



The Ministry of Education of Azerbaijan Republic

Azerbaijan State Economic University

International School of Economics

BACHELOR THESIS

Theme: Financial performances of airlines – the availability of mergers and acquisitions in aviation sector

Author: Nasraddin Mammadov

Supervisor: Aqil Azizov

BAKU-2019

Content

1. Introduction	3
2. Pros and cons of mergers.....	3
3. Effect of M&A.....	5
4. Consolidation.....	7
5. Code-sharing Agreements	8
6. Identification of appropriate partner	11
7. Financial analysis.....	15
• Benchmarks/Break-Even Analysis	16
• Market Capitalization.....	19
• Profitability measurements	20
(a) EBT margin.....	20
(b) Ratios.....	21
8. PESTEL Analysis.....	21
9. Pressures costs and profitability.....	30
10. New price model to increase profit.....	31
11. Qatar Airways.....	34
12. Airline unions.....	38
13. The main brief concept.....	42
14. Conclusion.....	44
15. Appendices.....	47
16. Bibliography.....	50
17. References.....	52

Introduction

For making information clear and understandable, I will notify each of the details mentioned in content of the report.

As many specialists know, mergers and acquisitions are the main part of the international business. Almost, on many sides we can show the availability of mergers and acquisitions nowadays in business. This term has also found out its impact on aviation sector. The main question is that why companies face to mergers and acquisitions? The reason of why is nobody maybe fortunate and happy while running its small sized business and cannot cope with the perfect competition on its own in the international market. Being partnership somehow will cause the beneficial end. Together with the developments in the past, day-to-day, economic, political, technological and social, the world economy has become more transparent and international. Increasing competition and new world order force firms to make right and strategic decisions to survive and sustain their assets. Firms enter foreign markets in order to use their competitive advantage and survive. The most important ways to enter these foreign markets are; mergers and acquisitions. Thus, M&A is available in the current scenario. However, this scenario not so always ends up with alternate ending like sufficiently. For instance, no one is happy as far as a merger or an acquisition is concerned other than the company which is taking over. As well as, in working condition the cultural difference problems appear among staffs. The case of misunderstanding between partners may also cause the end up of merger. How M&A can affect a company? Let's explain it below in details.

Benefits of mergers and acquisitions:

- Getting specialized and quality staff or additional abilities

Business with good managers or good business strategy and process system will be beneficial and useful to buyers.

- Evaluating funds for new development

- Diversification of thoughts, creativity and also products
- Reducing your possible and additional costs
- Get rid of a lot of competitions, in return, be partners

Disadvantages of mergers and acquisitions:

A merger may be costly or become expensive if one of the parties is not able to agree terms such as which of them will control combined business, in return, how long another one will remain under the control in the business.

- Different cultures
- Diseconomies of scale

When businesses merge, it is often to achieve economies of scale. Larger organizations are typically able to produce goods and services more efficiently and at a lower per-unit cost than smaller businesses because fixed costs are spread out over a larger number of units. This is not always the case, however. Sometimes when two firms merge, being larger will actually create dis-economies of scale, where per unit production costs increase because of increased coordination costs.

- The Layoffs dilemma
- Higher consumer price

For instance, if monopoly is available, business will not face to price war a lot. So, in this case, if parties merge, it can be like creating monopoly. Because, mergers somehow decrease perfect competition in the market. Thus, companies can charge higher price on products.

Effect of M&A on a company

Due to the company mergers and acquisitions processes create an opportunity for its stockholders to generate profit at a useful premium, particularly whether the transaction is held in an all-cash deal. Whilst the claimant spends money not entirely in cash and partly in its own stock that company's shareowners would keep a stake in the claimant, therefore would have an expectation in its long-term successfulness. Reaction of market to the availability of mergers and acquisition processes may be sufficient or insufficient supposed to the perceptivity of market members about the merits of the agreement. In many situations, the company's shares may be getting grow up and reach at a specific level that is appealing to the claimants offer speculating of course that the offer notifies a useful premium to the company's previous stock price. It is true that the company's shares may be bought and sold higher than the offer price. If the perceptivity is either that the claimant has offered a deceptively or unrealistically low estimate because of the offer for the target and may be obliged to increase it or that the company has great interest to engage a rival bid. We can face to mergers and acquisitions in aviation sector among various companies. Let's glance at performance of aviation companies financially and how mergers will affect each of them in this area.

Mergers between airline companies are available in line in which there is a possibility that alters economic environment of the airline industry dynamically. The nature of the aviation industry has recently changed in dramatic way because international markets have been step-by-step deregulated. Due to many specialists mergers and acquisitions should be taken into account to be an useful and important response to deregulation. In addition deregulation of airline industry has referred to the growing up and enlargement of low-cost airlines too. The airline industry is a cyclical industry. Mergers in aviation sector happen basically because of financial survival and decreasing overcapacity.

Companies focus on profitability instead of market share

In current business the aviation sector is notified by weak passenger demand, growing and expensive fuel price, and a decrease in position in the global economy. Apart from this, aviation industry is periodic as well as its performance is nearly related to GDP growth. Nowadays, many airline companies focus on upgrading profitability rather than being participant of global competition and price war, especially in which markets they already have prestige and a strong availability. Mergers and acquisitions, joint endeavors, and other vital collusions are getting turned into the standard because of flight industry members who are concentrating on cost cutting and remain limit decrease so as to adapt to the expanding of fuel costs and subsidence. Following the decelerating in the worldwide market, primarily brought about by the Eurozone emergency, key and monetary financial specialists have turned out to be attentive and hesitant to go out on a limb about portfolio ventures. This has influenced mergers and acquisitions action in negative way regarding arrangement esteem. Arrangement esteems declined in 2011 to 2\$ billion from 5\$ billion. The normal estimation of exchanges has confronted a reduction from 4.87\$ million to 2.4\$ million somewhere in the range of 2007 and 2012. Expanding fuel costs, diminishing traveler request, and particularly the monetary emergency have prompted surplus limit with respect to carriers.

This examination researches the mergers and acquisitions exchanges in the worldwide flight part somewhere in the range of 2007 and 2012. Understandings are researched by either topographies or fragments. Cross-fringe bargains are additionally investigated. The scope of vision in light of mergers and acquisitions is guaranteed, as well. As I stated, bargains are examined by topographies or sections, moreover, including crosswise over fragments, crosswise over geologies, valuation products, stock value varieties, level of stake got, different kinds of purchasers and so forth. A few sections will get profits by

these exchanges, incorporating organizations working in the worldwide aeronautics industry, investment financial specialists, private value, finance chiefs, retail speculators, a few assets including flexible investments and protection reserves and the rest members in the contributing zone.

Commercial Airlines – Institutions are mainly engaged in operational aircraft for commercial use, for example Boeing.

Private or Business Aircraft Services

Institutions engaged only in the provision of aircraft / charters that can fly from one place to another one on their own schedule of their clients for personal or business use.

Need for Consolidation

The aviation sector is described by powerless traveler request, high fuel costs and a diminishing in position in the global market. The business is repetitive and its profitability is about identified with total national output (GDP). In current situation, mergers and acquisitions movement in the carriers business is relied upon to pick up force. Industry individuals have as of late extended their capacities and systems and effectively took an interest in market wars to pick up piece of the pie.

Instead of taking part in contention and turf wars, associations in the business are starting at now focusing on upgrading their gainfulness, especially in business divisions where they starting at now have strong closeness. Mergers, joint endeavors, and other essential associations are progressively transforming into the standard for transporter industry

individuals who are focusing on gotten cutting and excess cutoff decline remembering the true objective to fight rising fuel expenses and subsidence.

The United States saw a couple of key mergers in the past five years. The most colossal impact of this blend wave is the extension in stack factor. For the most part, the heap factor for transporters in the district reached out among 15 and 30 percent. After the solidification, the normal burden factor was more than 55 percent. The quick parts of these extensions have been more explorers per flight. (Consolidation helped US aircrafts expanding the measure of travelers).

Code-sharing Agreements and Airline Alliances

Code sharing is a contract or agreement in aviation sector wherein in excess of two airline companies share a similar flight. As it were, code sharing is a cross-airline association in which one transporter issues tickets from another transporter as if the tickets were its own. The advertising transporter puts its code on a working transporter's flights and markets its administrations (codes are usually two-character carrier identifiers as per IATA). Code sharing has a few points of interest—it enables transporters to have more noteworthy access to urban areas without the need to offer extra flights, enables transporters to fly travelers in courses they don't operate in, and makes the booking procedure easy by permitting single booking over various planes. Most of travellers, in any cases, don't support code sharing. They book a ticket through one transporter and need to tour through another.

Companies in aviation sector were shaped to improve a group of companies such as corporation from members of this sector in the international aviation market. The standard

cooperation is exactly based on the special unions, and these unions generally are created by member-transporters from various places. Many of aviation unions are an enlarging of code-sharing networks. In the international aviation sector, there are three important alliances, including Star Alliance, oneworld, and SkyTeam. As well as, SkyTeam Cargo, WOW Alliance, and ANA/UPS Alliance are cargo airlines in this sector.

The benefits of aviation unions are given below:

- Network extension through code sharing among member companies
- Cost savings by sharing maintenance facilities, sales offices and operational staff
- Lower prices for passengers (as a result of lower operating costs), flexibility in terms of availability of different carriers and departure/arrival times, and access to a wide variety of lounges

The potential disadvantages of airline associations for passengers are higher wages on the routes where competition is abolished. Compared to mergers or acquisitions, it is much easier for airlines to collaborate with other carriers through code-sharing networks and alliances. The associated costs, time and processes required to join an alliance are lower than those of unions. However, the expectations of entering into an alliance are lower than in mergers or acquisitions. Aviation unions (alliances) are also referred to as poor male mergers and acquisitions.

Consolidation in Europe's Airline Industry

In the past 15 years in Europe full-service airlines, we cannot adapt to the increasingly turbulent weather forecast for the short-haul market with more competitive prices. Lately, the combination of increased demand and lower fuel costs has increased profits. However,

there will be more turbulence in the near future: Brexit, increasing industrial capacity and low cost and high service medium funds and compete for long-haul traffic from East Asian countries, European full-service provider (FSC) will reduce profitability. The financial, regulatory and political obstacles to the various strategic scenarios determine the exact choice of each airline's options. BCG airline strategies, market size and, as well as an in-depth investigation and networking space growth outlook, many seek to provide analysis of the combination of changes in the sky of European companies and seek decisions on different options of these changes.

How mergers and acquisitions have driven the consolidation of the US Airline industry over the last decade?

The US aircraft industry, which has endured substantial misfortunes in late decades, has dependably been seen by financial specialists as a postponement. From 1977 to 2009, the part together endured misfortunes of over \$ 52 billion. What's more, the financial stoppage in 2009-2010 has brought about critical decreases popular limit with respect to American aircrafts, United Continental Europe Holdings and Delta Airlines' inheritance carriers. As monetary stagnation further expanded carriers' misfortunes, these old aircrafts kept on following limit discipline, even after 2010 aircraft request improved. That was insufficient, in spite of the way that carriers expanded their airfare and decreased their misfortunes, to spare the business from overwhelming misfortunes. Thus, insolvency has pulled in various carriers lately, and this has prompted mergers and acquisitions in late decades. The following are probably the most significant mergers that have occurred over the previous decade and have changed the business' force. For instance, Continental Airlines converged with United Airlines in 2010 and combined US Airlines with American Airlines in 2013 to avoid insolvency. (**Appendices 1**)

Along with the withdrawal of airlines, these agreements have changed the landscape of the US aviation industry. These mergers have helped to bolster the capacities of the four largest US carriers in the industry, including the United States, United, Delta and Southwest Airlines. Currently, these airlines hold almost 85% of market share. In contrast, only 65% of the top 4 US airlines in the past (on average). As a result, these airlines are now operating as an informal oligopoly, and while the industry is being monitored by a number of regulators, it controls the dynamics of the entire air travel market. (**Appendices 2)**)

How companies can identify the best partner for merging?

As the budgetary sector of the EU airlines shrinks, consolidation is expected. This paper describes a three-step approach to the study of mergers and acquisitions of LCCs. A number of detailed interviews with aviation experts conclude that the reasons for including LCC in mergers and acquisitions are generally related to the reasons associated with full-service carriers. An important factor for success for the merger of partners is the availability of similar business models and cultures. The analysis of events with a full range of services and mergers and acquisitions involving large companies shows that the size ratio and the degree of overlap between the mergers of airlines also do not depend on the type of airline. Analysis of Braxton and BCG, LCC, EC shows that Ryanair and EasyJet are the only LCCs in the market with strong strategic positions in the markets they serve. Finally, an analysis of the analytical approach to commodity and organizational architecture was used to compare the seven EU LCCs. EasyJet and Vueling had the most similar business models, and therefore they were considered the best strategic solution for a potential merger.

Mergers and acquisitions (M & A) are means for rapid expansion and growth of business. As companies merge, their resources are pooled to increase the value of the combined

business. Sources of added value are synergistic effects, which either related to profit or business value. Increase in sales in the combined company can be achieved by increasing the volume of business, increasing market capacity, increasing the attractiveness of the product or access to scarce resources. Sources of synergetic cost effect are elimination of duplication, increase in efficiency (economies of scale, scale, density and training) and tax benefits.

Over the past three decades, the analysis of airline consolidation as a function of deregulation and liberalization and expansion of the LSS sector has evolved in parallel. However, as the LCC sector develops, consolidation is expected in this group of airlines. There is no systematic study of mergers of inexpensive carriers. In this regard, we are considering how the LCC mergers in any way differ from the merger of full-featured carriers and whether there is a likelihood of a merger activity in the EU market and which operators are most likely to participate in such an activity.

From May to July 2012, a group of ten aviation experts was tested to obtain opinions from various aviation experts with experience in the LCC merger. These include three managing directors of aerospace consulting firms, three LCC directors and four senior LCC managers. One of the tricks was to interview respondents who participated in one of the following mergers: Ryanair / Buzz, EasyJet / Go or Vueling / Clickair. Despite several attempts, contact with Ryanair could not be established. Participants were asked a number of unresolved questions about the reasons for the merger or accession to another airline, the main characteristics of the target partner and the problems that could affect the success of the merger. The answers were not requested. After the interview, the answers to each question were categorized and the frequency was calculated to determine the most important answers to each question. The answers that received three or more unsolicited answers were considered important.

To determine common models of mergers and acquisitions with low cost, the recent mergers of airlines were analyzed. Thirty-nine airline mergers (including full-service and LCC) were identified and analyzed for the relative size of the combined airlines and the degree of overlap of the network. The airline network for airlines is an important detail in order to highlight cheap airlines from traditional airlines. Dobruszkes (2006) provided a detailed analysis of the network structures of the European LCC and is an important structure for analyzing the size and network of the airline. The investigated mergers and acquisitions occurred between the acquisition of Morris Air Southwest in 1993 and the merger of Southwest with Air Tran in 2011.

Established in January 2011, the International Airlines Group (IAG) is the parent company of British Airways and Iberia. IAG is one of the largest airlines in the world with 377 aircraft, which fly to 200 destinations and carry more than 54 million passengers annually. In terms of sales, this is the third largest airline in Europe and the sixth largest in the world.

The case of merging as drawback

As we know, merger not always is good for companies. For instance, the merge of Nordavia and Red Wings airlines will lead to regular problems in the industry. Against the background of the collapse of VIM-Avia, caused by too rapid business growth, Nordavia and Red Wings, members of the second dozen market participants, announced a closer consolidation. Experts believe that the merger of the two carriers will not lead to a redistribution of market shares, but there is a risk that this will provoke another wave of dumping.

Shareholders of Nordavia and Red Wings decided to merge the two airlines, preparation for consolidation into a single holding has already begun. At the first stage of the merger, each company will continue to fly under its own brand, and later the holding will have a

new name. “The holding being created will be a sustainable enterprise capable of solving strategic business problems using innovative management approaches and the world's best civil aviation practices,” the press service quoted the words of the CEO of Red Wings Yevgeny Klyucharyov. “The passenger turnover of the aviation holding in 2018 may exceed 3.5 million people,” the message says. In 2016, the airlines jointly transported 1.88 million people, according to the Federal Air Transport Agency. Nordavia and Red Wings formed an alliance more than a year ago, when Norilsk Nickel sold Nordavia to Sky Invest, controlled by Sergei Kuznetsov, who was then co-owner of Red Wings, reminds RBC. However, then due to the debts of 100% of the Red Wings, they transferred to Erline Asset Management LLC, a subsidiary of Ilyushin Finance Co. Currently, Nordavia performs regular and charter flights primarily in the North-Western region of Russia, primarily between Moscow, St. Petersburg, Arkhangelsk, Murmansk, Naryan-Mar and Syktyvkar, as well as the Black Sea resorts (Sochi, Anapa). The Nordavia fleet consists of nine narrow-body jet passenger aircraft Boeing 737-500. Red Wings airline operates year-round regular and charter flights to the most popular tourist destinations and is the largest commercial operator of Tu-204 liners in Russia. Raiffeisenbank analyst Konstantin Yuminov believes that the merger is primarily aimed at solving the internal problems of the two carriers, since both companies have a poor financial situation. According to him, the debt of Nordavia can be transferred to the entire aviation holding. A source of Kommersant, familiar with the situation, noted that the issue of merging intensified against the background of tightening airline checks after the collapse of VIM-Avia. Now it is important to show that second-tier airlines, most often in the financial risk group, tend to develop and support their business, ”the source said. The main expert of the Institute of Economics of Transport and Transport Policy of the HSE, Fedor Borisov, notes: both airlines operate “in a very difficult segment”, where competition is preserved against the background of Aeroflot dominance. The merger will not lead to a redistribution of market shares, he believes, but it may provoke dumping, which will negatively affect the

profitability. Borisov believes that the new holding should build a business model based on high profit rates and even a partial reduction of the park to maintain a stable financial condition.

Financial analysis

Finance is a wide-range topic and almost spread to all industries. It deals with ensuring the company being aware of sufficient and important economic resources to operate efficiently both in long-run and short-run. In long-run to achieve profitability, airline companies should focus on financial management as well as economic environment. Evaluating financial performances in aviation sector is vital for companies because all have impact on strategic planning. Many studies prove that while analysing performance, most of us tend to investigate operational actions instead of financial performances. Compared to financial performances, operational performances are so popular in sector, like measuring metrics, loading factors and profit, loss.

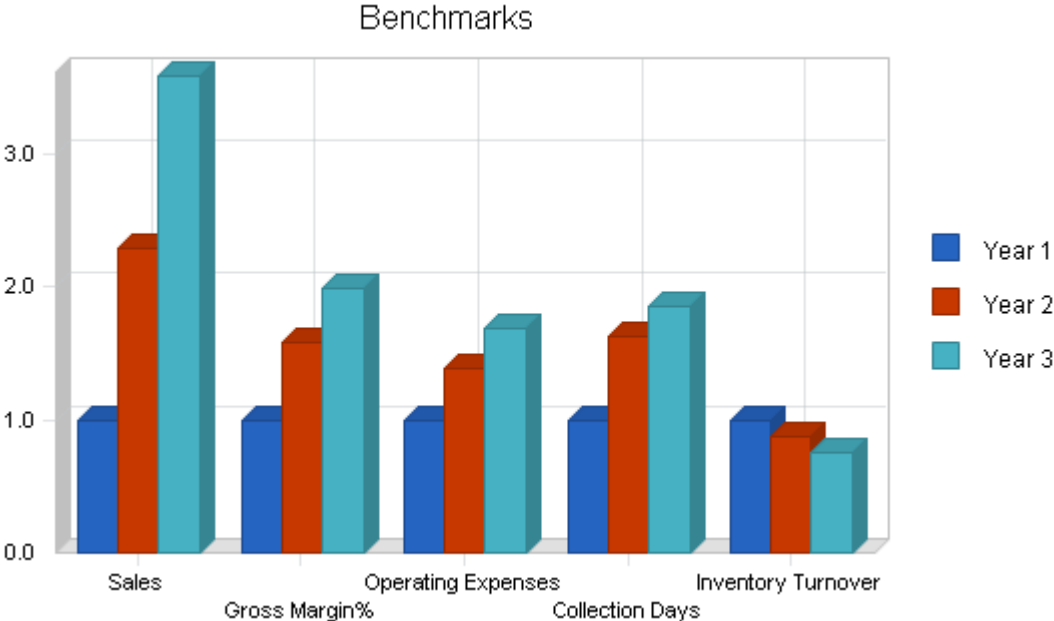
The best way to define financial performances effectively is to make use of financial ratios. The financial ratios are suitable, because they allow us to make comparison between relative airline companies' performances.

Experts who are working in aviation sector usually make financial plans to evaluate the financial performances of airline company. They mention how financial changes happen step-by-step. This part of the procedure offers the main and sufficient points for assessing the financial viability of the specific airline company. Based on this, each airline company formulates its annual report to express how they act during the past year. In the following section, the company takes into account several important assumptions based on cost and revenue of the airline. Here can be assumed that the airline will cover its needs and receive maximum utilization approximately 6-7 or more segments in a day. It should be emphasized that even with significant limitations, which are used in the calculations, the

airline can carry up to 300,000 passengers in the first year and possibly up to half a million passengers and achieve profitability in its first operation year, both in terms of turnover and the liquidity will increase significantly in the future. It is strongly recommended that you read the “Important Assumptions” section carefully before conducting a more detailed audit of the financial data, since it explains the background on which the financial data is based. It ought to also be mentioned that part of the cost of the aircraft is based on a segment approach that divides the cost of acquiring, operating, and crewing the aircraft, as well as some direct costs of distribution and revenue into "segments." Note that some items that are included in the costing of a segment are based on hourly costs extrapolated to the length of the segment, while others are based solely on the segment. Based on financial and business assumptions that I mentioned above experts form operating assumptions. In fact, the revenue and the cost of airline changes because of seasons, regions and so on. All of them are pointed as key regional/seasonal/intermittent routes. Each of proposals and efforts should be realistic in financial plan, and particularly while calculation of primary load factors and revenue yields. Apart from this, passengers and cargo fares should be considered during the whole period covered by the plan. In addition, expected return that is generated by offering peak-demand special flights should be evaluated as well. Experts say that such kind of flights make a performance separated from the given schedule, and although they act far from scheduled-service even if the more necessary scheduled-service they will have benefit. During operating assumptions financial managers of airline company take into account the aircraft in service, cost per aircraft for purchasing, annual leasing cost per aircraft, insurance rate of aircraft cost, annual insurance cost, annual salary of workers, crew members per flight, fuel cost, commission payable, average segments, total revenues, total operating costs, total net operation revenues per year.

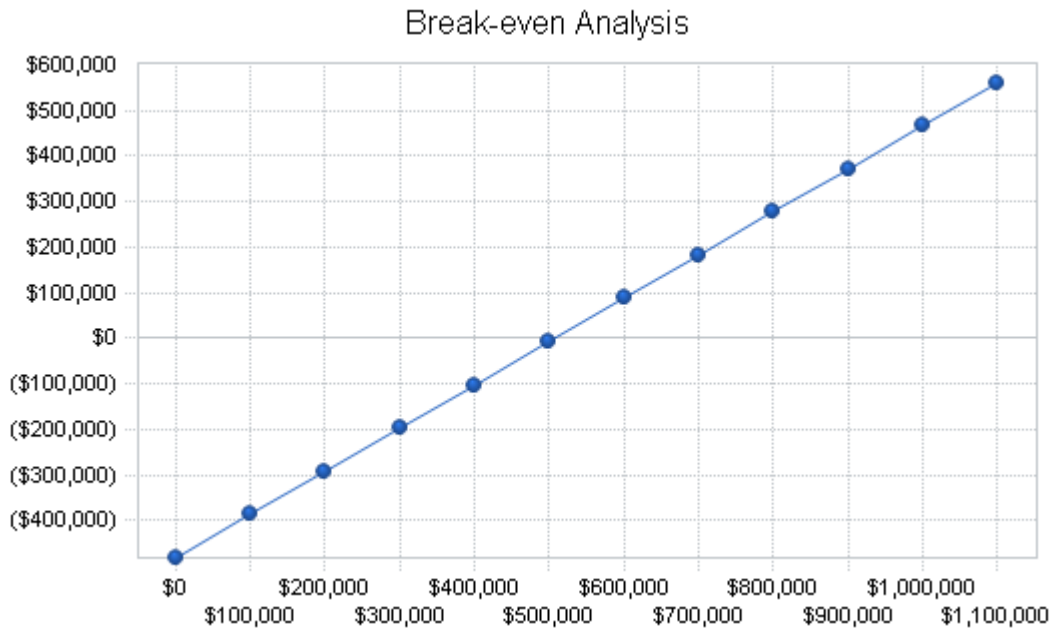
Afterwards, managers make use of some key financial indicators to analyse the sector financially. One of them is benchmarks.

A benchmarking approach will give the possibility to understand how the market capitalization of one firm compares with competitors.

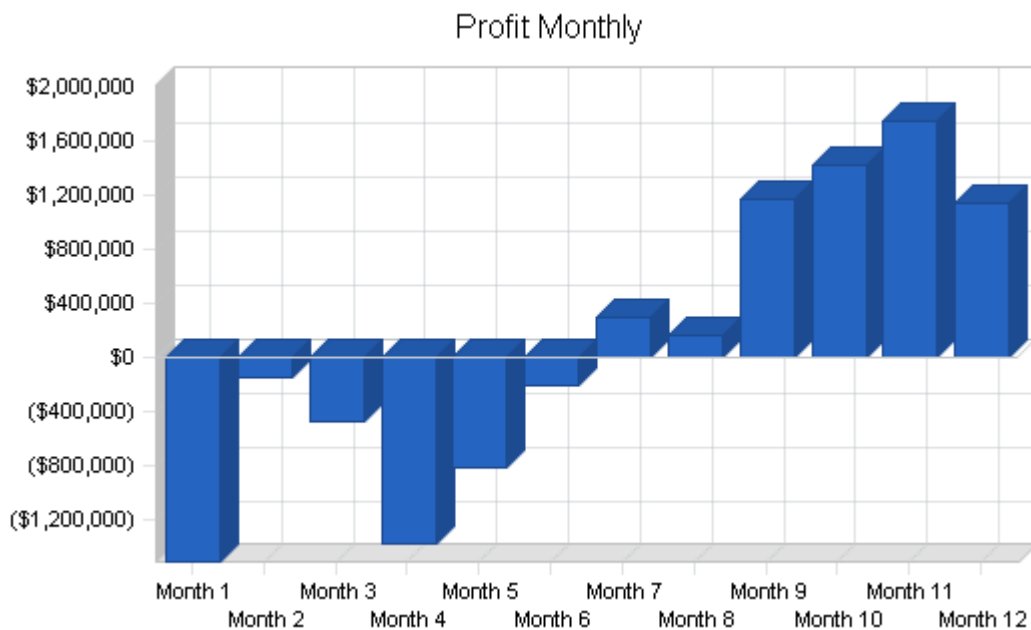


The given chart illustrates the actual financial projections for the given airline, over a period of three years of operations. Benchmarks combine in turn the sales, operating expenses, and inventory turnover of the company. Here, we can see sufficient balance between costs and revenues, adding gross margins while considering financial plan in depth. As well as, a glance at the graph reveals the steady pattern of increase.

The second one is Break-Even Analysis. The break-even analysis is essential for the company to evaluate the changes of number of passengers during given period interval, and how these changes affect the profit.



Another one is Projected Profit and Loss chart to analyse the company financially.

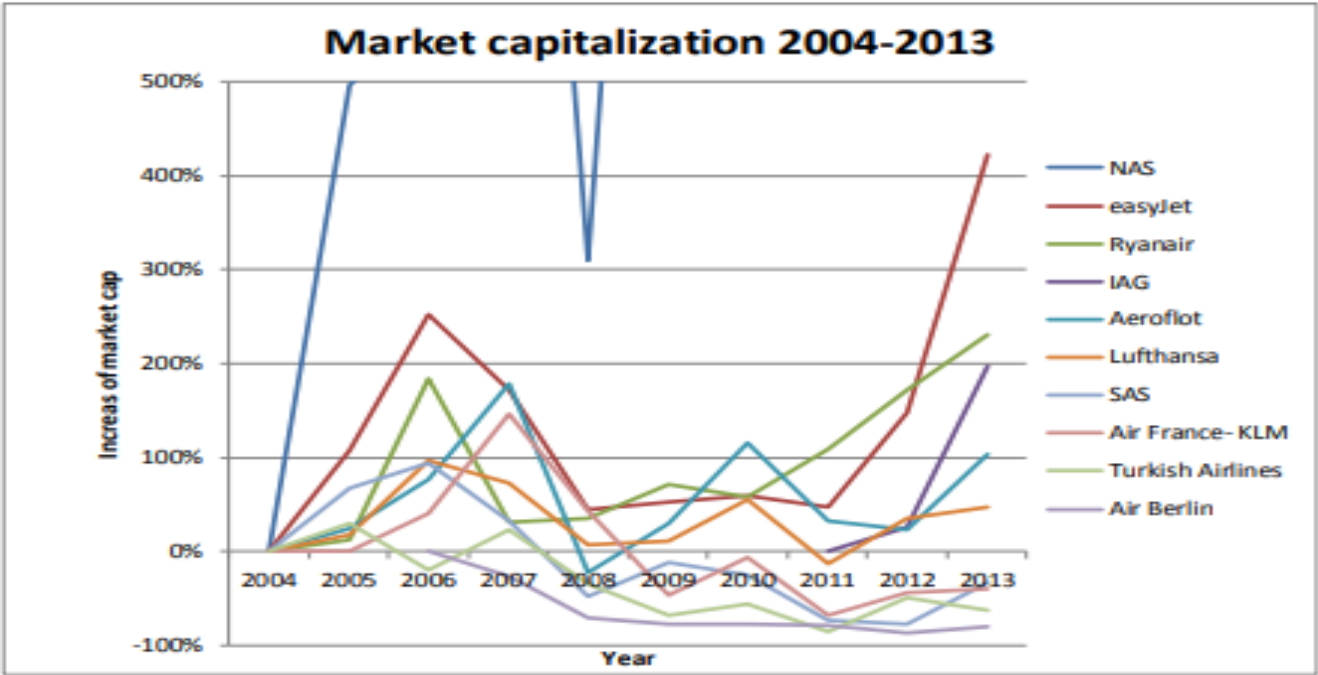


According to the graph, the given airline company has an opportunity and potential to achieve profitability. All cost related items are mentioned in this graph, whilst the organisation and salary or other cost items that are given are not elaborated. They both cover the needed functions adequately as well as let some margin in order to movement. Given the focus in the business plan on the use of technology to control staff and the

associated support and marketing costs that have a potential to create problems for many airlines. The plan presented here should enable this airline to accomplish far more with less.

Market capitalization

A company’s market cap is calculated as multiplying the number of outstanding shares by the value of each other. The most suitable method to evaluate the market capitalization of airline companies is to make use of benchmarks. By charging every airline the same value in a specific time period, it is possible to assess their performances related to each other.



The given graph illustrates the assessment of each airline’s market capitalization. A glance at the chart reveals information that there is a fluctuated pattern. The reason for this is that some unions or mergers or airlines have appeared in the scenario later. For instance, IAG was established in 2011, so that it is only possible to evaluate the market cap for IAG from 2011. Apart from this, the group of Air France-KLM made available their annual report from 2005, whilst the merge between these companies happened in 2004. In this case,

base year is 2005 for these companies to assess market cap. During this period, NAS observed the largest increase in market capitalization. Another good performer is EasyJet, whose market capitalization has grown by 10%. The market capitalization of the Group's International Airline increased by 199%, Aeroflot by 104% and German Lufthansa with 49%.

Profitability measurements

As I mentioned, companies usually make use of ratios to evaluate financial performances. Those are analytical techniques in finance. Usually, financial analysis is defined as evaluation of cash flows, income statements, balance sheet and shareholder equity. Key financial ratios for airline companies are quick ratio, return on asset (ROA), debt-to-capitalization ratio, EBT margin, operating expense ratio, current ratio, debt-to-equity ratio, liquidity and solvency.

EBT margin

It evaluates the company's profit before tax in percentage. While a company faces a pre-tax profit, it means that the company has a positive EBT margin, however if a company faces a pre-tax loss, it means that the company has a negative EBT margin. EBT margin however is not sufficient for evaluating financial performance, because during calculation taxation is ignored. On the other hand, it is relevant for calculation, especially comparing two airlines because of their performance. So that, tax policy differs from country to country, and not all countries implement the same tax policy. EBT margin ignore this situation, and take into account the last level of profitability and compare them. Nowadays, due to EBT margin Ryanair is the most profitable one in the sector.

(Appendices 3)

Operating expense ratio

The operating expense ratio is calculated by dividing the cost of company's operation by revenue of that operation. While operation cost surpasses revenue, it will form the value higher than 1 or vice versa. If value is low, it means operations are profitable. However, if revenue exceeds cost, it will result value lower than 1. Difference between EBT margin and operating expense ratio is that this ratio focuses on the profitability of the airlines' operations. (**Appendices 4**)

PESTEL Analysis

PESTEL analysis is essential for evaluating airline industry's environment and how it can be altered. The PESTEL is especially used to identify external issues. The PESTEL in turn combines the political, economic, social, technological analysis. I will discuss the PESTEL analysis over Aeroflot- Russian company.

Political

According to the Federal Law "On State Regulation of Aviation Development" the Government of the Russian Federation in order to ensure the implementation of a unified state policy in the field of aviation development: develops federal targeted programs for the development of aviation; implements measures for the development of aviation in the interests of the defense and security of the Russian Federation, the implementation of foreign and domestic policy of the Russian Federation; coordinates international cooperation of the Russian Federation in the field of aviation development and oversees the development and implementation of international aviation projects with the participation of the Russian Federation and exercises other powers in the field of aviation development assigned to him by federal laws and decrees of the President of the Russian Federation.

The Government's activities are aimed at promoting the economic development of the Russian Federation, expanding international cooperation of the Russian Federation, meeting the needs of individuals and legal entities in air transportation and protecting their rights, improving and modernizing the scientific and technological potential of aviation and ensuring its competitiveness.

The regulation of these issues is straightforward, and all organizations in the industry are required to obey the rules established by law.

In 2013, the Main Activities of the Government of the Russian Federation were signed, in which a large role is given to indicators of the transport mobility of the population. Medium-term plans are formulated to increase this figure by 40%. And a big role in this issue belongs to air transportation.

In 2013, the federal budget provided 3.5 billion rubles to provide air links between the Far East and Siberia and the European part of the country. About 500 million rubles are allocated for subsidizing air links with Kaliningrad. In addition, federal state-owned enterprises have been created on the basis of a number of airports in the Far North and other remote areas, and about 3 billion rubles are allocated for their subsidies. Also, more than 2 billion. It is intended to update the fleet of regional aircraft. The use of these funds provides for the formation and improvement of the demanded network of routes, ensuring the regularity of flights, as well as the regulation of ticket prices.

Thus, by means of legislative acts, the sphere of air transportation is regulated by the state, directions in the development of companies in this industry are controlled so that they correspond to the general development of the country, and also promote international cooperation with other countries. All companies must track changes in legislation and comply with statutory standards.

Economical

The global financial crisis has affected the airline industry and even caused some companies to leave the market, for example, Dalavia, Omskavia, Sibaviatrans and some others. Government assistance in this case was to carry out measures to reduce the debt burden of such firms, and financial assistance was provided only to major airlines. But statistics show that all major airlines, despite the drop in demand, then returned to normal performance.

The economic situation in Russia after the 2008 crisis has stabilized, many sectors of the economy show signs of growth, this also applies to the airline industry - in 2010, the Russian air transport industry returned to the growth trajectory. Over the past 3 years, the growth rate of air travel in the country increased by 15-17%. The market still maintains several major leaders who control the industry.

An important fact is Russia's accession to the WTO. Entry will increase the level of competition in the regional air transport market, will lead to the arrival of foreign companies, and will also affect changes in air fares, in particular, should lead to cheaper air transport in the Far East, as well as between this region and the rest of the country.

It is also worth noting that the dynamics of passenger traffic is closely related to the dynamics of real GDP and population incomes. The lower the growth rate of real GDP, the lower will be the level of passenger traffic in the industry.

The largest component of the costs of firms in this industry - fuel costs. Despite the rise in fuel prices, companies manage to increase transportation efficiency. This is achieved by increasing the efficiency of operation of the park, as well as optimizing the route network. Also, large items of expenditure are the costs of servicing the courts and wages.

Here, companies find various ways to save on these indicators by resorting to fleet modernization, scheduling, and personnel changes.

Innovation in the field of air travel is now very relevant, it includes the development, presentation of innovative ideas in the organization of air transportation infrastructure, the introduction of new types of aircraft that meet international requirements for operating on domestic and external lines, the implementation of projects to introduce advanced information technologies to provide services to passengers and passengers. business management through investments made by financial and private companies, taking into account the interaction with the state related structures. Currently, all innovative ideas, one way or another, are associated with high technology-intensive technologies. For the development of airline innovation in the airline industry, various mechanisms for attracting investment funds are used. The mechanisms of the stock market can be attributed to them, since the authorized capital of airlines can be increased by increasing the nominal value of shares or placing additional shares, as well as leasing operations for the purchase of aircraft and equipment. Another form of attracting investment is state budget financing through the system of state orders, where, through tenders and competitions, various companies offer aircraft projects and infrastructure of the airline industry.

Airlines have a high exposure to currency risk. Part of the income and expenses of companies are denominated in foreign currency, which causes the influence on the activities of companies on the exchange rate processes in the foreign exchange market at home and abroad, and also increases their exposure to risks associated with possible changes in foreign exchange regulation. Therefore, companies are trying to reduce currency risks by controlling the balance of cash flows.

Thus, the influence of economic factors is of great importance, since the efficiency of air carriers depends on it. Companies must monitor economic factors, the dynamics of their changes and in accordance with them build their business strategy.

Social

Nowadays, in the world, people are increasingly choosing aircraft as a means of transportation, since flights save more time, which is important, for example, when a person goes on vacation or to a business meeting. At the same time, people, giving preference to a warmer climate or better conditions for rest, are increasingly choosing other countries for rest, traveling to which they travel by air. As for the business sphere, in the conditions of erasing national borders between companies, as well as placing companies in several territorial markets, air travel is the main way of fast travel and ensuring communication with other centers. Therefore, air transport is an important factor in both leisure and business matters. And in the minds of people, the flight is no longer a luxury, but is the most common and safe form of movement of people.

Also, due to the higher cost of tickets for air transport as compared to other types of transport, the level of per capita cash income of the population has a great influence. The higher it is, the better, then the population has the opportunity to choose a more expensive mode of transport - air.

According to the State Statistics Committee, the average monthly salary in January 2013 amounted to 27,340 rubles and increased by 15.6% compared with January 2012. This indicator characterizes the purchasing power of citizens, and consequently, their ability to purchase airline tickets. In general, the dynamics of changes in wages of the population tends to increase, which means that the demand for airline services remains stable.

As for data on employment, in Russia there is observed in the last 2012 unemployment rate of 6.2%, which is 1.6% lower than in 2011. This indicator speaks of economic recovery, including after the 2008 crisis, and the overall situation in the country is undoubtedly important for transport enterprises, including aviation. The declining unemployment rate indicates an increase in the economically active population, which are potential clients of airlines.

Of the demographic processes of greatest interest is migration. In 2012, 2,966,263 thousand people arrived in Russia, and 2,748,721 thousand people left, that is, a migration increase of 2,17542 people was provided. Also, the number of migrants relocating within Russia increased by 560.4 thousand people, or by 26.7% compared to the same period of the previous year. And these figures will continue to grow. Thus, the activity of migration processes is another factor that has a positive effect on the development of air transport, since according to statistics, more than 50% of people choose air transport.

Currently, studies of the environmental impact of aviation transport have become more relevant. Therefore, in order to comply with industry standards, any airline must follow a number of regulations in order to reduce its negative environmental impact. These standards include:

- Modernization and renovation of the aircraft fleet,
- Introduction of advanced and improvement of existing technologies and materials that provide the most environmentally safe technical maintenance of aircraft,
- Replacement of outdated energy-intensive types of air vehicles with fuel efficient ones,
- Reduction of energy intensity of operating activities through the introduction of resource-saving processes and technologies,

- Optimization of the route network and the use of new piloting technologies to reduce noise and pollutant emissions from aircraft engines into the atmosphere,
- Waste management with the aim of minimizing their environmental impact with an emphasis on recycling raw materials.

All these measures are designed to identify those companies that comply with modern ideas about high-quality, safe and environmentally friendly flights. And each airline must constantly work to improve them and monitor industry-leading environmental standards adopted by the International Air Carriers Association (IATA).

That is, tracking social changes, consumer preferences, their level of income influences the formation of a strategy, and in the case of correct forecasting, the company increases its customer base, and at the same time increases profitability.

Technological

The airline industry is dependent on technological change. It is the introduction of new programs and service methods that allows companies to successfully compete in this market. Among the major changes in technology, you can highlight recently introduced e-tickets, boarding passes with barcode, self-check-in desks for passengers, which made travel more convenient and simplified for people.

The presentation of such technologies takes place at the International Passenger Symposia (WPS). In 2012, one of them was held with the participation of 600 world leaders representing all major participants in the tourism industry chain, including airlines and airports, technology companies and travel agencies. Here we considered various technologies that simplify all processes for customers, which is the main goal of airlines.

Firms, in order to maintain their competitiveness, should follow the trends in technology changes in the airline industry. The timely introduction of automated service methods improves the quality of services provided, as well as the competitiveness of the company, which is an essential factor in the success of the company.

Thus, the airline industry is influenced by the state, external economic and internal economic factors, changes in the scientific and technological environment, changes in society, and each company must take into account these many factors to maintain its competitiveness and further development.

The construction of airline quality system that is used for decision making in management process

Common flight far and wide is growing all around quickly, expanding the volume of air transportation, expanding the armada of flying machine (flying machine) in every single world carrier. This advances new assignments and difficulties confronting common aeronautics (GA).

In the advanced world market economy, the quality issue is the most significant factor in raising the way of life, financial, social and natural security. Quality is an unpredictable idea that describes the adequacy of all parts of the exercises of ventures, specifically aircrafts: the advancement of a movement methodology, the association of creation, promoting, the improvement of mechanical procedures, and so on. The most significant segment of the entire arrangement of item quality (or administration gave). The International Organization for Standardization (ISO) decides the nature of items (standard 9000-2005). Fundamental arrangements as a lot of properties and attributes of items (benefits) that enable them to meet the foreseen necessities they are relied upon to give.

In the ISO standard, the accompanying definition is given. "Quality - how much the inalienable attributes meet the necessities." Accordingly, the expression "innate" signifies accessible in something and, most importantly, this alludes to the consistent attributes, consequently the need emerges for the development of proper attributes (pointers) of the action of a particular carrier so as to evaluate the adequacy of its exercises. Review that, as per ISO benchmarks, productivity is characterized as the connection between the last accomplished consequences of the aircraft's exercises with the assets spent to accomplish this outcome. Thus, the presentation markers of the carrier's exercises can match with execution pointers, for instance, pointers describing the wellbeing of flights because of the aircraft's tasks. In the meantime, security execution pointers in the system of value markers must meet the set up necessities for guaranteeing a given dimension of wellbeing and similar wellbeing execution pointers ought to be associated with the assets spent to accomplish the outcomes got.

In according to the ISO standard, the product life cycle includes 11 stages:

1. Marketing, search and market research.
2. Design and development of technical requirements, product development.
3. Material and technical supply.
4. Preparation and development of production processes.
5. Manufacturing.
6. Control, testing and maintenance.
7. Installation and storage.

8. Distribution and sales of products.
9. Installation and operation.
10. Technical assistance and services.
11. Disposal after testing.

Pressures on costs and profitability

The development of minimal effort focused bearers (LCCs) has made benefit in European FSC. The efficiency of these bearers, particularly medium-sized and littler FSCs, which don't fly on progressively gainful long-remove courses, that was best case scenario uneven. From 2000 to 2014, European FSCs expanded their total benefit of \$ 21 billion and furthermore endured misfortunes of \$ 12 billion. In the interim, LCCs have reliably made productive undertakings, notwithstanding amid the subsidence after 2008, involving a huge piece of the pie (about 30% and developing) and acquiring a benefit of \$ 11 billion with no misfortune making years. FSCs remain fundamentally unrewarding due to their surprising expenses related with the heritage and their absence of adaptability in managing supply to change the dimension of interest. Whatever different advances, FSC faces the developing need to rebuild its expenses and tasks.

In spite of the way that all aviation routes are right now profiting by low fuel expenses and escalated traffic development, the whole deal fragment is a genuine danger in numerous ways. To begin with, he designs one of the biggest developments of intensity ever of industry. Furthermore, Middle East and Asian organizations with a full scope of administrations with noteworthy points of interest as far as expense and nature of administration are ending up increasingly dynamic in Europe. For instance, Etihad

Airlines purchased shares in Air Berlin and Alitalia and gained 15% of the International Airlines Group (IAG), the parent organization Qatar Airways, British Airways, Aer Lingus, Iberia and Vueling. At last, more LCC, which verifiably centers around short-haired rotals, go long separations. The Norwegian air transport as of now has long-remove flights to Asia and North America. The Icelandic CEO of Wow Air told Reuters in March 2016 that the LCC trusts they can get 25% of the transoceanic travel showcase. At present, the carrier serves four US urban communities.

New Price Model to Increase Profit

Traditional price strategies

Today, the most popular pricing method is cost plus price. Here, a margin is simply added to the costs. The second important method is the price linked to the competition. The prices are determined by the prices of the competitors.

The two strategies have numerous detriments. Since the basic presumption sets the cost or decides the expense to pay. This is likewise off-base. Since the readiness of the purchaser to pay that cost is identified with the apparent esteem and is resolved along these lines. There are expenses and you include an edge. You will think about the edge here, however it isn't certain whether the cost is acknowledged by the market and whether an edge is fed.

The reality of new era

The best thing is to value the esteem and the cost appropriately. Obviously, an organization has to comprehend what it needs. Is the ideal position low or high? The vital choice must be settled on before a choice on an independent item is made.

The best way to tell if the cost truly mirrors the estimation of the item is to comprehend the genuine esteem. To have the option to make a decent value, we have to perceive what the esteem is from the customer's perspective. This is something that is important. On the off chance that you don't comprehend this esteem, you simply need to figure. Prices usually go down when things get bad. This is one of the most faulty reactions. It may not help the sales volume, but it cuts the margins and may cause further problems for the company. The primary requirement here is to understand the problem. The answer might be to increase the price and value. Price reductions can be dangerous.

Consumer located in the center

The price has many effects on consumers. First of all, the price is sacrifice that the consumer has to do to get that airline. But the price usually points to quality. In this sense, high price means high quality. Finally, the price can be a very important status symbol. An example of this is luxury planes.

Consumers should now be at the center of the price fixing process. The only way to determine the price correctly is to understand the value that the product expresses for the consumer.

Here I can give an example of a luxury airline company, Azal. We have done some research in the past years. Despite the extremely high prices, we saw more sales than they had expected. This quality shows that people are willing to pay for something that is a symbol of luxury and status.

I can give an example from the low-priced side. For example, airline companies that sell cheap tickets are very successful. Because they offer only the basic products, air transport.

They move from point A to point B at extremely low prices. They are issuing all other luxury services at a flight.

Three critical hands beware

There are 3 elements to consider in pricing; Product is value for the consumer, cost and competition. They are all important and should not be neglected. When they are neglected, it is likely that failure will come.

If you do not understand your costs, your price will not give you enough margin. Your head goes in. In a competitive environment, if you determine your price far above other competitors, your market share will remain very small or fall.

If you set a price well above the value of your product for the consumer, your customers will not buy that product. If you determine your product price well below its value, you can reach high sales figures and get market share from your competitors. But they respond immediately and a price war can begin. The price war can also lead to disasters. For all these reasons, all three elements must be well balanced and well observed.

What built the right price?

Price has a strong impact on income, profitability and growth. In the aviation industry, companies like RyanAir, Azerbaijan Airlines and Turkish Airlines set all their strategies on low and aggressive pricing policies. They also achieved strong growth.

On the other hand, we see other companies that are extremely successful with high price policies. On the airlines, Lufthansa, Air France are high and Ryanair has achieved success and growth with low price applications.

Managers must comprehend the estimation of their items so as to know whether the value level is correct. Just along these lines would they be able to know whether their costs are right. The wellspring of the appropriate response is that you can all the more likely comprehend what the client sees. Estimating is increasingly about that.

During the price increase, communication should be given weight, quality, good service and brand should be emphasized. In addition, they should be given signs that the price increase will be made to the opponents in order for them to be able to watch. If the company does not monitor the company then the company may not be able to raise the prices. Because, then they may lose market share. For this reason, they should announce the price increase in advance and see whether the competitors will watch it. If there is no indication that they will raise the price from the competitors then that company may give up the price increase.

There is a solid connection among cost and quality. Since higher quality is quite often connected with greater expenses. This is the reason, obviously, there are special cases where the organization can offer high measure yet low-evaluated items as a result of the ease of generation. Be that as it may, this is certainly not an exceptionally basic event.

Qatar Airways

From Qatar Airways Center in Doha, the nation's capital, the carrier has built up a worldwide system of in excess of 206 traveler and load air ship from in excess of 150 goals, including Europe, Middle East, Africa, South Asia, Asia-Pacific, North America and South America. In 2010, Qatar Airways propelled flights to 10 new goals, including: (Bangalore), Tokyo, Ankara, Copenhagen, Barcelona, São Paulo, Buenos Aires, Phuket, Hanoi and Nice. Another noteworthy year for Qatar Airways in 2011 was the dispatch of flights to 15 goals with an accentuation on Europe - Bucharest, Budapest, Brussels, Stuttgart, Venice, Oslo and Sofia. Other new courses included Siraz (Iran), Medina (Saudi

Arabia), (Calcutta), Entebbe (Uganda), Chongqing (China) and section to Canada with three week after week flights to Montreal.

Qatar Airways continued its unprecedented growth and innovation as Qatar's state flagship in fiscal year 2017, improving networking for Qatar residents and presenting Doha as a global link to millions of global travelers. The connection of the world remains at the heart of our business, whether business or private, in our global network. With the introduction of 10 new destinations in the global airline network in 2016/17, we have expanded the network of routes to more than 150 destinations in Europe, the Middle East and Africa, the Asia-Pacific region and the Americas.

Financial highlights		Fiscal 2017	Fiscal 2016
Revenue and other operating income	QAR m	39,387	35,681
Operating profit	QAR m	2,092	3,015
Operating margin	%	5.3	8.5
Profit attributed to owner	QAR m	1,972	1,621
Profit margin	%	5.0	4.5
EBITDAR	QAR m	10,545	9,354
EBITDAR margin	%	26.8	26.2
Total assets	QAR m	99,722	93,760
Cash assets	QAR m	19,744	22,785
Debt to equity ratio		0.33:1	0.34:1
Employees	Employee numbers at fiscal end	43,113	39,369

Airline operating statistics		Fiscal 2017	Fiscal 2016
Passengers carried	Number '000	32,007	26,654
Cargo carried	Tonnes	1,153,825	954,191
Available seat kilometres	Million	185,208	151,980

Qatar Airways revealed a net benefit of \$ 1.97 billion. (US \$ 540 million) for the 2016/17 monetary year, an expansion of 21.7% contrasted with a net benefit of \$ 1.62 billion in fiscal year 2016. The overall revenue was 5% contrasted with the earlier year at 4.5%. Transporter Gulf Carrier accomplished offers of 39.4 billion QAR, which is 10.4% more than in the earlier year. The Qatari expense year of 2017 was from April 1, 2016 to March

31, 2017. As of monetary year 2010, the aircraft had 32 million travelers, an expansion of 19.8%.

Airline companies are increasingly diversifying their flight networks by increasing the number of destinations they provide for flights, as well as for various financial, economic and managerial collaborations. The first examples of airline mergers began in 1985 in the United States, Delta Airlines, United Airlines, American Airlines, and Northwest Airlines have been taken over by these conglomerates. The emergence of British Airways and Air Canada has led to the seizure of the management of several small airlines. Today, "seizure" is the most common form of aviation is one of the methods of purchase and purchase and merger used.

Chairman's letter

Significant achievements

Amid the year, we confronted troublesome monetary conditions. Moderate development of key developing markets, vulnerability about the US shortage, the progressing emergency in the euro territory and proceeded with high oil costs have made a solid achievement for our industry.

These conditions, in the same way as other of our rivals, definitely influence our work. To have the option to declare a low working loss of 23 million euros to uncommon positions, a strong outcome is because of a turnover of 18 billion euros.

This year we have recognized a number of extraordinary articles. The three most important factors relate to the integration costs of British Airways, the restructuring of Iberia's expenses and the amortization of some intangible assets as well as the goodwill of Iberia.

In fact, 2012, our second full year of work, has been a year of significant progress in the IAG.

IAG unites two of the main aircrafts in the UK and Spain, empowering them to grow their essence in the avionics advertise. Aircraft travelers and load clients profit by a bigger consolidated system.

IAG can expand on the qualities and initiative of aircrafts in their separate markets - British Airways in North America and Iberia in Latin America - and reinforce their situations in Europe and Africa together. Aircrafts have corresponding systems, and the merger will enable the IAG to improve getting ready for future limit by upgrading the system through its two center airplane terminals London Heathrow and Madrid Barajas.

Financial Services Sales increased 10.9% for the full year, while our fuel account increased by 20.4% and non-fuel costs by 11.6%.

At the operational dimension, 2012 was the narrative of the two carriers. English Airways recorded a decent year with a working benefit of 347 million euros. While London remained generally confined from the continuous subsidence in the UK, British Airways saw solid development in premium rush hour gridlock. However, Iberia saw its misfortunes keep on ascending to 351 million euros, because of the progressing shortcoming of the Spanish economy and its very own auxiliary issues, which we are currently attempting to tackle genuinely.

All things considered, the rationale of making the IAG was repeated during the time as we kept on utilizing the cooperative energy of expenses and incomes from the joined business. As in 2011, we surpassed our objectives and accomplished funds of € 313 million amid the year. This number, which even surpasses our objective for the center of the time of € 270 million gratitude to a solid last quarter, is unordinary.

Accomplishing cost reserve funds for cooperative energies is generally simple. Be that as it may, to accomplish offers of this extent requires genuine experience, which for me is a standout amongst the most satisfying parts of the merger up until now - not least since it mirrors the phenomenal work of IAG's representatives and conveys genuine advantages to clients. This additionally features the significance of an engaged group at the leader of the IAG, allowed to move far from everyday business and spotlight on vital objectives.

We will need to invest in IT and maintenance to sustain momentum in 2013, but we are confident that it will continue.

Numerous aircrafts have joined forces with different carriers to build benefits while lessening working expenses. Aircrafts that have banded together with different carriers are referenced to share everything to a bigger organization. A case of this is the upkeep (MRO), the dispersion of faculty, air ship and stopping at air terminals. With respect to operational pointers, for example, the progression of the European single market and the scattering of reciprocal air administrations understandings between various districts and nations, aircrafts will in general look for remote carriers working in various areas of the world. (In spite of the fact that the carrier has comparative merger attributes, it doesn't hope to turn into a merger as any aircraft can join or leave the union whenever, making the two gatherings lose piece of the overall industry since they are not vital issuing or selling shares.)

Year	Partners
2002	Ryanair-Buzz
2002	EasyJet-Go Fly
2004	Copa Airlines-Aerorepublica
2004	Air France-KLM
2004	Atlantic Southeast-SkyWest Airlines
2004	Deutsche BA-Germania
2005	Lufthansa-Brussels Airlines

2005	US Airways-America West Airlines
2005	Maersk Air-Sterling
2005	Republic Airways-Shuttle America
2006	Airberlin-Deutsche BA
2006	BA Connect-Flybe
2007	Avianca-Taca
2007	Norwegian-FlyNordic
2007	easyJet-GB Air
2007	Airberlin-LTU
2007	Indian Airlines-Air India
2008	Lufthansa-BMI British Midland
2008	Lufthansa-Austrian
2008	Delta Airlines-Northwest Airlines
2008	Republic Airline-Midwest Airlines
2008	ClickAir-Vueling Airlines
2008	Kingfisher-Air Deccan
2009	Republic Airline-Frontier
2009	China Eastern Airlines-Shanghai Airlines
2010	TAM-Lan Airlines
2010	British Airways-Iberia
2010	United Airlines-Continental
2010	GOL-Webjet
2011	Southwest Airlines-AirTran
2011	Skyways-City Airlines
2011	TRIP-Azul Airlines

Airline companies increase the union

For the one time, the financial emergency that influenced the whole world, beginning with the United States, has prompted an approach of "combining powers" that enables carriers to contend all the more adequately and beneficially available.

In the United States, Delta and Northwest Airlines converged to frame the world's biggest carrier organization, with 35 billion dollars of dollars, 750 aircraft in its armada and 75,000 workers. This merger caused worry in the segment that it could prompt a rebound on the lines they were rival and that ticket costs could increment.

The second merger was between Continental Airlines and United Airlines. American Airlines, which has been restructuring under bankruptcy protection since 2011, ended its merger efforts with US Airways on February 14th on the persistent desire of its creditors, despite being among the giant airlines in the US.

The elements, for example, persistently expanding fuel costs in the merger choices and contending with the undeniably less expensive aircrafts with pieces of the pie assumed a job. After the updates on chapter 11 and merger past the sea, what will occur in Europe has started to be talked about. The biggest association in Europe, which marked with Air France and KLM Airlines in 2003, is making remarks that more associations can find in the coming years. While Poland is setting out toward privatization in the segment, Spain's Iberia carriers organization has declared it will converge with British Airways.

The Armenian National Airline "Armavia Air", which has been standing with the support of some Russian companies in the last 3 years, has declared its bankruptcy.

The airline companies in Europe are as follows:

The Polish government has drafted a bill to privatize the freely possessed LOT aircrafts organization, which is under gigantic obligation on April 2 and is said to assume control over Turkish Airlines for some time. Authorities state the organization lost \$ 50,000 every day as a result of two unused Boeing 787 air ship, in spite of the new procurement.

On February 18, specialists challenging the choice to expel 3,807 individuals from their activity as a feature of Spanish aircraft Iberia's merger with British Airways and its

rebuilding. The gatherings concurred that Iberia would lessen the quantity of contestants to 3 thousand 141 and that the procedure would be stretched out until 2015.

Bosnian Transport Minister Enver Bijedic said a month ago that the state carrier organization Bosnia Airlines (BHAirlines) was unfit to take off because of obligations and countenances the likelihood of liquidation. Clergyman Bijedic said that flights to Bosnia Airlines were ceased in view of the obligation of \$ 4.6 million to the Austrian bank HypoAlde Adria Bank. Germany's Bremen-based OLT organization reported that it stopped every one of its flights on January 28th. A representative for the OLT said arrangements with the Dutch venture organization were ineffective and were petitioned for financial protection.

SAS, the Scandinavian aircraft organization, reported a reserve funds bundle of 3 billion kronor toward the finish of a year ago. Toward the start, there were reports that the organization was in a troublesome circumstance and that it experienced issues reimbursing the advances it got and that the organization was in a financial emergency. Stockholm Stock Exchange authorities said they needed data on the news that prompted the organization's offers being influenced.

Growth in Indonesia, crisis in Bahrain

Outside Europe, Bahrain Airlines has chosen to stop its tasks and sell its offers on February thirteenth. In the announcement made, it was expressed that the political emergency in the nation was excessively obtained because of the negative impact of the economy.

The French Presidential Palace has announced that Indonesia has ordered 234 Airbus aircraft worth 18.4 billion euros for the national Lion airline. The said procurement of airplanes was "the biggest purchase" in the field of civil transportation.

Good estimates for IATA

Then again, the International Air Transport Association (IATA) has appeared in the flight segment in the worldwide economy by raising aircrafts' 2013 benefit estimates.

Representing 80 percent of all aircraft organizations around the globe, the association made an absolute industry benefit gauge of \$ 10.6 billion, recently revealed as \$ 8.4 billion. The association featured the developing traveler and payload advertise in the aircraft business every year notwithstanding the worldwide emergency and rising fuel costs.

For summarizing,

After the monetary emergency in 2008, the flight business in the United States has experienced various combinations, including the merger of Delta Air Lines and Northwest Airlines in 2008, the merger of United Airlines and Continental Airlines in 2010, the United States in 2011 Fusion of Southwest Airlines and Air Train Airways just as the merger of American Airlines and US Airways in 2013. Amid a comparable time allotment as in the United States, a huge solidification through mergers of carriers, it occurred in Europe just as changes in the focused scene of the landmass, Mergers include a noteworthy number of exchanges in organization stock. Hypothetically, vivacious exchanging will be dynamic exchanging stocks amid the declaration of the merger with an end goal to benefit from wasteful aspects in market costs, in the meantime to make terminating exchanges that balance one another and fixed salary benefits. By and by, notwithstanding, it isn't evident whether the aircraft Fusion is watching the circumstance portrayed above and merits our examination, as carrier mergers are financially significant, and incorporate billions of dollars in exchanges and expenses. This investigation centers around the instance of a merger with Iberia-British Airways, Air France-KLM and Lufthansa (Switzerland, Austria and Brussels), the biggest flying gathering in Europe as

far as traffic volume, size and market capitalization. Universal Consolidated Airlines Group, S.A. (IAG) is a British-Spanish global holding organization established in January 2011 through the merger of British Airways (UK) and Iberia (Spain). English Airways and Iberia consented to a temporary merger arrangement in November 2009. In April 2010, subject to the required administrative endorsements, British Airways and Iberia consented to a full merger arrangement with the foreseen culmination date toward the finish of 2010. The merger with British Airways and Iberia shut on 21 January 2011 and the IAG shares started in London and Madrid Trade trades on January 24 of this current year. Lufthansa (some of the time likewise renamed Lufthansa German Airlines Lufthansa German Airlines) is the leader of Germany, just as the biggest aircraft in Europe, both as far as the complete number of travelers and the quantity of armadas in mix with its auxiliaries. Notwithstanding the Lufthansa carrier itself, Lufthansa AG is likewise the parent organization for a few different aircrafts, including Swiss International Air Lines, Austrian Airlines and German wings. On March 22, 2005, the Swiss worldwide flight lines were gained by the Lufthansa holding organization. The procurement incorporated the arrangement that most investors (the Swiss government and huge Swiss organizations) are offered a payment if the cost of Lufthansa shares is in front of the aircraft's file in the years after the merger. The two organizations kept on working independently. On September 15, 2008, Lufthansa Group reported the obtaining of a stake in Brussels Airlines. In June 2009, the EC Commission got the endorsement of the administrative body for the key organization of ITO. Between Brussels Airlines and Lufthansa this choice made ready for Lufthansa to procure 45% of the first SN Airholding SHARES SA/NV, Brussels Airlines parent organization. Lufthansa has the chance to purchase the staying 55% of Brussels Airlines until 2017. In September 2009, Lufthansa obtained Austrian Airlines. Air France-KLM is the consequence of a merger in 2004 between Air France and KLM. In October 2005, Air France Cargo KLM Cargo, two payload backup organizations of the gathering, joined their business exercises. As of now, the Joint Cargo

Management Group deals with the association around the globe from the Netherlands. Mergers are a typical practice in business. The key idea of the merger is that the organization can extend its business and increment the estimation of investors through the procurement of another organization. When in doubt, mergers can be separated into two principle types: centering and enhancement. Centering of mergers can be clarified as "purchase your rivals". This sort of merger happens when an organization purchases another organization that has a comparative market introduction and structure of movement. In this manner, purchasing its rival, the current organization would like to build its pieces of the overall industry and make an investor esteem. Lufthansa and Swiss-Austrian mergers may have a place with this sort, as carriers had many covering regions before mergers, and both existing organizations acquire piece of the pie on their courses after mergers. The second kind is broadening, which implies that the organization can extend its administrations by getting another organization that centers around another market. The merger of British Airways and Iberia and Air France-KLM ought to be incorporated into this class, as Air France acquired a solid Asian and African system (the current one was extending) and improved access to north western Europe by means of KLM after the merger, and the IAG had the option to gain European and utilize worldwide economies of scale (an expansive system of Iberia in South-Eastern Europe and South America and a system of British Airways on the North American and British islands). Despite the fact that mergers and acquisitions have all the earmarks of being a powerful method to rapidly support an organization, it is observationally misty whether speculators will respond to a merger declaration. **(Appendices 5)**

Conclusion

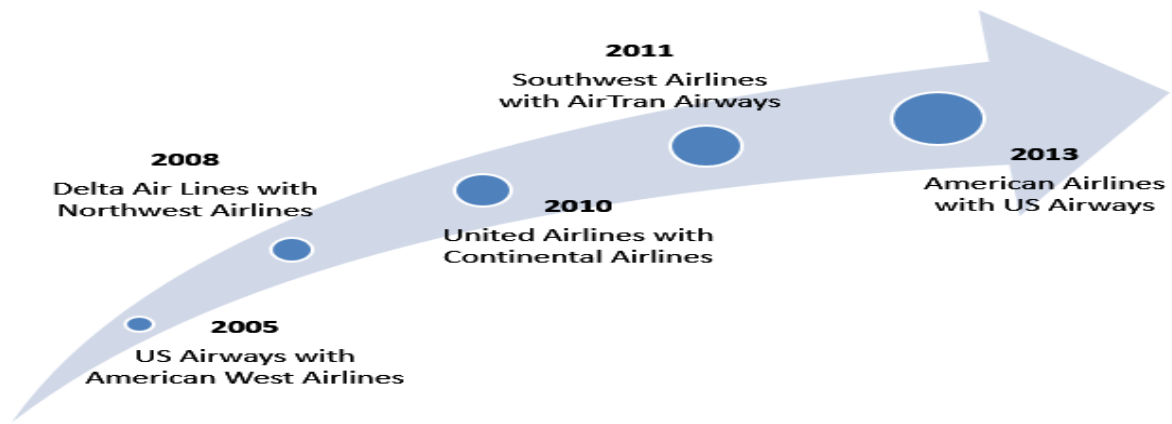
As a result, I must say that airline companies have a great role in our life. Because, for most transactions, we use planes for decreasing distance between destinations, or decreasing time and etc. My topic has covered the financial performances of some

companies in aviation sector that they were willing to increase their profit and cope with the competition in the international market. Some of them think monetarily and decline cost of ticket, fuel cost, increment stocks, piece of the overall industry, etc. In settling on choice on the board procedure, some of them converge with one another, and the reason of why they blend – these that are seen above in subtleties. At the point when two merger cases are broke down, it appears that the principle objective is to build benefits, grow piece of the pie, differentiate items and increase upper hand. Turkish Airlines bought the 49% stake of Air Bosnia so as to enter the Balkan Countries showcase and grow its piece of the pie. With the understanding made, the administration of the organization was together completed between the Bosnian government and THYAO. The way that the flights were done for Air Bosnia demonstrates THY's item expansion. In any case, it is significant for the maintainability of the understandings that the gatherings satisfy their shared responsibilities. The principle purpose behind THY's association isn't to satisfy the duties of the Bosnian Government, just as to always experience the ill effects of the organization. At the premise of the Pegasus-Izair-AirBerlin understanding, organizations want to profit by the travel industry versatility of certain urban areas in Antalya and Germany. To achieve this point, the cost favorable position of Pegasus' ability provider, Izair, consolidated AirBerlin's business power and endeavored to make an upper hand against contenders. Notwithstanding, when the budget summaries of Pegasus were analyzed, it was seen that the organization was always harmed by the speculation made in Izair. The two models inspected are significant in that they demonstrate the budgetary weaknesses that the associations can make. At the center of these misfortunes are the contradictions between the gatherings, the way that the profits of ventures are not very much anticipated, and the way that coalitions can't be sought after as wanted. Whenever mergers and acquisitions are made, organizations should be well-educated about their desires and the additional esteem they can accomplish. This procedure can't be dissected well or unforeseen components can confront deterioration rather than esteem included.

Organizations need to assess their future return evaluates well so as to evade impeded positions in merger and obtaining bargains. The swot investigation of both the obtained and combined organization, just as the organization that is the purchaser or the primary accomplice, can essentially lessen these unfriendly occasions. It has been seen that the organizations surveyed inside the extent of the examination don't figure their arrival assesses well, in spite of the fact that they appear to have closed understandings to distinguish and combine the qualities of the gatherings, specifically as per the SWOT investigation. Inside the extent of the examination, the money related detriments of mergers and acquisitions noticeable all around transport area were analyzed by assessing the understandings between the organization fiscal summaries and the organizations. The subsequent money related burdens have been assessed as far as organizations. The detriments are other various regions that are available to examination, particularly in traded on open market organizations, the effect of general sentiment and the effect of conveying stock to the organization. The examination can be valuable in provide guidance to new inquires about that should be possible in these subjects and to guiding analysts to these exploration subjects. So, that is what the financial performances in aviation sector – financial reports of airlines after mergers.

Appendices

1



2

US Airline Industry	1990	2000	2010	2015
Top 4 Airlines	- American Airlines - Delta Air Lines - US Airways - United Airlines	- American Airlines - Delta Air Lines - Northwest Airlines - United Airlines	- American Airlines - Delta Air Lines - Southwest Airlines - United Continental	- American Airlines - Delta Air Lines - Southwest Airlines - United Continental
Combined Market Share	68%	61%	65%	84%

3

EBT margin	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	10y- avg	5y- avg
Ryanair	23.4%	20.0%	20.2%	16.2%	-6.1%	11.4%	11.6%	14.4%	13.3%	11.7%	13.6%	12.5%
easyJet	-	6.2%	8.0%	11.2%	4.7%	2.1%	5.2%	7.2%	8.2%	11.2%	7.1%	6.8%
Turkish Airlines	4.2%	6.2%	5.0%	8.9%	21.3%	10.5%	4.3%	1.2%	9.4%	5.1%	7.6%	6.1%
Norwegian Air Shuttle	-12.6%	1.9%	-1.1%	2.7%	0.1%	8.5%	2.8%	1.5%	4.8%	2.7%	1.1%	4.1%
Air France- KLM	8.9%	5.5%	4.8%	4.7%	-5.0%	-10.0%	1.8%	-2.6%	-4.4%	-2.5%	0.1%	-3.6%
Air Berlin	1.6%	-5.8%	2.8%	-0.5%	-1.7%	-0.7%	-3.8%	-8.5%	-0.1%	-7.3%	-2.4%	-4.0%
Industry average						-1.6%	3.3%	1.8%	1.5%	2.5%		1.1%

4

OER	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	10y- avg	5y- avg
Ryanair	0.74	0.78	0.79	0.83	1.04	0.87	0.87	0.84	0.85	0.87	0.85	0.86
easyJet	-	0.95	0.94	0.90	0.96	0.98	0.94	0.92	0.91	0.88	0.93	0.93
Turkish Airlines	0.92	0.94	0.92	0.95	0.90	0.89	0.96	0.99	0.89	0.92	0.93	0.93
Air France-KLM	0.90	0.93	0.95	0.93	1.00	1.07	0.96	1.00	1.03	1.01	0.98	1.01
Norwegian Air Shuttle	1.13	0.99	1.01	0.97	1.05	0.92	0.98	0.96	0.94	0.94	0.99	0.95
Air Berlin	1.00	1.00	0.97	0.99	1.00	0.99	1.01	1.06	0.98	1.06	1.01	1.02
Average	0.94	0.93	0.93	0.93	0.99	0.96	0.95	0.96	0.94	0.95	0.95	0.95

5

Company	Mean	Standard deviation	Skewness	Kurtosis	J-B test* (P-Value)	Observations
Air France-KLM (trading volume)	-0.00626	1.47791	-0.07013	26.22563	0.001	1278
Air France-KLM (stock return)	-0.00018	0.02820	0.04245	5.02512	0.001	1278
British Airways (trading volume)	-0.00013	0.54035	0.10479	4.26195	0.001	1250
British Airways (stock return)	0.00064	0.02539	0.02471	4.16575	0.001	1250
Lufthansa Airlines (trading volume)	0.00053	0.51598	-0.51761	72.45555	0.001	1268
Lufthansa Airlines (stock return)	-0.00034	0.02026	0.06558	3.79145	0.001	1268

Market capitalization

2013	Type of airline	Passengers in millions	Aircrafts	Employees	Market cap in millions
Norwegian Air Shuttle	LCC	20.7	85	3965	€ 789
easyJet	LCC	60.8	217	8945	€ 6,061
Ryanair	LCC	79.3	305	9500	€ 10,502
Air France-KLM	FSC	77.3	552	95961	€ 2,277
Air Berlin	FSC	31.5	140	8905	€ 193
Turkish Airlines	FSC	48.3	233	3966	€ 2,726

Abbreviations

FSC – Full Service Carrier

LCC – Low Cost Carrier

IAG – International Airline Groups

ISO – International Standardization Organisation

IATA – International Air Transport Association

Bibliography

https://www.qatarairways.com/content/dam/documents/annual-reports/2017_Annual_Report_ENGLISH-WEB.pdf

1. Ковалев В.В., Волкова О.Н. Анализ хозяйственной деятельности предприятия. - М.: Проспект, 2000. (Kovalev VV, Volkova ON Analysis of the economic activity of the enterprise. - Moscow: Prospekt, 2000.)
2. Первозванский А. А., Первозванская Т.Н. Финансовый рынок: расчет и риск. - М.: Инфра-М, 1994. (Pervozvansky AA, Pervozvanskaya TN Financial market: calculation and risk. - Moscow: Infra-M, 1994.)
3. Хизрич Р., Питерс М. Предпринимательство или Как завести собственное дело и добиться успеха / пер. с англ. - М.: Прогресс-Универс, 1993. (Hezrich R., Peters M. Entrepreneurship or How to start a business and succeed. with English. - Moscow: Progress-Universe, 1993.)

file:///C:/Users/HP/Downloads/Mergers_and_Acquisitions_in_the_EU_low_cost_carrier_market-2013.pdf

https://www.researchgate.net/profile/Yusuf_Esmer/publication/323259624_HAVAYOLU_YOLCU_TASIMACILIGI_SIRKETLERININ_FINANSAL_KIRALAMA_ISLEMLERININ_KARLILIK_UZERINE_ETKISININ_OLCULMESI_AVRUPADA_FAALIYET_GOSTEREN_SIRKETLER_UZERINE_BIR_UYGULAMA_-_MEASURING_THE_IMPACT_ON_PROFITA/links/5a93c84fa6fdcccecff05df34/HAVAYOLU-YOLCU-TASIMACILIGI-SIRKETLERININ-FINANSAL-KIRALAMA-ISLEMLERININ-KARLILIK-UeZERINE-ETKISININ-OeLCUeLMESI-AVRUPA-DA-FAALIYET-GOeSTEREN-SIRKETLER-UeZERINE-BIR-UYGULAMA-MEASURING-THE-IMPACT-ON-P.pdf

References

<https://www.ukessays.com/essays/management/mergers-and-acquisitions-current-industry-scenario-management-essay.php>

<https://www.nibusinessinfo.co.uk/content/benefits-mergers-and-acquisitions>

<https://bizfluent.com/info-8199594-disadvantages-merging-companies.html>

<https://www.investopedia.com/articles/investing/102914/how-mergers-and-acquisitions-can-affect-company.asp>

<https://www.google.fr/amp/s/www.forbes.com/sites/greatspeculations/2016/05/04/how-ma-has-driven-the-consolidation-of-the-us-airline-industry-over-the-last-decade/amp/>

<http://www.frost.com/sublib/display-report.do?id=NC3A-01-00-00-00>

file:///C:/Users/HP/Downloads/Mergers_and_Acquisitions_in_the_EU_low_cost_carrier_market-2013.pdf

<https://www.qatarairways.com/iwov-resources/temp-docs/press-kit/The%20Story%20of%20Qatar%20Airways%20-%20English.pdf>

<https://lenta.ru/articles/2016/12/23/aviaeconomy2016/>

<https://cyberleninka.ru/article/n/riski-svyazannye-s-deyatelnostyu-aviakompanii>

https://www.qatarairways.com/content/dam/documents/annual-reports/2017_Annual_Report_ENGLISH-WEB.pdf

<http://atwonline.com/airline-financials/qatar-airways-reports-profits-217-fy2017>

<https://www.statista.com/statistics/691426/revenue-of-qatar-airways/>

<https://www.investopedia.com/terms/d/deregulate.asp>

<http://www.vestifinance.ru/articles/68742>

<https://www.havayolu101.com/2017/06/20/havayolu-sirketlerinin-faaliyet-kar-marjlari/>

<http://www.iata.org/pressroom/pr/Pages/2016-12-08-01.aspx>

