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IBA Group Ltd.

Meadowcroft House
180 Balcombe Road
Horley, Surrey
RH6 9AE
United Kingdom

Tel: +44 (0)1293 772743
Fax: +44 (0)1293 772745
www.ibagroup.com

Air India to add 7 Boeing to its fleet

In the midst of the global slowdown, National Aviation Company of India (NACIL), the company that operates Air India, will take delivery of seven new Boeing aircraft by September. The national carrier will add four B777-700ERs and three B777-200LRs to its fleet between June and September. These aircraft will be used for international operations. Currently, the airline has a total fleet of 150 flights.

Confirming the development, a senior Air India official told ET: "We will add seven Boeing aircraft by September for our international operations. This is in addition to the 15 new Airbus planes, which will be added by the end of the fiscal year 2010." Air India has the largest number of fixed-assets in the Indian aviation industry. It placed orders for 111 new aircraft (68 Boeing and 43 Airbus) in 2005 at an estimated deal size of Rs 45,000 crore.

Once the new Boeing and Airbus aircraft join the existing fleet of Air India, it will phase out 11 of its 20-year old Airbus 320 aircraft.

The fully government-owned company Nacil, covering the combined operations of Air India and Indian Airlines, has nearly doubled its losses to Rs 4,000 crore in FY09. The company has borrowed close to Rs 15,000 crore, with a large chunk being utilised for funding the purchase of aircraft, according to the Centre for Asia Pacific Aviation (CAPA).

The national carrier is expected to get financial assistance from the government at a time when the entire aviation industry has been badly hit. All the domestic airlines together have a combined fleet of 300 aircraft, which could increase to about 600 by 2010, based on current orders.

Civil aviation minister Praful Patel, on Monday, said that the government would look at the partial divestment of Air India with an initial public offering (IPO) being an option. Air India has sought about Rs 4,000 crore in equity and debt to beef up its working capital requirements.

Source: Mithun Roy, economictimes.indiatimes.com - 5th June 2009

Banks to finance new Vietnam Airlines aircraft

A consortium of local and international banks has signed agreements with the Vietnam Airlines Corporation to finance six new airplanes worth US\$120 million from France-based manufacturer ATR.

The financing package will be provided by HSBC, Credit Suisse and Vietnam Technological and Commercial Joint-Stock Bank or Techcombank, as determined by a competitive bid.

HSBC and Credit Suisse will provide offshore loans accounting for 85 percent of the aircraft price with the support of export credit agencies Coface of France and Sace of Italy, while the remaining 15 percent will be financed by Techcombank.

The aircraft, due for delivery between June and February 2010, will replace the airline's first generation ATR 72-200 planes used for domestic short haul routes.

Contracts to purchase six aircraft were signed last December in addition to five ATR 72-500s already on order. The national carrier will expand and standardize its ATR 72-500 series fleet to 14 by 2010. Pham Ngoc Minh, the carrier's president and CEO said with this financing package, Vietnam Airlines has assured the completion of its ATR fleet renewal and expansion plan.

Source: Minh Quang, thanhniennews.com - 5th June 2009

"with this financing package, Vietnam Airlines has assured the completion of its ATR fleet renewal and expansion plan"

IATA: Airline 2009 losses to exceed \$4.7 billion

The International Air Transport Association called for more liberalization to bolster the global airline industry, which is expected to lose more than \$4.7 billion this year because of falling cargo and passenger traffic.

IATA Director-General Giovanni Bisignani said airlines are facing an "emergency situation" and should be given greater commercial freedom to serve global markets and consolidate.

He said 50 major airlines reported US\$3.3 billion in net losses in the first quarter of 2009 alone.

IATA, which represents 230 airline companies worldwide, expects full-year losses to be "substantially worse" than the

"50 major airlines reported US\$3.3 billion in net losses in the first quarter of 2009 alone"

\$4.7 billion it forecast in March, he said. It will unveil its new forecast at its annual meeting on Monday.

"We face a demand shock... you will see more dark red. We have probably touched the bottom but we have not yet seen an improvement," he told reporters.

Bisignani said the United States and Europe should revise their open skies treaty to make it more liberal, removing restrictions such as foreign ownership caps on domestic carriers.

"It's time for the governments to wake up. We do not ask for bailouts but all we ask is give us the same opportunity that other businesses have," he said

Bisignani said he supported a bid by American Airlines and British Airways to cooperate on trans-Atlantic flights currently under review for fear of breaking antitrust laws.

American Airlines is seeking immunity from U.S. antitrust laws so it can cooperate with BA, Iberia Airlines, Finnair and Royal Jordanian on trans-Atlantic flights. American and BA say this will let them compete fairly against two other groups of airlines that are already allowed to work together on prices, schedules and other details.

Critics, led by Virgin Atlantic Airways President Richard Branson, say American and BA are already too dominant and immunity will lead to higher fares on U.S-U.K. routes. American's own pilots' union also feared it will shift flying assignments to lower-cost foreign carriers with more open-skies agreements.

Bisignani said Asian carriers, which account for 44 percent of the world cargo market, will be the worst hit in the economic crisis.

Global passenger demand fell 7.5 percent for the January-April period, with Asian carriers leading the fall with an 11.2 percent drop. Cargo demand fell 22 percent worldwide and was down nearly 25 percent in Asia.

Global premium air traffic - the most lucrative business for airlines - was down 19 percent in March but plunged 29 percent in Asia, he said. Crude oil prices, though sharply lower from last year, are also climbing steadily above \$60 a barrel and this is "bad news," he said.

"In the next few years, it will be difficult to imagine a recovery in profitability" in the global industry, he added

Source: Eileen Ng, AP, syracuse.com - 4th June 2009

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Comment:

"It is essential that there is some liberalization in the airline industry to ensure profitability. Consolidation strategies have proved to be successful in the past and continue to do so in the current downturn"

- David Rushe

United goes jet shopping with Boeing and Airbus

United Airlines confirmed on Thursday that it will seek bids from airplane makers Boeing Co. and rival Airbus for a major jet order that could be placed as soon as this fall.

The USA's third-largest airline said it will look for proposals to replace its widebody fleet over several years, as well as its Boeing 757s.

Unlike other carriers that have at least kept their toes in the new-jet pool, United has held back on ordering new airplanes. It has been shrinking to try to match the flying it does with remaining demand, and it is working on eliminating its Boeing 737 fleet altogether.

Glenn Tilton, chairman and chief executive of Chicago-based United, told employees in a message on Thursday that it has had ongoing discussions with Boeing and Airbus over several years, but decided to hold off on new planes "until we believe we can generate a return on our investment."

"The analysis we have conducted for more than a year suggests that time may be now," Tilton said.

France-based Airbus is the world's biggest commercial airplane maker, followed by Chicago-based Boeing. Both have been grappling with slumping orders for passenger and cargo jets due to the global economic downturn, which has sapped demand for air travel. Tight credit markets also have made it more difficult for airlines to secure financing for new planes. Boeing has said it expects to provide up to \$1 billion in financing this year and perhaps a little more than that in 2010.

United currently operates a mix of Boeing and Airbus planes, although all of its Airbus aircraft are A319s and A320s, a smaller plane generally used for domestic routes. All its big planes are Boeings.

Boeing spokesman Todd Blecher said the company welcomes the opportunity to participate in United's aircraft replacement program, but said he could not provide further details.

Airbus spokeswoman Mary Anne Greczyn said "we look forward to working with United to understand their needs and help find

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Comment:

"UAL is in a strong bargaining position with the manufacturers at present who are seeing scarce aircraft orders. It will be interesting to see if the airline places orders with one manufacturer (or even one aircraft type) or splits the order between Boeing and Airbus"

- David Rushe

ways Airbus can help meet them."

The potential order was first reported Thursday by the Wall Street Journal.

Boeing said on Thursday that it only got 20 new orders in May, down from 67 in May 2008. It said it expects to fulfil the deliveries scheduled for this year, but some customers have requested deferrals starting in 2010 and continuing into 2011.

United shares fell 18 cents, or 3.4 percent, to \$5.11 in midday trading. Boeing shares rose 82 cents to \$49.19.

Source: Joshua Freed, AP, thesunnews.com - 4th June 2009

Mexico grounds airline, deeming planes unsafe

Mexico has temporarily grounded the airline Aviacsa after officials reported irregularities in the maintenance of 25 planes.

The Transportation and Communications Department said the low-cost airline has 60 days to fix the problems.

The action on Tuesday effectively shut operations at the airline, which says it has a fleet of 26 planes serving 17 Mexican cities and Las Vegas.

The department said the problems put passengers at risk but Aviacsa issued a statement denying any safety problems.

Haydee Cordova, Aviacsa's Assistant Director for Legal Affairs, said on Wednesday that the problems were cosmetic - opaque logos, dull lights and scratches on the wings - and that they had already been corrected on five of the planes.

Cordova said Aviacsa officials have asked the Mexican government for another inspection.

In the meantime, the airline will validate passengers' tickets for future flights, she said.

Source: AP, thestar.com.my - 4th June 2009

"officials reported irregularities in the maintenance of 25 planes"

Ryanair says suffers annual net loss

Irish low-cost airline Ryanair reported on Tuesday that it faced an annual net loss of 169 million euros (239 million dollars) and blamed high fuel costs and a large writedown on its stake in Aer Lingus.

The loss, suffered in the 12 months to the end of March, compared with net profits of 390.71 million euros in the group's previous financial year.

The airline said that fuel costs surged by about 59 percent to 1.257 billion euros in 2008-2009 because of higher oil prices. Jet fuel, or kerosene, is refined from crude oil.

However, passenger numbers jumped 15 percent to 58.5 million people and group sales increased 8.5 percent to 2.94 billion euros.

Ryanair also said it made a 225-million-euro writedown on the value of its 29.8-percent stake in Aer Lingus after a failed takeover bid earlier this year.

The group added that it made an underlying annual net profit, stripping out the Aer Lingus writedown and other exceptional costs, of 105 million euros.

The no-frills carrier withdrew its one-billion-dollar (748-million-euro) takeover offer for Aer Lingus in January but still owns almost one third of the rival Irish airline.

World oil prices struck record high points above 147 dollars per barrel in July 2008 - but they have since slumped as the global economic downturn dented energy demand.

Despite the net loss, Ryanair predicted it would bounce back into the black in the current financial year with annual profits of between 200-300 million euros due to lower fuel costs.

Source: macaudailytimesnews.com - 3rd June 2009

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Comment:

"Ryanair is still feeling the effects of an ineffective fuel hedging strategy in 2008"

- David Rushe

IBA Group News

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

Conference Dates

25th -26th June 2009 - 7th Annual China Airfinance Conference, Beijing) – Owen Geach 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 or call: +44 (0)1293 772743

Phil Seymour's Notes on the Week



We had a great day at the Goodwood races last Friday. Given that we are indeed the INTERNATIONAL bureau of aviation it should not have been any surprise that the winning horse in our sponsored race was GLOBAL. It was a shame that my money was on the number 4 horse. Some Chinese colleagues this week told me the number 4 is the most unlucky number. We learn something everyday.

The English language is also INTERNATIONAL but many words have different meanings. SUSPENDERS in my version of English are the devices that women wear to hold up their stockings. Imagine my horror when I was attending a very large and important meeting this week where one aspect discussed was IBA's standby servicer support and was introduced as "Phil Seymour, our belt and SUSPENDERS man". Well forgive me but would the word BRACES have been more appropriate?

The wonders of our International world must be admired.

I hope to be in Paris on the 15th, see you at the Istat reception?

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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Compiled & Edited by Alice Gondry

www.ibagroup.com

Tel: +44 (0)1293 772743 Fax: +44 (0)1293 772745

Highlights

- WTI breaches \$66
- Drop in crude stocks
- US dollar lower
- North Korea tensions

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

Contact Us

Jonathan Leak
JLeak@wfscorp.com
(770) 599-3162

Executive Summary

Petroleum prices continued to climb strongly this week due to stronger equities, a weaker dollar and growing optimism that an economic recovery is emerging. Factors adding upward pressure to prices include shrinking crude inventories, solid gasoline demand and rising geopolitical tensions with North Korea. Benchmark WTI crude is currently \$66/bbl.

Macroeconomic and Fundamental Factors

- Like last week, the oil inventory report from the Energy Information Administration (EIA) showed larger-than-expected drawdowns in crude oil inventories and the strongest gasoline demand figures since September 2008. Total refinery operations jumped 3.3% to 85.1% of capacity.
- OPEC agreed to leave its current output quotas unchanged this week explaining that "the price is good, the market is in good shape and the (economic) recovery is under way". Saudi Arabia went on to express hope that oil prices would be above \$75/bbl by the end of the year.
- US GDP growth for the first quarter was revised to -5.7% (an improvement from the previous estimate of -6.1%). Personal consumption increased 1.5% in 1Q09 compared to -4.3% in 4Q08.
- The relative value of the US dollar versus the euro fell to a new 2009 low today as the greenback continues to lose its "safe haven" luster and investors shift capital to riskier positions amid signs of economic recovery. €1 = \$1.4106 in London trading today.
- June product futures on the NYMEX expire today.

Geopolitical Factors

- Threats by North Korea, following its second nuclear test and multiple missile tests, has South Korea and US troops on high alert. North Korea announced that it is no longer bound by armistice and would respond militarily to "any tiny hostile acts". The UN Security Council is considering sanctions against the rogue nuclear nation.

Weather Factors

- The first tropical depression of the 2009 Atlantic hurricane season has formed in the mid-Atlantic but is expected to dissipate over the weekend. The season officially starts on Monday, June 1.

Spot Fuel Prices - US Gulf Coast

