

CEO BRIEF December 2007

We end 2007 with our first profit since 2000—US\$5.6 billion. This is good news, but the outlook for 2008 is less optimistic. High fuel prices and slower growth as a result of credit crunch will drive profits down to US\$5.0 billion in 2008. Three important new developments highlight IATA's 2008 agenda:

- With the vast majority of our members completing IOSA audits by the end of the year, IATA is raising its commitment to the programme. From 2008 IATA will fully fund the cost of IOSA audits for our members.
- The industry is on target for 100% e-ticketing by 1 June. Our next challenge is to provide more self-service options by integrating the technology into a seamless process.
- Our vision for carbon-neutral growth leading to a carbon free future is taking shape. IATA Green teams are working with our members on an expanded fuel efficiency campaign. And our communications are taking a new dimension with information stands in Europe's hub airports.

Challenging times continue. And I assure you that your association remains at your side to help you deliver results.



Giovanni Bisignani

Giovanni Bisignani
Director General & CEO

HIGHLIGHTS – IATA BOARD OF GOVERNORS

The 186th IATA Board of Governors meeting took place in Montreal on 7 December, chaired by Fernando Pinto of TAP Portugal. The members noted and agreed the following:

Simplifying the Business

e-ticketing

- November's penetration rate of 90% vindicated the decision to postpone the deadline to 31 May 2008.
- IATA will launch two new projects to eliminate remaining paper from the passenger process and create a single, universal Electronic Multi-purpose Document.
- All airlines should clearly communicate with interline partners on the conversion to IET.

e-freight

- Six pilots were successfully launched last month (in Canada, UK, Sweden, The Netherlands, Hong-Kong, Singapore); eight new pilots to be established in 2008.
- Additional airlines and freight forwarders will be recruited for the existing pilots, metrics developed to measure their success.

CUSS

- Active in 80 airports, but continuing concern regarding the charging policies of some airports.

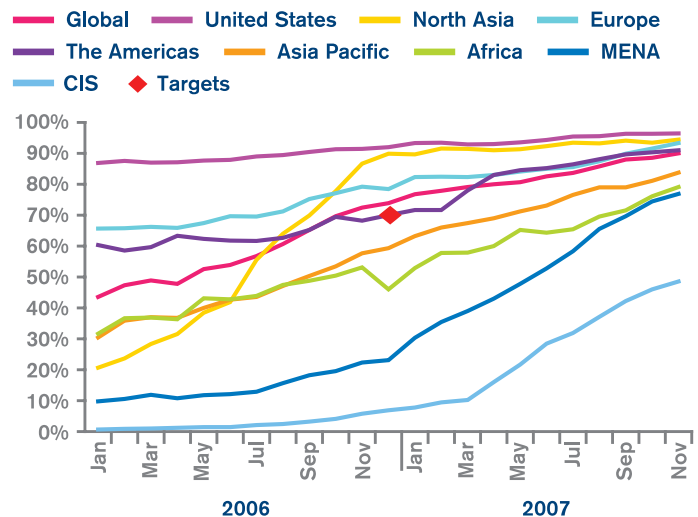
Fast Travel

- An IATA new project has been launched to assist members to improve customer service by integrating technology into a seamless passenger journey through the airport.

Baggage management

- IATA will apply a toolkit approach adapting potential solutions to the problems of specific airports, starting with 6 airlines and airports in 2008.

ET Airline view 2007



Safety

- A training and qualification initiative will be launched, focusing on the root causes of human and organisational factors affecting safety, and based upon changing industry demographics.
- IOSA: 180 airlines in Registry and 93% of IATA members audited.
- IATA Safety Audit for Ground Operations (ISAGO) project to be launched in February 2008;
- Increased focus on runway safety issues, including incursions and excursions, as well as runway infrastructure.
- Partnership for Safety will be used to address safety issues in Brazil, Indonesia and Africa.

Environment

- IATA and the Board Task Force on Climate Change will develop a recommended strategy for achieving carbon neutral growth.
- Industry standards for voluntary carbon offset programmes will be established and an industry carbon offset programme developed.
- IATA's actions under its four-pillar strategy were thoroughly reviewed:

Technology: a data bank for upgrades/fleet renewal will be developed and a technology roadmap drawn up.

Operations: Fuel Efficiency Go-Teams will be expanded into "Green Teams", covering ground operations, fleet renewal programmes and aircraft upgrades.

Infrastructure: more aggressive pursuit of flexible airspace tracks with focus on airports and TMAs, plus the development of new procedures based on GNSS technology.

Economic measures: the campaign against punitive taxes and charges and in favour of positive economic incentives continues.

- Communications: the industry's good environmental track record will be promoted more forcefully and the Board involved in the communications initiative.

Efficiency Savings 2007

Total: US\$ 2.2 billion

Pillar 2: Operations

- 30 Go Teams gap analyses
- US\$ 1.35 bn savings
- 6.75 m tonnes CO₂

Pillar 3: Infrastructure

- 377 new routes and 80 airports
- US\$ 879 m savings
- 4 m tonnes CO₂ reduced

IATA INDUSTRY PRIORITIES 2008

Safety

- 60 ISAGO audits to be conducted at station level; 8 at headquarter level
- Action plan to be developed for airlines training and qualification requirements

Environment

- Save 6 million tonnes of CO₂ (US\$1.25 billion) in fuel efficiency from operations and infrastructure
- Carbon neutral growth strategy to be implemented
- Industry carbon offset programme piloted with 6 airlines in 4 regions

Simplifying the Business

- 100% ET penetration in IATA BSPs on 1 June 2008
- 130 CUSS-enabled airports and 200 BCBP-enabled airlines
- 8 additional e-freight pilots
- 2 pilots in each of the 5 Fast Travel areas
- Baggage Management Improvement Programme (BIP) at 6 airports

Financial

- Save US\$1.5 billion in costs, including US\$ 800 million in real reductions
- 4 new initiatives to reduce member costs and/or improve service

IATA's 2007 Industry Priorities

- The Board assessed IATA's performance against this year's priorities, giving a score of 86%.

UPDATE

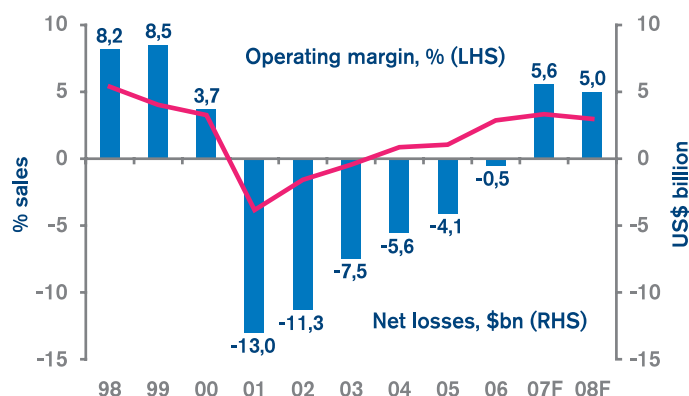
External Cost Campaign – Savings		
	Jan-Nov 2007	Target
Total Savings	US\$ 2.6 billion	US\$ 1.5 billion
Real Cost Reductions	US\$ 998 million	US\$ 800 million

LOOKING AT THE NUMBERS

Industry Financial Forecast

- The outlook for 2008 has recently deteriorated as a result of higher fuel costs and slower revenue growth.
- At US\$78 a barrel in 2008, the airline industry's fuel bill is expected to reach US\$150 billion (30% of operating costs).
- The crisis in the US credit market has had a far greater impact on the US economy than expected in August.
- Central banks are cutting interest rates and injecting liquidity but rising inflation limits their scope for action. Forecast US economic growth for 2008 has fallen from 2.5% in August to 1.5% today.

Financial forecast 2007-2008



- Representing almost 30% of travel markets, a near recession in the US economy will affect airline revenues.
- While independent economic strength and trade in Asia will offset this impact, we still expect airline revenue growth to slow sharply from 8.4% to 4.7% in 2008.
- Financial performance in 2007 was very good considering the further rise in fuel costs. We forecast that the industry boosted operating profits to over US\$16 billion, and net profits to US\$5.6 billion.
- However, the resulting operating margin of 3.3% is well below 5.6% achieved at the peak of the previous cycle in 1998.
- We forecast that 2008 will see profitability falling to US\$5 billion.

New Economic Briefings

IATA's passenger and freight forecasts at the global, regional and country level are now available. The outlooks are derived from IATA's 2007 survey of leading industry forecasters, major airlines, civil aviation and airport authorities:

Passenger Forecast 2007--2011

<http://www.iata.org/ps/publications/9265.htm>

Freight Forecast 2007--2011

<http://www.iata.org/ps/publications/9266.htm>