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Boeing silent on 787 timing

Even a reported 17 percent boost in the Boeing Co.'s second-quarter earnings did little to distract concerns over the company's delayed 787 Dreamliner.

"Much to our disappointment, the 787 continues to challenge us," Jim McNerney, Boeing's chief executive, told Wall Street analysts and media during an earnings call Wednesday.

When they postponed the 787's first flight last month, Boeing executives called a structural weakness in the 787 "limited" and "manageable" and promised a new schedule within weeks. Many industry observers expected an update when Boeing reported its earnings Wednesday.

There are several estimates circulating about Boeing's latest 787 delay. Boeing originally was expected to deliver the first mostly composite Dreamliner in May 2008 but has not put its fuel-efficient jet in the air yet.

Following the June delay, brokerage firm Morgan Stanley estimated that Boeing will not fly its Dreamliner for three to six months, pushing back the first 787 delivery from first quarter 2010 into 2011. In the last 48 hours, media reports, blog entries and online discussions pegged the delay between three and 12 months.

Boeing's McNerney said the company will provide a new schedule, along with the company's financial projections for 2010, by the end of September. Boeing reiterated its 2009 profit forecast of \$4.70 to \$5 per share. Analysts expect a profit of \$4.52 per share.

Peter Arment, an analyst at Broadpoint AmTech, said Boeing's guidance was unreliable because it does not reflect the revised 787 schedule. "So I think the air of uncertainty will remain regarding Boeing," he said.

Still, Boeing's McNerney served up a tidbit of good news for workers here in Everett: the company does not see further jet production cuts beyond the previously announced slowing of 777 assembly next year. Boeing announced earlier this year that it would cut 10,000 jobs across the company, 4,500 from commercial airplanes.

Boeing received 70 requests for jet delivery deferrals in the second quarter, and 60 were requested in the first quarter. Deferral requests are slowing, McNerney said.

Both McNerney and James Bell, Boeing's chief financial officer, expressed confidence in the long-term outlook for the Dreamliner.

"There is nothing we have learned to lead us to believe that this is anything but a local issue which can be addressed with a local fix," McNerney said.

In its regular review of the 787 program, Boeing still sees its 787 as a profitable venture, Bell said. Boeing's gross inventory on the 787, which includes work in process, supplier advances, tooling and nonrecurring costs, stands at \$7.9 billion, Bell said.

"We have sold 850 of these and we know we are way ahead of our competition," Bell said.

Source: Michelle Dunlop, heraldnet.com - 24th July 2009

IBA's
Comment:
"The troubled
787
programme and
the A380
delays will
push Airbus to
take a firm grip
on the
A350XWB
supply chain
and ensure on-
time roll out
and first flight"
- David Rushe

Indonesian airline to expand after EU ban lifted

Indonesian national airline Garuda announced plans on Thursday for an aggressive expansion after it was removed from a European Union aviation safety blacklist.

The expansion, labelled "Quantum Leap," will see the airline nearly double its number of aircraft and increase by half the destinations it flies to within five years, Chief Executive Officer Emirsyah Satar said.

"Garuda Indonesia's fleet, which now consists of 62 aircraft, will grow to 116 aircraft by 2014," he said.

He said the airline was adding Boeing 777s, 737s and Airbus A330-200s, having already taken delivery of three new aircraft.

It plans to boost passenger numbers to 27.6 million per year in the same period, up from 10.1 million currently, by increasing its domestic and international destinations from 41 to 62, he said.

"Although the external situation is less supportive because of the global financial crisis and increasing competition, Garuda

will continue its development programs prudently."

Satar did not specify the planned new destinations. The company earlier said it planned to reopen its flights to the Netherlands next year, as well as possible later routes to Frankfurt and London.

Garuda was one of four Indonesian airlines to have EU flight bans lifted earlier this month by the EU Commission, the bloc's executive arm, citing "significant improvements" in safety.

All Indonesia-registered aircraft were banned from flying to the EU in June 2007 after a string of deadly crashes, including the March 2007 crash-landing of a Garuda Boeing 737 that killed 21 people.

Despite its poor safety record and the global economic downturn which has savaged the airline industry, Garuda posted a 10-fold increase in profits last year thanks to increased revenue and passenger numbers.

The company's net profit for 2008 surged to 670 billion rupiah (US\$60.97 million) from 60 billion rupiah the year before.

Source: AFP, chinapost.com.tw - 24th July 2009

IBA's Comment:
"This is good news from Garuda who have had to wait patiently whilst their DGAC and the EU address the regulatory issues. Fundamentally they have a solid set up and we would expect to see rapid expansion"
- Owen Geach

US Airways, JetBlue and Alaska report 2Q profits

Three U.S. airlines said Thursday that they made money in the April-June quarter, the start of the summer travel season, with help from cheaper jet fuel and extra fees on passengers.

The CEO of US Airways said bookings have picked up and the swoon in business travel may be easing. JetBlue expects to make money the next two quarters, and talked about expansion.

Skies are not all blue in airline country. Traffic and revenue continued to fall at all three carriers - US Airways, JetBlue and Alaska Airlines.

Airlines are struggling with a decline in travel and volatile fuel prices. Companies have slashed travel budgets due to the recession, grounding many of the airlines' best customers and prompting speculation that some carriers could face a cash crisis this winter.

"The final tally showed a combined loss of nearly \$600 million, as three of the biggest - Delta, American and Continental - lost money"

US Airways, JetBlue and Alaska Airlines were the last of the largest nine U.S. carriers to report second-quarter results. The final tally showed a combined loss of nearly \$600 million, as three of the biggest - Delta, American and Continental - lost money. The other six made a profit.

US Airways Group Inc. Chairman and CEO Doug Parker put a positive spin on the summer, saying leisure bookings have picked up since Memorial Day and even business travel seems to be stabilizing.

Revenue from corporate travel accounts plunged between 30 and 35 percent for each of the first five months of the year, but the decline slowed to 28 percent in June and 22 percent so far in July, Parker said.

"We're certainly not counting on a quick recovery, but we're seeing some initial signs of recovery, which are encouraging," he said.

US Airways second-quarter revenue fell 18 percent, to \$2.66 billion, even with more than \$100 million from fees such as checked-bag charges.

The company earned \$58 million, or 42 cents per share, thanks to gains made on paper - they were "unrealized" - from fuel-hedging contracts.

Without those one-time benefits, the Tempe, Ariz.-based company would have lost \$95 million, or 77 cents per share. Analysts, who usually exclude one-time items from their forecasts, expected a loss of 84 cents per share, according to a survey by Thomson Reuters.

A year ago, the company lost \$102 million, or \$1.12 per share, excluding items.

Even though fuel prices have been creeping up again, spending on fuel fell 59 percent at US Airways and 39 percent at JetBlue compared with a year ago.

That helped Forest Hills, N.Y.-based JetBlue Airways Corp. earn \$20 million, or 7 cents per share, compared with a loss of \$9 million, or 4 cents per share, a year ago. That beat the analysts' forecast of 2 cents per share profit. Revenue fell 6 percent, to \$807 million.

JetBlue charges up to \$40 extra for a seat with more legroom. Those and other fees raised an average of \$17.50 per passenger

IBA's
Comment:
"Capacity cuts, reduced cost bases and route consolidation have played a part in the profits for the three US airlines. It is a market contrast to last year's negativity"
- David Rushe

for the airline, up from \$16 a year ago.

JetBlue gave a bright earnings outlook for the rest of the year, saying it expects to be profitable the last two quarters and would consider expansion.

CEO Dave Barger said JetBlue wants to pay down debt and position itself to buy new gates or takeoff and landing slots at key airports such as Washington Reagan International.

Alaska Air Group Inc., which runs Alaska Airlines and Horizon Air, reported profit of \$29.1 million, down 53.9 percent, as revenue fell by 9.3 percent. Excluding one-time items, the Seattle company earned 72 cents per share, beating the analysts' forecast of 53 cents per share.

Source: David Koenig, tri-cityherald.com - 23rd July 2009

“JetBlue wants to pay down debt and position itself to buy new gates or takeoff and landing slots”

Can't help Air India beyond a point: Patel

Civil Aviation Minister Praful Patel on Tuesday said the government cannot help the cash-strapped Air India “beyond a point” and asked the national carrier to change its work culture.

“Air India will be restructured financially, organisationally. I am very sure it will start making profits soon and we will silence all the critics,” Patel said.

“The airline’s operations will have to be streamlined,” he said, adding: “The government also will not interfere into its problems beyond a point. The management has to address the problems. I am hopeful the carrier will be able to come out of its problems.”

The minister said the government was now looking at hiring skilled professionals for the national advisory board of the carrier, with the hope it would help turn the airline around with some new ideas.

“There has to be change in the ethos and the work culture of the airline. The government will be happy to help them but we expect equal amount of enthusiasm from Air India.”

The carrier is in a financial mess with losses expected to have topped \$1bn last fiscal year, forcing Patel to seek a \$2bn bailout package for the beleaguered carrier from Prime

“The government also will not interfere into its problems beyond a point.”

- Praful Patel

Minister Manmohan Singh.

Air India is also raising a \$1bn loan from overseas to fund its fleet expansion programme. The 11-year loan is expected to be guaranteed by the US Export-Import Bank.

Asked about full-service carriers like Air India proposing to turn themselves into low-cost airlines in a bid to tide over one of the worst crises in the global aviation industry in recent years, Patel said: "More such things will occur in a year or two."

The national carrier, for example, had announced recently that its low-cost arm, Air India Express, which mainly flies to the Gulf sector, will start domestic flights this year.

The airline, meanwhile, announced special fares on select domestic routes to attract passengers during the lean monsoon season.

Source: IANS, gulf-times.com - 22nd July 2009

Budget airline cuts flights as passenger numbers take a dive

No-frills airline Ryanair has doubled its winter cutbacks at its main airport, with the number of flights being reduced by 30 per cent from October.

The airline, which carries the most passengers in Europe, blamed a forthcoming increase in passenger taxes and the cost of operating from Stansted, in Essex.

However, experts said it was being hit by leisure travellers cutting back on short trips because of the recession.

Ryanair is to reduce the number of aircraft based at Stansted between October and March from 40 to 24 - or by 40 per cent. This compares to a cut of 22 per cent, from 36 to 28 aircraft, last winter, when the carrier made similar complaints.

Ten routes, which have yet to be announced, will be axed and others reduced in frequency, cutting passenger numbers by 2.5 million.

However, some of the aircraft may be re-allocated to other airports for Mediterranean holiday routes and Alpine ski resorts.

Tuesday's announcement came a day after reports that Ryanair

was to cut routes from Prestwick, which it has not confirmed. The airline has already taken a similar approach at Dublin airport, its second-biggest base, trimming winter services and blaming the Irish government and the airport operator.

BAA, which runs Edinburgh airport, said it was still in talks with Ryanair over future expansion, after the airline quadrupled its routes from the airport over the past year to 28.

Michael O'Leary, Ryanair's chief executive, singled out the government's air passenger duty - which rises from £10 to £11 in Europe in November - and BAA's landing charges as factors when announcing the Stansted cuts.

Richard Havers, an East Lothian-based former airline executive, said the cuts reflected passenger numbers being in "freefall" at Stansted - they are down 14 per cent so far this year - because of the recession.

He said: "It is the bottom end of the market that is suffering and the 'extra trip for a few days away' traveller, so what Ryanair is doing is sensible."

Source: Alastair Dalton, news.scotsman.com - 22nd July 2009

"It is the bottom end of the market that is suffering and the 'extra trip for a few days away' traveller, so what Ryanair is doing is sensible." - Richard Havers

"Risk Management and Practical Solutions" - A Seminar for Banks and Leasing Companies with Aviation Assets Forthcoming Event - London, 1st September 2009

Hear first hand advice and solutions from experts in all the various areas of contingency planning, repossession and the aftermath.

This event will be hosted by Gates and Partners - the leading London Aviation Law Firm, IBA Group - the leading aviation asset management company, Martyn Fiddler and Associates - Aviation and Customs Specialists, The Isle of Man Registry, ICM Aviation - Isle of Man Aircraft SPV Specialists - and other experts.

Learn more about the following key areas:

- Aircraft repossession - key considerations,
- Practical legal steps,
- Tax and customs issues,
- Discharge of liens,
- Maintenance,
- Continuous airworthiness management,
- Temporary registration on the Isle of Man Register,
- Setting up a special purpose company for aircraft ownership,
- Asset management and Remarketing

This seminar / workshop is offered free of charge to anyone in the industry who is facing a possible aircraft repossession scenario. The event will take place at the Royal Aeronautical Society in London on 1st September 2009 and will include a light lunch and refreshments. There will also be the opportunity to pre-book one to one consultations with any of the host companies in the afternoon.

Please register your interest by emailing Owen Geach, IBA's Commercial Director, at: owen.geach@ibagroup.com or Aoife O'Sullivan, Partner at: AOSullivan@gatesandpartners.com



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

Conference Dates

1st September 2009, London - Risk Management and Practical Solutions" - A Seminar for Banks and Leasing Companies with Aviation Assets - IBA is hosting the event along with other leading aviation experts.

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

Something has been missing in my life over the last couple of weeks. Yes that's it, the lack of panic and adrenalin rush when Alice phones me at 10am on a Friday asking me if I have compiled my notes of the week. Well you may think that having had a couple of weeks to think about it, the quality of this week's notes would surpass anything else this year. Alas, I am having trouble getting back into the swing of things. Being an optimist (that's my own opinion of myself) I was hoping that we may have some good news about the aviation industry, booming growth of cargo traffic in the Far East signifying the start of the "up cycle". The only growth area I could find was the increase of people travelling with pets in the USA - so now we have Pet Airways!! An extract from their website explains how to prepare your beloved pooch for the ride of its life "In addition, be sure to pack some healthy treats, a favorite toy, spare leash and collar, travel bowls, any necessary medications and spare poop bags"

Well as a seasoned parent, apart from the leash and collar, it seems that it is no different to travelling with kids, actually for those of you who travel with elderly relatives the list is somewhat similar.

The aircraft end of lease return conditions may need clarifying, for example I would suggest the addition of:

- The interior shall be free of fleas and mites,
- Slobber shall be removed in accordance with the Maintenance Manual,
- Any remaining dog and cat hair must be no more than 2 strands per square metre.

Now that brings me on to the problems, in Italy, of MyAir. Well I don't have many problems personally with My Hair in fact My Hair failed many years ago. Let's hope that MyAir can re-grow. I am fast heading (!) for less than 2 strands per square metre. At least I may meet the return conditions.

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

- Economic mood brightens – especially 2010
- Rising equities
- Falling crude oil inventories

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

Petroleum prices rallied this week due to improving macro-economic sentiments and neutral-to-bullish oil inventory statistics. At time of this report, benchmark NYMEX WTI crude oil is trading just under \$64/bbl – up nearly \$5/bbl from last week.

Macroeconomic Factors

- ▶ This week, the U.S. Federal Reserve predicted that the US economy will begin to recover in 2H09 and raised its outlook for 2010. The Fed predicts moderate growth of 2.1-3.3% in 2010 and 3.8-4.6% growth in 2011. As expected, interest rates were left unchanged and are expected to remain low for the foreseeable future.
- ▶ A series of strong corporate earnings reports sent stock prices higher this week and encouraged investment funds to flow out of safe-haven instruments and back into commodities.

Fundamental Factors

- ▶ The weekly oil inventory report from the US Energy Information Administration (EIA) showed a larger-than-expected drop in crude inventories but smaller-than-expected builds in gasoline and distillate supplies. National refinery utilization rose 1.1% to 87.9% of operable capacity.
- ▶ OPEC predicts that after falling two consecutive years, world oil demand will rebound in 2010, increasing by 500,000 barrels per day. Developing Asia, the Middle East and Latin America are listed as growth areas while the US is deemed a “wild card”.
- ▶ Morgan Stanley joined its rival Goldman Sachs by raising its crude oil price forecast in 2010. Morgan predicts \$85/bbl next year on the thesis that rising global demand will once again strain supply.

Weather Factors

- ▶ AccuWeather.com meteorologists warn that cooler-than-normal weather this summer in the US Northeast points to a cold, snowy winter for the Northeast and Mid-Atlantic – much like winter 2002-2003. Further, storm development in the tropics, the source for Gulf of Mexico hurricanes, is expected to get active after mid-August according to the group.