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SIA profits tumble by 92pc

Singapore Airlines (SIA) said that fourth quarter net profit dived 92 percent on year to S\$41.9m (\$28.5m) as the global slump hit passenger and cargo demand.

Net profit tumbled by S\$486m, SIA said in a statement, as revenue fell 19.1 percent to S\$3.32bn.

"The results reflect the severe deterioration in operating conditions in the fourth quarter," the carrier said in a statement.

It said "the decline in passenger and cargo carriage accelerated in the fourth quarter."

The profit was in line with a Dow Jones poll of analysts who had forecast SIA to earn S\$40m during the quarter.

SIA said it also lost S\$543m from hedging on fuel contracts when jet fuel prices were higher. Fuel costs were the airline's biggest expense.

The global airline industry has been hammered by the global economic downturn, which has crimped business and leisure travel. Dwindling trade flow also affected cargo revenues.

The International Air Transport Association has said that global airlines will lose \$4.7bn this year as a result of the economic crisis alone.

While advance bookings indicate the drop in demand was stabilising, recovery could be set back by uncertainties due to the recent outbreak of swine flu, SIA said.

"In the near term, promotional pricing and reduced business travel will keep revenue under pressure," it said in a statement.

"On the other hand, with (the) price of jet fuel currently at less than half what it was during last year's peak... there will be relief for expenditure."

For the full year, net profit declined 48.20 percent to S\$1.06bn. Full-year revenue came in at nearly S\$16bn, up slightly from S\$15.972bn the year before.

SIA suffered its first ever net loss in the three months to June 2003 after the Severe Acute Respiratory Syndrome (SARS) health outbreak grounded travel in East Asia. The net loss came in at \$312m at that time.

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Shukor Yusof, an aviation analyst with Standard and Poor's, said he was surprised by the extent of the profit plunge and said SIA may have to review its orders for the double-decker Airbus A380 and cut staff.

"It reinforces the severity of the situation," he said.

"I would imagine that they would have to re-examine whether they will have to further cut capacity and also whether the need would arise to lay people off."

Despite the drastic fall in net profit, however, SIA fared better than other regional airlines.

Japan Airlines, Asia's largest carrier, this month reported a net loss of 63.2bn yen (\$664.30m) for the 12 months through March, against a profit of 16.9bn yen the previous year.

It also predicted a net loss of 63bn yen for the current year to March.

Hong Kong's Cathay Pacific last month announced a 22 percent drop in first-quarter revenue, just weeks after it said it had lost more than \$1bn in 2008, the company's first full-year loss in a decade.

Australia's Qantas last month announced more job cuts, more than halved its profit forecast and deferred new plane orders, saying it had no choice if it hoped to weather the global downturn.

SIA carrier has implemented several cost-cutting measures to deal with the crisis, including shorter work months and grounding some of its planes.

SIA shares slid 52 cents to 11.60 on Friday before the announcement was made.

Source: AFP, thepeninsulaqatar.com - 15th May 2009

IBA's

Comment:

"Boeing and Airbus both have significant widebody backlogs and will be extremely wary of possible cancellations and deferrals from SIA, particularly for the A380"
- David Rushe

China Eastern receives US\$290 million injection from Chinese government

China Eastern Airlines said Wednesday it had received a government injection of 2 billion yuan (US\$290 million) to overcome difficulties amid the financial crisis.

The money will reduce the financial strain faced by China's third-largest carrier, Liu Jiangbo, a vice president of the parent company China Eastern Air Holding Co, said in a statement.

"China Eastern has recently received an injection of 2 billion yuan from the state," Liu said.

"Operations have maintained good momentum due to various reform measures and have improved from late last year," he said.

The latest capital injection brings the total amount of government aid awarded to the airline in the past six months to 9 billion yuan.

China Eastern suffered a net loss of 15.3 billion yuan last year because of falling passenger numbers, rising fuel costs and bad bets on fuel hedging contracts.

China Eastern said last week it was selling two Airbus A340 jets for 590 million yuan to improve its cash flow.

The Shanghai-based airline said in a statement its net profit for the first three months of the year totalled 40.1 million yuan, down 81 percent from 210.8 million a year earlier.

The carrier said revaluation gains of 422.0 million yuan in its fuel hedging contracts for the first quarter on higher international oil prices help offset losses from weak travel demand.

China Eastern and its bigger rivals, China Southern Airlines and Air China met strong headwinds last year as a slew of natural disasters and a slowing economy hit air travel.

Passenger demand has recovered thanks to Beijing's aggressive efforts to prop up economic growth, with volumes up 14.6 percent in the first quarter, according to the Civil Aviation Administration of China.

Analysts said improved passenger numbers and the latest cash injection were unlikely to improve China Eastern's overall financial position given its massive debt, which exceeded its total assets by ten billion yuan at the end of March.

"It will lower its financial [debt-related] expenses but the

"it was selling two Airbus A340 jets for 590 million yuan to improve its cash flow"

impact is likely to be minimal for such a big company," said Huang Jinxiang, a Beijing-based analyst with Guosen Securities.

"Even if it managed to be profitable this year, it would be insufficient to lower its debt ratio significantly," he said.

The outlook for China Eastern and the whole aviation industry this year is now highly dependent on the severity of the A(H1N1) flu epidemic, which would weaken air travel, Huang said.

"They would have swung back into profit had it not been for the flu fears," he said.

Source: Daniel Michaels, taipeitimes.com - 14th May 2009

GE Aviation testing new engines

GE Aviation and partner Snecma are on their way to developing an engine for the next-generation of narrow-body jetliners even though those planes will not be flying for a decade or more.

The partners in the best-selling CFM56 engines powering the latest Boeing 737 and Airbus A320 jets gave the aviation trade press a peak at development efforts for the so-called Leap-X engine in Evendale and at GE's Peebles test facility on Tuesday and Wednesday.

"It's a long journey. It's a five-year process to get to the engine you want," said Chaker Chahrour, executive vice president of the CFM joint venture, which expects to produce about 1,200 engines this year between Evendale and Snecma's operations in France.

The Leap-X development effort, announced at last summer's Farnborough Air Show, represents a significant portion of the \$1 billion GE Aviation spends annually on research and development.

While GE and Snecma do not know what airplane their new engine will power, they know how they want the engine to perform. CFM says the new engine will be ready by 2016, achieve 16 percent lower fuel consumption than today's best CFM56 engine, with less noise and nitrogen oxide emissions

"take a lot of the sophisticated technology developed over the last two decades for GE's large GE90 and GENx engines for the wide-body market and bring it to the smaller passenger market"

while maintaining reliability and maintenance standards of the CFM56 fleet.

To get there, Chahrour said GE and Snecma want to take a lot of the sophisticated technology developed over the last two decades for GE's large GE90 and GENx engines for the wide-body market and bring it to the smaller passenger market.

It is not just a simple matter of shrinking the engine's size, GE engineers say.

The big engines on the wide-body jets fly long trans-continental routes, but they may make only one or two takeoffs and landings a day.

The CFM56 engines are the workhorses of commercial passenger traffic, making up to 10 takeoffs and landings in a single day. CFM says one of its 20,000 engines in service takes-off every three seconds, every day.

To achieve both increased durability and reduce weight to improve fuel efficiency, GE and Snecma have turned to new, woven composite fan blades and fan cases.

The woven fibre fan blades on Snecma's MASCOT fan demonstration engine, now undergoing acoustics and crosswind tests at Peebles, are designed to take about 1,000 pounds of weight out of the aircraft while maintaining the same durability to withstand bird strikes of CFM's existing engines.

At the same time, GE engineers at Evendale this week are preparing the first Leap-X engine core tests of some of the advanced aerodynamics and materials in components developed over the last few years.

Starting next month, GE will be running more than 100 hours of tests on the core, which consists of the compressor, combustor and turbine sections. The core tests at Evendale are the first of three that are planned leading up to a full engine demonstration in 2012.

While moving forward with the Leap-X development, GE and Snecma are keeping their options open for even greater fuel efficiency in light of higher fuel prices.

This summer GE will team with NASA Glenn in Cleveland for wind tunnel tests of the open rotor counter-rotating fan blade system that could improve fuel consumption by 26 percent over today's CFM engines.

Source: Mike Boyer, cincinnati.com - 13th May 2009

IBA's

Comment:

"If the Leap-X delivers the improvements envisaged, it will match Boeing and Airbus' requirements for running cost reductions for narrow-body replacements despite the fact that neither manufacturer has committed to date for market entry"
- David Rushe

Iberia announces cost-cutting plan

Spanish airline Iberia said on Tuesday it would make cost cuts after it posted a first-quarter loss of 92.6 million euros (126 million dollars) as the global economic crisis caused demand to slump.

The company, which is discussing a tie-up with British Airways, posted a 0.4 million loss during the same time last year.

The cost-cutting plan, which will be applied immediately, will enable the airline to cut losses by between 110-125 million euros and it foresees a drop in investment spending of between 80-90 million euros, it said in a statement.

"The plan slashes capacity, payrolls, purchases and external costs, and calls for a review of scheduled investments," it said.

Temporary hiring contracts will not be renewed and all new hiring will be frozen while a moratorium on pay rises and a freeze of executive salaries is under study.

The company will also withdraw five Airbus A320s from service and postpone the delivery of new aircraft.

Iberia said revenue passenger kilometres - a key measure of traffic on its flights - fell 9.5 percent during the first three months of the year due to weak ticket sales in most markets, especially at home in Spain.

"This was aggravated by a steep decline in business travel, and strong downward pressure on fares," it said in a statement.

The passenger load factor fell in the first quarter from the average during the same time last year by 2.9 percentage points to 76.5 percent.

Last month Iberia said it expected to record a net loss for 2009 if the current "exceptionally difficult" market conditions persisted. It posted a net profit of 32 million euros in 2008, a 90.3-percent drop on the previous year.

Source: AFP, bakersfieldnow.com - 12th May 2009

"The plan slashes capacity, payrolls, purchases and external costs, and calls for a review of scheduled investments"
- Iberia

Sukhoi says Armenian airline to receive first Superjet 100 soon

According to RIA Novosti, the first Sukhoi Superjet 100 passenger airplane will be delivered to Armenia's national airline Armavia, the Russian aircraft maker announced on May 11.

Sukhoi Civil Aircraft's public relations director Olga Kayukova said that Armavia would be the first recipient of a Superjet 100 because it had ordered a plane with a basic configuration. She added that the airliner was in the final stages of assembly and would be delivered soon.

"Configuration is determined by the customer," she told journalists. "The simpler the configuration, the simpler it is to make the aircraft."

Kayukova said the list price of a Superjet 100 was \$28 million, but each aircraft was individually priced depending on the configuration.

She said 98 orders had been received, including 30 from Russian flagship carrier Aeroflot and 10 from Italian companies. "Some down payments have been received," she said.

Sukhoi's general director, Mikhail Pogosyan, admitted that financing the construction of the planes was a problem.

"We cannot resolve this without government support," he told journalists on Monday, adding that during the financial crisis "airlines do not possess the necessary financial stability to invest in the production of aircraft."

The Superjet 100 project is a family of medium-haul passenger aircraft developed by Sukhoi in cooperation with U.S. and European aviation corporations, including Boeing, Snecma, Thales, Messier Dowty, Liebherr Aerospace and Honeywell.

Source: finchannel.com - 11th May 2009

"the airliner was in the final stages of assembly and would be delivered soon"



IBA Group News

Press Releases & Presentations can be viewed in the News & Views section of our website, www.ibagroup.com

Conference Dates

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

Phil Seymour's Notes on the Week

The cockpit voice recorder transcripts from the Colgan Q400 crash in Buffalo, New York, are a stark reminder how much of our safety is in the hands of the two professionals who sit at the pointed end of the aircraft. It seems or it is alleged they had a casual "chat" about the dangers of icing but didn't actually do anything about it and it seems or it is alleged they may have been paying more attention to text messages on their phones. Maybe passengers should be allowed to use mobiles to text the flight crew to pay more attention.

I have spent this week in South Africa and have left confused about business travel - the figures show how it has reduced but both BA flights were oversold in First, Business and Premium Economy. Maybe it's all frequent flyers redeeming points? - but I doubt that - I tried myself and the availability this month was zero. I was searching for new business opportunities - I can hear you cynics suggesting I was looking for World Cup 2010 tickets - well indeed I may have been, or rather looking for clients to invite me there! I'd better book the tickets now, maybe economy will be less crowded?

Phil Seymour, phil.seymour@ibagroup.com

Publications - 2009 Editions

Please contact 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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Highlights

- Oil prices to six month highs
- Emerging economic optimism
- US dollar lower
- Swine flu = weakening jet fuel prices

Helpful Links

www.wfscorp.com
World Fuel Services corporate site - The Choice for Complete Fuel Management

www.eia.doe.gov
Official Energy Statistics from U.S. Government

www.nymex.com
New York Mercantile Exchange-current market and historical values

www.ncdc.noaa.gov
NOAA site for active weather updates and hurricane news

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Executive Summary

Oil prices rose to the highest level in six months this week due to rising equity prices, a better-than-expected jobs report and signs of economic optimism. Fund flows into commodities and a weaker US dollar also helped to pressure oil prices higher. Today, the prompt NYMEX crude futures contract rose as high as \$58.69/bbl – the highest price since November 2008.

Macroeconomic and Fundamental Factors

- Today, the US Bureau of Labor Statistics reported that the US unemployment rate rose .4% to 8.9%, a level that was better than feared, leading many analysts to conclude that the worst in jobs deterioration is probably over.
- The weekly oil inventory report from the Energy Information Administration (EIA) showed building inventory levels in crude oil and distillate fuels but slightly lower gasoline stockpiles. US refinery utilization rose 2.7% to 85.3% of operable capacity.
- The value of the US dollar versus the euro fell to its lowest level in six-weeks (£1 = \$1.3604) as renewed economic optimism pushed investment flows out of the safe-haven currency.
- OPEC officials maintain that the cartel is not expected to cut oil production at the next meeting on May 28, however there are signs that the group's patience and cohesion may be fraying – having never fully achieved the cuts in overall output as decided in December. As non-OPEC producers such as Russia are maximizing output, OPEC is concerned about lost revenues and lost market share.
- Fears of H1N1 influenza ("swine flu") are causing airlines to rework their flight schedules, particularly in and out of Mexico. The expectation of lower flight activity as a result of the scare, has weakened jet fuel differentials in many global markets.

Weather

- The 2009 Atlantic hurricane season starts in 23 days! The season runs from June 1 through November 30. The World Meteorological Organization has retired four names, including last year's Gustav and Ike, due to the damages they inflicted.

