233 794.1	-4.5		185 688.7	-3.7	

Available Seat Kilometres			Passenger Load Factor			2002
(mill)	%	rank	(%)	pt	rank	
1 206.9	8.1	27	56.2	-2.6	23	Adria Airways
						Aer Lingus
33 405.2	-0.6	2	65.0	0.0	9	Air France
3 214.2	7.5	22	69.9	-3.5	4	Air Malta
20 854.9	-8.0	6	65.0	0.3	10	Alitalia
7 433.5	1.6	12	60.4	1.5	20	Austrian Airlines
6 492.4	0.7	15	62.6	2.2	15	bmi
28 105.3	-10.3	3	67.3	5.1	7	British Airways
-	-	-	-	-	-	Cargolux
1 406.2	0.7	24	54.5	2.5	26	Croatia Airlines
3 530.5	14.5	19	64.5	-0.5	12	CSA
4 242.5	4.9	16	74.4	2.8	1	Cyprus Airways
8 604.0	-8.8	10	57.7	3.4	22	Finnair
26 268.1	-6.4	4	68.8	1.5	5	Iberia
2 526.4	-8.2	23	70.0	1.3	3	Icelandair
1 401.5	9.9	25	60.6	1.7	19	JAT
14 517.7	7.8	7	74.4	4.4	2	KLM
3 781.1	-9.2	17	54.5	10.6	25	LOT
36 836.2	-4.7	1	65.3	3.8	8	Lufthansa
1 080.2	-0.8	28	53.5	-0.3	27	Luxair
3 263.3	-2.0	21	59.4	4.4	21	Malev
3 585.7	-7.2	18	62.7	7.3	14	Meridiana
7 168.7	-6.1	13	62.6	1.3	16	Olympic Airways
3 494.7		20	45.3		28	SN Brussels Airlines
22 348.6	-9.7	5	63.1	4.5	13	SAS
6 677.3	-0.1	14	61.2	1.4	17	Spanair
12 415.2	-19.8	9	56.2	-2.0	24	SWISS
8 433.7	7.5	11	64.5	-1.9	11	TAP Air Portugal
1 369.8	-22.6	26	60.9	4.4	18	TAROM
13 297.7	-4.8	8	67.7	3.0	6	THY Turkish Airlines
-	-	-	-	-	-	Virgin Atlantic
286 961.2	-7.1		64.7	2.2		AEA

TOTAL SCHEDULED

2002	Passengers			Passenger Kilometres		
	(000)	*%*	*rank*	*(mill)*	*%*	*rank*
Adria Airways	720.5	*4.5*	*29*	677.9	*3.2*	*28*
Aer Lingus						
Air France	43 421.2	*0.9*	*2*	98 508.3	*2.8*	*2*
Air Malta	1 399.0	*-0.4*	*23*	2 305.5	*-0.4*	*23*
Alitalia	21 860.7	*-10.8*	*6*	29 617.6	*-18.0*	*6*
Austrian Airlines	7 070.3	*0.8*	*11*	13 794.3	*-2.1*	*11*
bmi	7 486.6	*11.2*	*10*	5 303.0	*16.9*	*15*
British Airways	34 008.9	*-1.6*	*3*	99 123.2	*-4.1*	*1*
Cargolux	-	-	-	-	-	-
Croatia Airlines	1 104.6	*6.2*	*25*	784.4	*6.4*	*27*
CSA	2 800.6	*9.4*	*19*	3 841.1	*7.7*	*18*
Cyprus Airways	1 641.9	*9.2*	*22*	3 275.4	*8.7*	*19*
Finnair	5 838.3	*-5.4*	*12*	8 462.3	*6.7*	*13*
Iberia	23 888.1	*-4.4*	*4*	40 464.3	*-2.3*	*5*
Icelandair	1 198.9	*-11.7*	*24*	3 187.6	*-14.2*	*20*
JAT	987.2	*-0.8*	*26*	972.5	*16.9*	*26*
KLM	19 956.2	*8.5*	*7*	59 181.3	*0.3*	*4*
LOT	2 892.8	*8.3*	*18*	5 165.7	*5.1*	*16*
Lufthansa	43 915.2	*-0.4*	*1*	93 642.6	*2.5*	*3*
Luxair	895.0	*1.0*	*28*	577.5	*-1.4*	*29*
Malev	2 098.8	*2.7*	*21*	3 076.1	*-1.2*	*21*
Meridiana	3 322.5	*1.6*	*17*	2 248.3	*5.1*	*24*
Olympic Airways	5 567.2	*-9.2*	*13*	7 548.1	*-10.5*	*14*
SN Brussels Airlines	2 341.8		*20*	2 606.1		*22*
SAS	22 896.4	*-0.7*	*5*	24 170.2	*5.3*	*8*
Spanair	5 162.2	*-9.1*	*15*	4 264.6	*-24.7*	*17*
SWISS	11 315.8	*-27.0*	*8*	21 828.9	*-33.6*	*9*
TAP Air Portugal	5 439.2	*2.5*	*14*	11 257.1	*8.9*	*12*
TAROM	920.4	*-9.0*	*27*	1 564.4	*-15.1*	*25*
THY Turkish Airlines	9 915.7	*0.1*	*9*	15 725.7	*4.6*	*10*
Virgin Atlantic	3 808.7	*-7.2*	*16*	27 174.0	*-4.4*	*7*
AEA	293 874.7	*-4.5*		590 348.2	*-4.8*	

Available Seat Kilometres			Passenger Load Factor			2002
(mill)	%	rank	(%)	pt	rank	
1 206.9	8.1	28	56.2	-2.6	26	Adria Airways
						Aer Lingus
129 469.6	1.2	2	76.1	1.2	4	Air France
3 332.9	1.9	24	69.2	-1.6	16	Air Malta
41 694.7	-18.2	6	71.0	0.1	9	Alitalia
19 561.4	-4.7	11	70.5	1.9	12	Austrian Airlines
8 380.9	11.1	15	63.3	3.2	20	bmi
136 225.9	-8.7	1	72.8	3.5	7	British Airways
-	-	-	-	-	-	Cargolux
1 438.1	1.4	27	54.5	2.5	27	Croatia Airlines
5 443.9	6.3	18	70.6	0.9	11	CSA
4 479.4	4.3	21	73.1	3.0	5	Cyprus Airways
12 933.4	-1.0	13	65.4	4.7	19	Finnair
55 370.7	-5.4	5	73.1	2.3	6	Iberia
4 423.1	-15.0	22	72.1	0.7	8	Icelandair
1 663.2	13.9	26	58.5	1.5	25	JAT
73 813.7	-2.9	4	80.2	2.6	2	KLM
7 440.0	-10.8	16	69.4	10.5	14	LOT
121 458.7	-4.4	3	77.1	5.2	3	Lufthansa
1 080.2	-0.8	29	53.5	-0.3	28	Luxair
4 882.7	-8.0	20	63.0	4.3	21	Malev
3 585.7	-7.2	23	62.7	7.3	22	Meridiana
11 415.0	-12.5	14	66.1	1.5	18	Olympic Airways
5 419.3		19	48.1		29	SN Brussels Airlines
34 096.2	-4.0	7	70.9	6.3	10	SAS
7 000.5	-25.7	17	60.9	0.8	24	Spanair
31 508.2	-33.4	9	69.3	-0.2	15	SWISS
16 198.5	6.5	12	69.5	1.5	13	TAP Air Portugal
2 535.0	-17.5	25	61.7	1.8	23	TAROM
22 893.4	-4.1	10	68.7	5.7	17	THY Turkish Airlines
33 492.2	-10.2	8	81.1	4.9	1	Virgin Atlantic
802 443.6	-8.7		73.6	3.0		AEA

TOTAL SCHEDULED - *Passenger & All-Cargo Services*

2002	Freight Tonnes Carried			Freight Tonne-Kilometres		
	(000)	%	rank	(mill)	%	rank
Adria Airways	4.6	10.7	25	4.5	10.1	26
Aer Lingus						
Air France	647.2	3.3	2	4 861.1	4.9	2
Air Malta	8.1	-14.3	23	13.6	-26.8	23
Alitalia	210.5	-7.6	6	1 389.0	-9.2	6
Austrian Airlines	71.0	2.5	12	396.0	11.3	11
bmi	18.2	7.0	17	57.6	74.2	18
British Airways	614.4	3.1	3	4 123.7	4.8	3
Cargolux	448.6	3.6	5	3 939.8	8.8	5
Croatia Airlines	3.9	-5.6	26	2.7	-2.4	28
CSA	14.6	8.2	20	27.3	5.8	21
Cyprus Airways	16.4	0.6	19	40.4	1.0	20
Finnair	48.1	10.4	14	215.2	26.1	13
Iberia	179.6	-8.2	8	792.8	-6.4	9
Icelandair	30.9	-18.3	16	90.9	-17.7	15
JAT	3.8	8.0	28	4.4	10.2	27
KLM	521.9	2.6	4	3 992.3	2.9	4
LOT	17.1	-4.6	18	66.7	-2.6	17
Lufthansa	1 028.2	-2.7	1	7 166.7	-0.1	1
Luxair	0.2	-21.1	30	0.2	5.6	30
Malev	10.4	-29.5	21	25.2	-31.6	22
Meridiana	2.1	-22.3	29	1.4	-22.1	29
Olympic Airways	34.9	-12.9	15	79.8	-16.0	16
SN Brussels Airlines	7.8		24	46.1		19
SAS	129.2	6.9	9	701.5	13.0	10
Spanair	8.3	1.2	22	11.3	-56.9	24
SWISS	197.7	-29.6	7	1 027.8	-32.1	7
TAP Air Portugal	49.1	-8.3	13	194.1	-6.5	14
TAROM	3.8	-11.6	27	8.4	-5.9	25
THY Turkish Airlines	118.7	13.4	11	375.6	10.8	12
Virgin Atlantic	122.9	-8.7	10	894.6	-6.1	8
AEA	4 572.2	-2.9		30 550.6	-0.1	

Revenue Tonne-Kilometres			Available Tonne-Kilometres			2002
(mill)	*%*	*rank*	*(mill)*	*%*	*rank*	
65.5	*3.7*	*29*	131.8	*8.1*	*29*	Adria Airways
						Aer Lingus
13 925.5	*3.5*	*2*	19 440.2	*2.5*	*3*	Air France
207.5	*-2.3*	*24*	512.1	*26.9*	*24*	Air Malta
4 367.6	*-15.3*	*6*	6 250.8	*-14.3*	*6*	Alitalia
1 858.7	*2.7*	*12*	2 679.2	*-5.5*	*12*	Austrian Airlines
492.7	*23.1*	*17*	967.4	*-1.8*	*17*	bmi
13 096.1	*-1.8*	*3*	20 925.5	*-7.3*	*2*	British Airways
3 939.8	*8.8*	*7*	5 387.1	*21.8*	*7*	Cargolux
74.0	*5.9*	*28*	157.8	*2.4*	*28*	Croatia Airlines
377.2	*7.8*	*20*	600.6	*4.2*	*22*	CSA
338.4	*7.8*	*21*	531.8	*4.6*	*23*	Cyprus Airways
993.3	*10.7*	*14*	1 895.1	*5.9*	*14*	Finnair
4 483.3	*-3.0*	*5*	7 674.1	*-4.0*	*5*	Iberia
404.7	*-14.8*	*18*	648.9	*-15.1*	*21*	Icelandair
93.9	*18.9*	*27*	194.4	*13.5*	*27*	JAT
10 111.1	*1.3*	*4*	12 800.0	*-2.4*	*4*	KLM
581.2	*3.4*	*16*	977.6	*-9.0*	*16*	LOT
16 795.7	*1.4*	*1*	23 017.7	*-4.9*	*1*	Lufthansa
52.3	*-1.4*	*30*	103.0	*-2.3*	*30*	Luxair
305.6	*-4.7*	*22*	651.0	*-6.8*	*20*	Malev
203.7	*4.8*	*25*	397.9	*-7.3*	*26*	Meridiana
797.7	*-11.9*	*15*	1 480.7	*-13.4*	*15*	Olympic Airways
280.8		*23*	713.4		*18*	SN Brussels Airlines
3 131.6	*6.6*	*10*	4 578.8	*-3.2*	*10*	SAS
395.2	*-26.3*	*19*	683.2	*-26.1*	*19*	Spanair
3 231.4	*-32.5*	*9*	5 147.2	*-28.8*	*9*	SWISS
1 224.7	*5.9*	*13*	2 130.1	*5.6*	*13*	TAP Air Portugal
150.8	*-14.6*	*26*	405.6	*-18.4*	*25*	TAROM
2 008.6	*6.3*	*11*	3 132.4	*-9.8*	*11*	THY Turkish Airlines
3 433.1	*-5.3*	*8*	5 291.3	*-11.2*	*8*	Virgin Atlantic
87 421.9	*-3.3*		129 507.0	*-6.8*		AEA

TOTAL SCHEDULED - Passenger & All-Cargo Services

2002	Overall Load Factor		
	(%)	*pt*	*rank*
Adria Airways	49.7	*-2.1*	*24*
Aer Lingus			
Air France	71.6	*0.7*	*4*
Air Malta	40.5	*-12.1*	*28*
Alitalia	69.9	*-0.8*	*5*
Austrian Airlines	69.4	*5.6*	*6*
bmi	50.9	*10.3*	*22*
British Airways	62.6	*3.5*	*13*
Cargolux	73.1	*-8.7*	*2*
Croatia Airlines	46.9	*1.5*	*27*
CSA	62.8	*2.1*	*11*
Cyprus Airways	63.6	*1.9*	*10*
Finnair	52.4	*2.3*	*20*
Iberia	58.4	*0.6*	*16*
Icelandair	62.4	*0.2*	*14*
JAT	48.3	*2.2*	*25*
KLM	79.0	*2.9*	*1*
LOT	59.5	*7.1*	*15*
Lufthansa	73.0	*4.5*	*3*
Luxair	50.8	*0.5*	*23*
Malev	46.9	*1.0*	*26*
Meridiana	51.2	*5.9*	*21*
Olympic Airways	53.9	*0.9*	*19*
SN Brussels Airlines	39.4		*29*
SAS	68.4	*6.3*	*7*
Spanair	57.8	*-0.2*	*17*
SWISS	62.8	*-3.5*	*12*
TAP Air Portugal	57.5	*0.1*	*18*
TAROM	37.2	*1.7*	*30*
THY Turkish Airlines	64.1	*9.7*	*9*
Virgin Atlantic	64.9	*4.0*	*8*
AEA	67.5	*2.5*	

AEA

Association of European Airlines

31	member airlines
358,000	employees
2,547	aircraft in the fleet
303	million passengers
4.6	million tonnes of freight
1	take-off every 8 seconds
306	times around the world every day

WHAT DO WE MEAN BY … ?

MEMBERS OF THE AEA

JP	Adria Airways
EI	Aer Lingus
AF	Air France
KM	Air Malta
AZ	Alitalia
OS	Austrian Airlines
BD	bmi
BA	British Airways
CV	Cargolux Airlines International
OU	Croatia Airlines
OK	CSA Czech Airlines
CY	Cyprus Airways
AY	Finnair
IB	Iberia
FI	Icelandair
JU	JAT Airways
KL	KLM
LO	LOT Polish Airlines
LH	Lufthansa
LG	Luxair
MA	Malev Hungarian Airlines
IG	Meridiana
OA	Olympic Airways
SK	SAS
JK	Spanair
SN	SN Brussles Airlines
LX	SWISS
TP	TAP Air Portugal
RO	TAROM
TK	Turkish Airlines
VS	Virgin Atlantic Airways

AREA/ROUTE DEFINITIONS

The data refer to the scheduled operations of AEA member airlines, broken down between the following groups of routes. It should be noted that each route is allocated in its entirety to one region from station of origin to final destination, except for the Atlantic where first point of entry determines the route allocation.

Numbering corresponds to that found in the Key Statistics section.

1. Domestic & Territorial: scheduled services commencing and terminating within the boundries of a State by an air carrier whose principal place of business is in that State, or on routes between a State and territories belonging to it, or between two such territories even tough a stage may cross international waters or over the territory of another State and carry international traffic on intermediate stages. In the case of multinational airlines owned by partner States, traffic within each partner State is reported as Domestic and all other traffic as international.

2. Geographical Europe: includes all scheduled international routes originating and terminating within the region comprising geographical Europe and European Russia up to the Urals (longitude 55°E), including Iceland, Turkey, Azores, Canary Islands, Madeira and Cyprus.

1-2 Total Europe: the sum of Domestic & Territorial and cross-border Geographical Europe.

3. Europe-North Africa: scheduled services between Europe and Algeria, Egypt, Libya, Morocco, Sudan and Tunisia.

4. Europe-Middle East: scheduled terminating services between Europe and Bahrain, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Muscat, Oman, Qatar, Saudi Arabia, Syria, UAE, Republic of Yemen.

2-4 International Short/Medium Haul: the sum of Geographical Europe, North Africa and Middle East.

5. North Atlantic: scheduled services between Europe and the Americas via gateways in Continental USA and Canada.

6. Mid Atlantic: scheduled services between Europe and the Americas via gateways in the Caribbean (plus Bermuda), Central America or the South American mainland north of Brazil.

7. South Atlantic: scheduled services between Europe and the Americas via gateways in, or south of, Brazil.

8. Europe-Sub Saharan Africa: scheduled services between Europe and Africa, excluding those countries classed as North Africa (see above).

9. Europe-Far East and Australasia: scheduled services between Europe and points east of the Middle East region, including trans-Polar and trans-Siberian flights.

5-9 Total Long-haul: the sum of North, Mid- and South Atlantic, Sub-Saharan Africa, Far East/Australasia and 'Other long-haul' routes not covered above.

Total International: the sum of International Short/Medium Haul and Total Long-haul.

1-9 Total Scheduled Traffic: the sum of International Short/Medium Haul and Total Long-haul plus Domestic & Territorial.

Non-Scheduled: see below.

Systemwide: Total Scheduled and Non-Scheduled traffic.

STATISTICAL DEFINITIONS

Reporting Methodology: For the statistical data included in the data tables in this Yearbook, the reporting guideline applicable from 2001 data is as follows: All operational and traffic items should be reported by the operating carrier, including those performed by code-shared, franchised or pooled services, blocked-off charter, blocked-space arrangements, joint services and leased aircraft services. In this context the term operating carrier refers to the carrier whose flight number is being used for air traffic control purposes.

In terms of data coverage, airline mainline data may also include data for subsidiaries, franchisees or daughter companies. For 2001 data, following subsidiaries and/or franchisees are reported to the AEA annual data collection by the participating airlines:

Air France (AF): Brit Air, British European, Compagnie Corse Méditerranée (CCM), City Jet, Régional (merger of Regional Airlines, Flandre Air and Proteus).
Alitalia (AZ): Alitalia Team (until Aug 2002) and Alitalia Express.
Austrian Airlines Group (OS): Austrian Airlines AG, Lauda Air, Tyrolean Airways. Tyrolean Airways including former Rheintalflug wef 1st Oct 2002.
British Airways (BA): BA CitiExpress [Brymon Airways, British Regional Airlines or BRAL (wef 1st Apr 2002), Manx Airlines (wef 1st Sept 2002)] and CityFlyer Express (incorporated in BA mainline).
bmi (BD): BD Commuter, bmi baby.
Icelandair (FI): Icelandair Cargo, Icelandair Charter & Lease.
Spanair (JK): AeBal (Aerolineas de Baleares).
KLM (KL): KLM CityHopper, KLM uk.
Lufthansa (LH): Lufthansa Cargo, Lufthansa CityLine,Team Lufthansa (Augsburg Airways, Cimber Air, Cirrus Air, Contact Air, Eurowings and Rheinthalflug).
LOT (LO): wetlease operations on Eurolot.
Malev (MA): Malev Express.
SAS (SK): wetlease operations on SK Commuter and Swedair.
SNBA (SN): wetlease operations on Birdy.
SWISS (LX): Europe Continental Airways. (ECA).

Scheduled Services: Flights scheduled and performed for remuneration according to a published timetable, or so regular or frequent as to constitute a recognisably systematic series, which are open to direct booking by members of the public. Extra flights occasioned by overflow traffic from scheduled flights and preparatory revenue flights on planned air services are also considered to be scheduled services.

Non-scheduled services: Are defined as 'Non-scheduled services': charter flights and special flights performed for remuneration on an irregular basis, including empty flights and blocked-off charters, other than those reported under scheduled services. Blocked-off charters: when the whole capacity of an aircraft is reserved for charter sale on flights published as scheduled but carried out as charter flights on the same or similar routing and timetable.

Revenue Passengers Carried: A passenger for whose transportation an air carrier receives commercial remuneration. This includes, for example, (i) passengers travelling under publicly available promotional offers (for example "two-for-one") or loyalty programmes (for example redemption of frequent flyer points); (ii) passengers travelling as compensation for denied boarding; (iii) passengers travelling at corporate discounts; (iv) passengers travelling on preferential fares (government, seamen, military, youth, student etc). Are excluded, for example, (i) persons travelling free; (ii) persons travelling at a fare or discount available only to employees of air carriers or their agents or only for travel on the business of the carriers; (iii) infants who do not occupy a seat.

Revenue Freight: All freight counted on a point-to-point basis (in metric tonnes) covered by air waybills for which remuneration is received. Freight carried on trucking services is not included.

Distances: Airport-to-Airport great circle distances are used.

Revenue Passenger-Kilometres (RPK): One fare-paying passenger transported one kilometre. RPK's are computed by multiplying the number of revenue passengers by the kilometres they are flown.

Available Seat-Kilometres (ASK): The total number of seats available for the transportation of revenue passengers multiplied by the number of kilometres which those seats are flown.

Passenger Load Factor %: The percentage of seating capacity which is actually sold and utilised. Computed by dividing revenue passenger-kilometres flown by available seat-kilometres flown on revenue passenger services.

Revenue Tonne-Kilometres (RTK): One tonne of revenue traffic transported one kilometre. Revenue tonne-kilometres are computed by multiplying metric tonnes of revenue traffic (passenger, freight and mail) by the kilometres which this traffic is flown. Passenger tonne-kilometres are calculated using standard weights (including baggage) which may differ between airlines and between domestic/short/long-haul.

Available Tonne-Kilometres (ATK): The total number of metric tonnes available for the transportation of passengers, freight and mail multiplied by the number of kilometres which this capacity is flown.

Overall Load Factor %: The percentage of total capacity available for passengers, freight and mail which is actually sold and utilised. Computed by dividing total revenue tonne-kilometres actually flown by total available tonne-kilometres.

Yield: The average amount of revenue received per revenue tonne-kilometre. Passenger yield: passenger revenue per RPK.

Unit Cost: The average operating cost incurred per available tonne-kilometre.

Operating Ratio: The relationship between operating revenues and operating expenses. The latter may be inclusive or exclusive of net interest.

Breakeven Load Factor: The load factor at which operating revenues will cover operating costs. Unit cost divided by yield.

AIR FREEDOM RIGHTS

1st freedom: to overfly one country en-route to another.

2nd freedom: to make a technical stop in another country.

3rd freedom: to carry passengers from the home country to another country.

4th freedom: to carry passengers to the home country from another country.

5th freedom: to carry passengers between two countries by an airline of a third on a route with origin/destination in its home country.

6th freedom: to carry passengers between two countries by an airline of a third on two routes connecting in its home country.

7th freedom: to carry passengers between two countries by an airline of a third on a route outside its home country.

8th freedom or cabotage: to carry passengers within a country by an airline of another country on a route with origin/destination in its home country.

9th freedom or Stand-Alone cabotage: to carry passengers within a country by an airline of another country.

True domestic: to carry passengers by an airline in its home country.

ABBREVIATIONS

AAPA: Association of Asia Pacific Airlines, with headquarters in Kuala Lumpur.

ATC: Air Traffic Control

CAA: Civil Aviation Authority.

CFMU: Central Flow Management Unit, of Eurocontrol.

CODA: Central Office for Delay Analysis.

DGCA: Directorate General of Civil Aviation.

ECAC: European Civil Aviation Conference, with headquarters in Paris.

EIA: Energy Information Administration of the US governments's Department of Energy.

EU: European Union: (from 1958) Belgium, France, Germany (west), Italy, Luxembourg, Netherlands, (from 1973) Denmark, Ireland, United Kingdom, (from 1981), Greece, (from 1986) Portugal, Spain, (from 1995) Austria, Finland and Sweden. The following candidate countries are due to join in 2004: Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic and Slovenia. Membership of Bulgaria and Romania is scheduled for 2007.

Eurocontrol: European Organisation for the Safety of Air Navigation.

IACA: International Air Carrier Association: worldwide membership of leisure (non-scheduled) air carriers.

IATA: International Air Transport Association, with headqarters in Geneva and Montreal.

ICAO: International Civil Aviation Organisation, with headquarters in Montreal, Canada.

OAG: Official Airline Guide, of the Reed Elsevier plc Group.

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