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## **Boeing jetliner orders decline, but backlog helps its outlook**

Boeing Co. on Thursday reported a sharp drop in orders for its passenger and cargo jets in April, as the troubled global economy continued to hurt demand from airlines and cargo services.

Boeing, the world's No. 2 plane maker after France-based Airbus, has grappled with weaker demand in recent months as the recession has forced airlines to cancel or postpone plans to buy new planes. Limited access to credit also has made it more difficult for potential customers to finance new aircraft purchases.

Customers have cancelled orders for 59 planes this year, all but two of them for the company's hot-selling but long-delayed 787, a next-generation aircraft built for fuel efficiency with lightweight carbon composite parts. That has left Boeing with a negative balance of one order for 2009.

In April, the Chicago-based aerospace company received orders for 17 jetliners, down from 58 during the same month last year, according to figures posted on the company's Web site.

Craig Fraser, an analyst at Fitch Ratings, said he was not concerned about the drop in orders.

"They still have a very big backlog," he said. "The key issue is what happens with production rates next year."

Planned production cuts forced Boeing to take a big first-quarter charge.

It also forecast lower earnings and aircraft prices for the year.

Boeing said it delivered 39 planes in April, down slightly from 40 delivered during the same month in 2008. The company gets paid for planes when they are delivered.

While airlines generally have been more cautious about ordering planes, they are still taking deliveries on orders placed before the recession.

Last month, AMR Corp.'s American Airlines began adding 76 new Boeing jets to its fleet, with deliveries running through 2011. The 737-800s will replace about a quarter of its aging fleet of McDonnell Douglas MD-80 jets.

Continental Airlines Inc. has 87 Boeing aircraft on firm order, with delivery planned through 2016.

At Boeing's annual meeting last week, Chairman and Chief Executive Jim McNerney assured shareholders that the company was in strong shape to ride out a "once-in-a-lifetime" downturn that has walloped its profits, jetliner orders and stock price.

He pointed to Boeing's huge backlog of orders, diversification between its commercial airplane and defence businesses and progress on its long-delayed 787, a next-generation aircraft scheduled to fly for the first time before July.

Shares of Boeing fell 67 cents, or 1.5 percent, to \$43.53 in afternoon trading Thursday.

Source: Daniel Lovering, AP, [registerguard.com](http://registerguard.com) - 8<sup>th</sup> May 2009

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## US Airways plans to raise \$150 million in stock, debt sale

US Airways plans to raise about \$150 million in a stock and debt offering, boosting its cash cushion at a time when Wall Street's eyes are on airline balance sheets because of the travel slump.

The Tempe-based carrier said it will sell 15.2 million shares of common stock and \$75 million in convertible senior notes due 2014.

The move comes on the heels of a surge in airline shares as executives at carriers suggest the worst is likely behind them as far as the recession goes.

US Airways' stock has gone from \$2 to \$5 since early March. The new financing was announced after the stock market closed Wednesday.

US Airways is routinely at the top of some analysts' lists of the most financially vulnerable airlines in tough times. It was among those singled out last year during the oil spike and again last fall when the sour economy started to severely crimp business travel.

US Airways CEO Doug Parker has downplayed that characterization, noting that the airline has a strong cash balance relative to its size. As recently as last week, he said the company was not seeking additional financing.

Source: Dawn Gilbertson, [arizonarepublic.com](http://arizonarepublic.com). - 7<sup>th</sup> May 2009

"at the top of some analysts' lists of the most financially vulnerable airlines in tough times"

## Airbus cuts A380 production to 14 in '09

Airbus cut its planned production of A380 superjumbo jetliners this year to 14 from 18, in a move that threatens to further delay the long-troubled plane's prospects for turning a profit.

Unlike previous setbacks, which were caused by problems building the world's largest passenger plane, Airbus blamed the latest reduction in output on the global economic crisis and its impact on airlines.

"Customers approached us, and we are adapting our schedule to their needs," said Airbus spokesman Stefan Schaffrath. As recently as mid-March, Airbus had said it expected to deliver 18 A380s this year.

The cut is at least partly linked to previously announced delivery deferrals at Australia's Qantas Airways Ltd and Dubai's Emirates, people familiar with the matter said.

Airbus said the reduction will have "no significant impact" on earnings before interest and taxes this year. Airbus, a unit of Franco-German European Aeronautic Defense and Space Co, said it "will take mitigating actions against the negative effects" of the shift on free cash flow, such as purchasing fewer components.

Airbus said it plans to deliver "more than 20" superjumbos next year. Airbus Chief Executive Tom Enders last May said Airbus hoped to deliver between 30 and 40 superjumbos in 2010. Airbus has firm orders from 16 customers for 200 A380s, which carry a catalogue price of \$327 million each, although early customers received significant discounts, airline officials have said.

The superjumbo has been plagued by troubles since its first flight in 2005, when Airbus announced that initial deliveries would be six months late. Airbus later announced more delays due to production problems that pushed the plane program more than two years behind schedule and several billion dollars over its original \$12 billion budget.

Airbus initially said the programme would break even when it sold 270 superjumbos. In late 2006 it raised that figure to 420 planes, and has since stopped communicating a break-even

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figure. Extrapolating from currently announced production rates, Airbus will deliver roughly 155 superjumbos by the end of 2013.

Schaffrath at Airbus said the European jet maker sees a market for 1,200 very large aircraft over the next 20 years. Airbus currently has roughly 90 percent of that market, which includes an updated version of U.S. rival Boeing Co's older 747.

The cut in A380 output comes amid a string of production cuts on smaller models at Airbus, Boeing and Brazil's Empresa Brasileira de Aeronautica SA as airlines world-wide struggle with plunging passenger demand.

Airbus in February said it would cut deliveries of its popular single-aisle models to 34 planes a month from 36 and consider further cuts.

Boeing in April said it would cut production of its large 777 model to five planes a month starting in mid-2010 from seven planes a month now. Embraer early this year also announced production cuts.

Airbus on Wednesday reiterated plans to deliver roughly as many planes overall this year as it did last year, when it produced 483 jetliners, a record level.

Qantas, which already has three superjumbos in its fleet, said last month that it will take its next three A380s this year but defer the following four. One of those four was planned to be delivered this year and the rest in 2010, according to a person familiar with the airline's plans.

Emirates President Tim Clark said in March that the airline expects to get seven A380s in its current fiscal year, but one of those deliveries has shifted from December to next January.

Source: Daniel Michaels, [business.maktoob.com](http://business.maktoob.com) - 7<sup>th</sup> May 2009

“plans to deliver roughly as many planes overall this year as it did last year”

## Jet Airways to launch low-fare Jet Konnect

Leading private carrier Jet Airways will launch a new economy service, 'Jet Airways Konnect', from Friday on select sectors, the airline announced Thursday.

The company said in a regulatory statement that Jet Konnect would offer almost all services of the parent carrier and would help the airline cater to the needs of the consumers opting for low-fare services.

"The only difference will be that Jet Konnect travellers will have to buy their meals on-board," the company said. Both Jet Airways and its low-cost carrier JetLite now offer food to their travellers on-board.

The ground and in-flight services of Jet Konnect will be handled by the airline employees, the statement said.

Initially, it will operate with two 737 and six ATR aircraft in sectors like Chennai-Coimbatore, Chennai-Madurai, Chennai-Kochi, Mumbai-Ahmedabad, Mumbai-Bhopal, Mumbai-Udaipur, Bangalore-Pune and Bangalore-Mangalore.

"Consumer demands are changing rapidly in a dynamic global environment. We believe Jet Airways Konnect service will give us the flexibility and speed to deploy capacity to meet these changing trends," Jet Airways chief commercial officer Sudheer Raghavan said.

The company late last month had slashed salaries of its senior employees as part of its cost-cutting measures to cope with the slowdown.

Jet Airways' market share in the first quarter of 2009 stood at 25.3 percent, while Kingfisher Airlines was ahead of it with 27.2 percent.

Source: IANS, thaindian.com - 7<sup>th</sup> May 2009

"it will operate with two 737 and six ATR aircraft"

## Hainan Airlines slashes jet order

Hainan Airlines will cut its order of 50 Embraer jets by half due to the shortage of pilots and weak demand during the financial crisis.

Harbin Embraer Aircraft Industry Co Ltd, a joint venture by Hafei Aviation Industry Co Ltd and Brazil-based Embraer, will deliver 25 ERJ145 regional jets to the Hainan carrier by 2011, according to their new contract.

The venture signed a US\$1.1-billion contract with Hainan Air in 2006 to deliver 50 ERJ145 regional jets by the end of 2010, and the jet maker had already delivered 12 jets by March 2009.

"The financial turmoil and shortage of pilots made the two sides adjust the previous contract," Hafei, which holds a 24.5-percent stake in the venture, said in a statement to the Shanghai Stock Exchange Tuesday.

China's aviation regulator has unveiled several stimulus measures in a move to boost struggling domestic carriers, including urging them to cancel or postpone plane deliveries and park unnecessary planes, retire old ones and return aircraft leased from overseas.

China Eastern Airlines said on Monday that it would sell two Airbus jets for a total of 590 million yuan (\$US86.4 million) and lease them back to boost its cash flow.

Source: Winny Wang, shanghaidaily.com - 5<sup>th</sup> May 2009

"The financial turmoil and shortage of pilots made the two sides adjust the previous contract" - Hafei"

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## IBA launches a new repossession service and temporary registration in conjunction with the Isle of Man Aircraft Registry

Leading aviation consultancy, the International Bureau of Aviation (IBA), announces its new 'turnkey' repossession service and temporary registration in collaboration with the Isle of Man Aircraft Registry. The new service has been set up to provide a register for commercial aircraft while they transition from one operator to another.

Given the increasing frequency of financiers and lessors needing to deregister and transfer aircraft from non-

operational airlines to a safe and secure financial environment, IBA expects the demand for the service to increase rapidly.

Phil Seymour, IBA's President and Chief Operating Officer says, "In the event of a default that requires an owner, financier or lessor to repossess its aircraft, or if an aircraft is returned early from its lease, IBA can now arrange a swift seizure and a secure temporary home for the asset - thereby ensuring optimum maintenance, legal and financial security. IBA will provide the necessary Continuing Airworthiness Management support for the aircraft during its time on the Isle of Man Aircraft Register. The aircraft will be placed on the register on the condition that certain tasks and future airworthiness matters are performed under the management of the IBA Technical Services team."

Brian Johnson, Isle of Man Director of Civil Aviation, also agrees with the expected rise in demand and comments "It is apparent that financial institutions would benefit from more support during a downturn. Together with IBA we can now offer high quality resources that the industry will really benefit from through the provision of a fully ICAO compliant registry combined with Continuing Airworthiness Management services."

For more information about the new IBA repossession service and temporary registration please contact Phil Seymour on phil.seymour@ibagroup.com or Jennie Tewson on jennie@inter-relations.co.uk or +44 (0) 1403 218588.

#### ABOUT THE ISLE OF MAN AIRCRAFT REGISTRY

The Isle of Man Aircraft Registry was established on 1 May 2007 and has already registered 124 aircraft with many more in progress. The registry surveyors and staff have an extensive amount of experience in large airliners. Aircraft have already been registered from all the world's major business jet manufacturer's including the airliner variants from Boeing and Airbus. The largest aircraft currently on the register is an Airbus 340. The registry's supportive style, high service and quality standards have quickly gained it a worldwide reputation for excellence. Please visit [www.aircraft.im](http://www.aircraft.im), or contact Brian Johnson on brian.johnson@dti.gov.im or +44 (0) 1624 682358.

Source: IBA Group & Inter Relations & Company - 6th May 2009

"IBA can now arrange a swift seizure and a secure temporary home for the asset - thereby ensuring optimum maintenance, legal and financial security"

- Phil Seymour



## IBA Group News

Press Releases & Presentations can be viewed in the News & Views section of our website, [www.ibagroup.com](http://www.ibagroup.com)

### Conference Dates

12<sup>th</sup> - 14<sup>th</sup> May, EBACE, Geneva - Owen Geach and Mark Wooller will be attending

13<sup>th</sup> - 14<sup>th</sup> May - 14th Annual Aero-Engine Leasing, Trading & Finance Conference, Dublin - David Rushe will be speaking

18<sup>th</sup> - 19<sup>th</sup> May - 3<sup>rd</sup> Annual AirLaw Conference, London - Ross Elliott will be attending

19<sup>th</sup> May - Commercial Aviation Inside Air Finance, London - Phil Seymour will be speaking

### IBA Aircraft for Sales

2008 AgustaWestland AW139 Helicopter - MSN: 31121, Total Time: 916, Cycles: 780

2008 AgustaWestland AW139 Helicopter - MSN: 31142, Total Time: 419, Cycles: 223

2002 Embraer Legacy - MSN: 145505, Total time: 2281, Cycles: 1484

Please contact Mark Wooller for further details at [mark.wooller@ibagroup.com](mailto:mark.wooller@ibagroup.com) or call: +44 (0)1293 772743

*Airfinance Journal* and *Euromoney Seminars* present the 3rd Annual AirLaw Conference, 18th & 19th May 2009, Hyatt Regency - The Churchill, London.

As the aviation market is changing faster than ever before, making the correct legal decision and being aware of upcoming regulatory changes can be the difference between success and failure.

This timely conference will bring in-house legal counsels representing airlines, manufacturers, lessors, ECAs, insurers and financiers together with lawyers and regulators to discuss the key issues affecting the aviation industry in today's rapidly evolving market.

To register, please email your details to Karina Katysheva at [kkatysheva@euromoneyplc.com](mailto:kkatysheva@euromoneyplc.com)

## Phil Seymour's Notes on the Week

The conference season remains focused on the so called "funding gap". The gap is the difference between the value of the new deliveries and the availability of equity and debt to finance them. We assume that the export credit agencies and manufacturers finance teams are working overtime to bridge the gap. There is little doubt that the lack of liquidity is strangling some great opportunities not just for aircraft financing but for other projects such as engines and spares financing and airport and facilities developments.

Judging by Arsenal's comprehensive beating by Manchester United, there is also a funding gap in football. Keeping up with the big boys is tough but perhaps Arsenal are old fashioned and don't want the debt and/ or owner control that some have. Good luck to Man Utd and Barcelona in the final in Rome on May 27. I can now cancel my meetings I had planned in Rome that day.

The EBACE meeting in Geneva next week should shed some light on how the corporate aviation sector is holding up and the engine leasing session in Dublin may highlight how some of the larger airlines are turning balance sheet spare engines into cash.

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## Publications - 2009 Editions

Please contact [ross.elliott@ibagroup.com](mailto:ross.elliott@ibagroup.com) for more information.

Aircraft Values Book	Published in February & August 2009	£650 per year
Lease Rate Digest	Published in February & August 2009	£375 per year
Engine Values Book	Published in April 2009	£650 per year
Maintenance Cost Journal	Published Quarterly	£175 per year

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**As a leading independent aviation consultancy, IBA Group Ltd. offers technical advice, commercial business solutions & asset valuations for our worldwide client base.**

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