

In this Issue:

- Qantas cancels orders for 15 Boeing 787s
- Government offers financial aid to Air India
- SkyEurope planes seized in Bucharest and Paris
- First Chinese-assembled A320 rolled out
- Frontier buyout bid could fly
- Waha Capital buys 50% stake in AerVenture
- IBA Group News

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Qantas cancels orders for 15 Boeing 787s

Australia's Qantas Airways Ltd. said Friday it had cancelled orders for 15 Boeing 787s and delayed the delivery of a further 15 aircraft due to turbulent market conditions.

Qantas Chief Executive Alan Joyce said the decision had not been influenced by Boeing Co.'s announcement earlier this week of a design issue in the 787 and further delay to the aircraft's first flight. He said discussions with Boeing about the order had started some months ago. Qantas said it had reached a mutual agreement with Chicago-based Boeing Co. to defer the delivery of 15 Boeing 787-8 aircraft by four years and cancel orders for 15 Boeing 787-9s (which are slightly larger) scheduled for delivery in 2014 and 2015.

Joyce said Qantas remained committed to the 787 as the right choice for the international expansion of Jetstar, its low-cost subsidiary, and as an eventual replacement for Qantas' Boeing 767 fleet.

The 787 is the first commercial jet made mostly of light, sturdy carbon-fibre composites instead of aluminium. Large parts of the plane, such as the fuselage sections and wings, are made in factories around the world and flown in a huge modified 747 to Boeing's widebody plant in the Seattle area, where they are essentially snapped together.

Boeing said Tuesday that it needed to reinforce small areas near the connection of the wings and fuselage before conducting a test flight of the jet.

Boeing spokesman Miles Kotay said Friday that Qantas remains one of Boeing's largest customers for the 787, with 50 still on order.

"They are committed to the 787 for their own growth and to replace their aging airplanes," he said.

The cancellation of orders for 15 787-9s would reduce the group's aircraft capital expenditure by \$3 billion based on current list prices, Joyce said.

He said Qantas announced its original 787 order in 2005 and the "operating environment for the world's airlines has clearly changed dramatically since then."

Source: AAP, nzherald.co.nz - 26th June 2009

Government offers financial aid to Air India

Manmohan Singh, Indian prime minister, has offered to provide financial aid to keep the struggling national flag carrier Air India aloft, but only if the airline undertakes radical cost-cutting.

The offer came as Singh met Arvind Jadhav, the new chairman and managing director of Air India.

The carrier is facing the most serious liquidity crisis in its history, and is grappling with \$4 billion in accumulated debts even as it awaits delivery of scores of new Boeing and Airbus aircraft.

"The government is fully committed to Air India to tide it over the present crisis," Praful Patel, India's aviation minister, said.

As a condition "Air India must shape up, become leaner and trimmer, and also must put its best foot forward".

Patel said Air India and the powerful unions that represent its approximately 31,000 employees would have to undertake "massive cost reduction" and other financial and operational improvements. The carrier has deferred June salary payments by two weeks and asked 150 executives to sacrifice their July salaries.

Air India has already said it will try to reduce salaries by five billion rupees, about 17 per cent of its wage bill, while the government is reviewing the carrier's order for more than 100 new Boeing and Airbus aircraft, about half of which have yet to be delivered.

The government also intends to shake up Air India's board by appointing eight independent directors.

After decades of domestic monopoly and highly restricted international competition, Air India has come under pressure in recent years from domestic players such as Kingfisher and Jet, and more service-oriented foreign rivals, especially from the Gulf.

Its cost structure has remained bloated, with an employee-to-

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Comment:

"One would assume that other Indian airlines will protest at government aid to Air India, in what is essentially a struggling airline market"

- David Rushe

plane ratio of about 210 employees, compared to an industry average of about 150.

However, it was the wider crisis in India's aviation industry over the past year that has pushed the carrier close to breaking point, as plunging passenger numbers and soaring fuel prices led to about \$800 million accumulated losses in the past financial year.

Source: archive.gulfnews.com - 26th June 2009

SkyEurope planes seized in Bucharest and Paris

After Orly Airport in Paris seized an airliner belonging to Slovak low-cost air carrier SkyEurope Airlines on Monday, June 22, the airport in Bucharest, Romania, did the same with an additional two SkyEurope aeroplanes on June 23. The two planes in Bucharest were later allowed to depart.

Bucharest Airport alleges that SkyEurope owes it €529,000, the Romanian Transport Ministry explained. Orly has been holding one plane since Monday and has also stated that unpaid debts are the reason for its move, the Czech news portal iHNed.cz reported.

SkyEurope spokesman Tomáš Kika told the SITA newswire that the company ordered a legal analysis of the French airport's move, which indicated that Orly Airport may have taken illegitimate action. Talks between the two sides on the situation are still pending. According to information published on iHNed.cz, talks are progressing favourably and the seized aircraft could be released on Friday (June 26).

SkyEurope Airlines announced earlier this week that it had applied for court protection from creditors for three months. SkyEurope's finance director, Nick Manoudakis, said that according to Slovak law, court protection from creditors may last for up to 90 days, and can be prolonged by two more months. Manoudakis stressed that the company's goal is to restructure its debt and gain new investment as soon as possible. He refused to elaborate on the sum SkyEurope would like to obtain through new investment.

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During the restructuring process, existing contracts with suppliers have to be observed by both sides. Suppliers will be paid for services provided during the restructuring process, but the company will be protected from activities aimed at collecting debts from the past. The company has been facing growing pressure from creditors in recent weeks. SkyEurope Airlines, a.s. based in Bratislava, operates flights from its three bases in Bratislava, Prague and Vienna. Its fleet has decreased from 15 to its current 8 Boeing 737 planes; the airline intends to increase that number to 10 planes this summer. The company was founded in September 2001.

Source: SITA, .spectator.sk - 25th June 2009

First Chinese-assembled A320 rolled out

The first Airbus A320 aircraft assembled in China has been delivered to a national leasing firm at a ceremony at the Final Assembly Line China plant in Tianjin.

The delivery, in the same week as a major bank financing agreement, marks what Airbus hopes will be a big push into the lucrative Chinese commercial aviation market to give it a 50 percent share by 2012. It currently estimates its market share at 40 percent.

Airbus President and CEO Tom Enders officially handed over the plane to the chairman of Dragon Aviation Leasing.

Sichuan Airlines will lease and operate the plane. Sichuan started operations in 1988, and was the first airline to use the A320 family aircraft, including the A318, A319 and A321, starting in 1995. Each aircraft in the A320 family use fly-by-wire controls, and all share the same cockpit layout. Sichuan now operates 40 Airbus A320 family planes, making it the largest airline in China with an all-Airbus fleet.

Sichuan will fly the single-aisle aircraft in a two-class configuration with eight first-class seats and 156 economy seats, deploying it in domestic trunk routes between the airlines base at Chengdu and major cities including Beijing and Shanghai, starting this week.

“3 billion in aircraft financing released over the next five years that will secure the sale of around 70 aircraft”

Enders called the delivery at the state-of-the-art FALC factory in Tianjin a milestone in Airbus's strategic long-term relationship with China.

FALC is a joint venture between Airbus and a consortium of Chinese organizations including the Tianjin Free Trade Zone and the China Aviation Industry Corp. The factory is scheduled to produce 11 A319 and A320 aircraft by the end of the year and ramp up production to four planes a month by the end of 2011.

Around 3,900 A320 family planes have been delivered to more than 300 clients worldwide, Airbus said. Nearly 500 of the planes are currently operated by 11 carriers in China.

Toulouse-based Airbus also signed a memorandum of understanding with the Industrial and Commercial Bank of China this week. The agreement could see upwards of \$3 billion in aircraft financing released over the next five years that will secure the sale of around 70 aircraft set to roll off the production line at FALC. Purchase and lease-back transactions will be provided directly to Chinese airlines.

ICBC will also consider financing for other Airbus aircraft delivered into China from factories in Europe and elsewhere. The bank set up its wholly owned subsidiary ICBC Financial Leasing in Tianjin.

Airbus executives have told aviation media outlets that they hope "very soon" to have a Chinese buyer for their A350, a long-range, wide-body aircraft whose fuselage and wings will be made mostly from extremely strong but lightweight carbon fibre reinforced plastic. The fuel-efficient A350 will compete with Boeing's 777 and 787 aircraft.

Source: upi.com - 25th June 2009

IBA's
Comment:
"With a number of Chinese Banks having declared an interest in increased asset financing, Airbus having a China based manufacturing arm will strengthen their case"
- David Rushe

Frontier buyout bid could fly

Republic Airways Holdings has agreed to buy Frontier Airlines a ticket out of bankruptcy.

Republic, an operator of regional carriers, said on Monday that it will pay \$108.7 million for all the equity in Denver-based Frontier and its subsidiary, Lynx Aviation. Frontier would become a wholly owned subsidiary of Indianapolis-based Republic under the plan.

"We will continue to be the same air carrier that everybody knows, and we will continue to operate as we do now," said Frontier spokeswoman Lindsey Purves.

The investment plan includes \$40 million to repay the amount Republic lent Frontier in March, along with \$28.7 million for unsecured creditors. Owners of current Frontier shares will receive nothing.

The U.S. Bankruptcy Court for the Southern District of New York must approve Republic's investment plan at a hearing on July 13. Competing bidders would then have 30 days to make a higher offer.

Pilots must also agree to extend labour agreements expiring in 2012 to 2015 and to loosen "scope" restrictions that limit the type of aircraft Frontier can put into service.

"They would want larger airplanes and more of them being flown by Republic pilots," said John Stemmler, president of the Frontier Airline Pilots Association, which represents 720 pilots.

If Republic's offer wins the necessary approvals and holds up as the high offer, Frontier could depart from bankruptcy protection in mid-autumn, said Purves.

Analysts said the possibility of other bidders emerging is unlikely, given how tight credit is and how thin profits are in the airline industry right now.

Competitors have had plenty of time to make a move, since Frontier filed for bankruptcy protection on April 10, 2008.

Republic — through its subsidiaries Chautauqua Airlines, Republic Airlines and Shuttle America — provides planes and crews that the major airlines schedule, book and market under

"If Republic's offer wins the necessary approvals and holds up as the high offer, Frontier could depart from bankruptcy protection in mid-autumn"

their own regional brands. Those brands include AmericanConnection, Continental Express, Delta Connection, Midwest Connect, United Express and US Airways Express.

Republic's crews operate 1,200 flights daily to 99 cities in 34 U.S. states, Canada, Mexico and Jamaica.

Republic's acquisition of Frontier could provide a platform to build a larger carrier serving multiple hubs, although that might create tensions with Republic's current customers.

Source: Aldo Svaldi, denverpost.com - 23rd June 2009

Waha Capital buys 50% stake in AerVenture

Abu Dhabi-based investment company Waha Capital said on Sunday it would invest \$135 million in a 50 per cent stake in the \$2.4 billion AerVenture, a subsidiary of Dutch aircraft leasing firm AerCap.

AerVenture has taken delivery of 22 Airbus A320 aircraft which have been leased to airline companies around the world. The customers include Air France-KLM and Royal Jordanian.

The joint venture will eventually be leasing 54 aircraft, and the remainder of the A320 family of aircraft on order will be delivered between now and May 2011.

AerCap, which will retain a 50 per cent stake in AerVenture, will invest another \$135 million as its share of equity investment in the joint venture company with the combined total investment in AerVenture standing at \$270 million, top company executives said at a news conference.

"The joint venture that we are marking today is a tremendous expansion of our asset base and the number of aircraft in our portfolio," said Waha Capital's Chief Executive Officer Salem Al Nuaimi.

"To raise our share of \$135 million, we will be using our own facilities. The financing for the joint venture's debt facility is in place," Al Nuaimi added.

"We recover on average 1 per cent in capital costs per month per aircraft"
- Klaus Heinemann

AerCap's Chief Executive Officer Klaus W. Heinemann said the new company's equity component would be about 11 per cent, with the remainder being debt.

"The cash flows will partly be used to retire debt over a period of 12 years," Heinemann told reporters, adding that \$2.4 billion is the equipment cost.

He said the average monthly lease rental for an aircraft valued at \$38 million works out to \$380,000.

"We recover on average 1 per cent in capital costs per month per aircraft," said Heinemann.

He said the joint venture is being financed by a consortium of banks led by France's Calyon Bank.

"We believe this partnership is mutually beneficial, and would significantly expand Waha's footprint in the global acquisition and leasing sector and elevate our service offering," said Al Nuaimi, adding that Waha Capital, before the deal, has been involved in the financing of 47 aircraft.

The company established by restructuring Oasis International Leasing in 2008 had said at the time of restructuring that its investments over the next three years in aviation, finance, real estate, infrastructure and maritime and logistics sectors will together exceed Dh20 billion.

Source: Himendra Mohan Kumar, zawya.com - 22nd June 2009



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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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Phil Seymour's Notes on the Week

I saw a recent article that shows new corporate aircraft being offered at 20% percent discounts compared to one year ago. Some regions are showing corporate traffic reductions of 30% with corresponding drops in the hourly charge out rates. That is a truly remarkable turnaround and I personally think that any "green shoots of revival" are premature.

The green shoots of grass at Wimbledon continue to be trampled on by the tennis players this week. I do see the new roof over the centre court as a good analogy for future aviation growth. 1. Take time to think about improving the customer experience. 2. Invest in mobile assets (well the roof does open and close) 3. If you plan for the worst it seldom happens (actually rain is forecast today but so far this week London has been bathed in Mediterranean sunshine)

The latest idea from Ryanair is to save costs by not allowing any check-in of hold baggage - just carry it yourself to the gate, leave it by the aircraft and it will be loaded for you. Great - longer security queues and more back strain. Any more good ideas?

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Publications - 2009 Editions

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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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