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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

787 will fly this year, Boeing tells two airlines

At least two airlines say they have been told by the Boeing Co. that its delayed 787 Dreamliner will fly by year's end.

The chief executive for Qantas Airlines said that Boeing officials told him last week the 787 will make its first flight in 2009, according to a report published Thursday in *The Australian*. That echoes the comments of Qatar Airways' chief executive, who laid out a similar time line to Reuters in late July.

Similarly, on Thursday, FlightGlobal.com's FlightBlogger site pegged the 787's first flight for late November or early December, citing unidentified sources familiar with Boeing's master 787 schedule.

In June, Boeing abruptly postponed the mostly composite jet's first flight, which had been expected by the end of the second quarter. Although the company has not provided a new schedule for the 787, it is expected to do so by the end of September.

The popular widebody 787 has encountered a long list of problems including parts shortages, production delays and structural weaknesses. When announcing the jet's fifth major setback in June, Boeing officials said tests had revealed a need to reinforce the area where the Dreamliner's wing and body join. They described the issue as "limited" and expected to release a schedule within several weeks.

Earlier this month, Boeing confirmed that, at the time, it also knew of a "minor" flaw in two of the Dreamliner's mostly composite fuselage barrels, supplied by its Italian partner Alenia Aeronautica. Boeing had ordered Alenia to halt work on the fuselage sections until the issue was solved. Boeing said the fuselage problem, which did not occur on the test planes, was a typical development for a new aircraft program and would not have a significant effect on program costs or schedule.

Boeing's stock jumped 2.8 percent, or \$1.22 per share, to close Thursday at \$44.74.

Source: Michelle Dunlop, heraldnet.com - 21st August 2009

Jetstar flies into black

Jetstar says it is already making an operating profit on its domestic routes, in contrast to predecessor Qantas which was losing \$750,000 a week flying here.

The airline said it was in the black by a "six figure" sum in July, its first full month of operations but there are no details provided as it comes outside the financial year. Parent company Qantas on Wednesday announced an 87.9 per cent drop in annual net profit to A\$117 million.

Jetstar started flying within New Zealand on June 10, replacing Qantas on domestic routes after the full service carrier lost A\$32 million here in the year to June 30.

The budget airline's operating costs are far lower than Qantas. Its near-new A320 planes are larger and more efficient and revenue from onboard food sales, hotel and rental car commissions was ahead of target.

Jetstar's chief executive Bruce Buchanan said the early move to profitability could bring forward the airline's plans to expand its network to more New Zealand cities.

Cities including Hamilton, Rotorua, Dunedin and Invercargill could be part of expansion plans and he hoped to have a fourth aircraft based here within the current financial year.

Its trans-tasman services could also be expanded. A pending announcement on streamlining border procedures would open up possibilities to fly to second tier airports such as Newcastle in Australia, he said.

Despite teething troubles, the airline has carried more than 200,000 domestic customers since starting up. Planes were 78 per cent full in June and in excess of 80 per cent in July.

Buchanan said expansion would be in conjunction with getting staff numbers and training up and it was wary of expanding its Queenstown service before the installation of aircraft navigation equipment to allow operation in poor weather.

Its New Zealand operations are the latest for Jetstar which has domestic services within Australia, operates long haul to Asian

"The budget airline's operating costs are far lower than Qantas"

IBA's

Comment:

"What could potentially be a shaky winter for airlines may be exacerbated by a projected second wave of the swine flu virus later this year"

- David Rushe

destinations and has a subsidiary in Singapore and is part of a joint venture in Vietnam.

Jetstar's total operation returned a profit before tax of A\$137 million - an 18 per cent increase on the previous year. Its profit was hit by swine flu in the final quarter, costing the airline A\$20 million.

Japanese services were affected by the outbreak, but Jetstar nevertheless made a profit on the market where it is pushing to attract a new, younger group of international travellers.

Source: Grant Bradley, nzherald.co.nz - 20th August 2009

Rosavia Airline Seeks Bids for 65 Jets

Nascent airline Rosavia invited three companies to participate in a tender for up to 65 aircraft that will form the basis of its fleet, Russian Technologies chief Sergei Chemezov said Wednesday at the MAKS-2009 air show.

Russian Technologies invited Airbus, Boeing and Irkut to participate in the tender for 50 narrow-aisle jets with an option of purchasing 15 more. Invitations were extended personally to Irkut head Oleg Demchenko, Boeing senior vice president Aldo Basile and Airbus vice president Andreas Kramer.

"I'm intentionally not giving the total value of the contracts. The price for one plane will be between \$35 million and \$40 million, so you can do the math yourselves," Chemezov told reporters. At the higher price, 65 planes would cost \$2.6 billion.

The announcement breaks the state's long silence regarding Rosavia, which was unveiled last fall and was originally supposed to begin flying this summer.

State corporation Russian Technologies said in September 2008 that it would help cash-strapped airline alliance AiRUnion — comprised mostly of state-controlled regional carriers — pay off debt and merge with Atlant-Soyuz, a carrier controlled by the Moscow city government.

The new airline has been billed as an eventual competitor to state-controlled Aeroflot, Russia's largest carrier. The company

"State corporation Russian Technologies said.... it would help cash-strapped airline alliance AiRUnion — comprised mostly of state-controlled regional carriers — pay off debt and merge with Atlant-Soyuz"

is currently registered as Airline, while Rosavia is still a working name.

Rosavia will need a total of 120 planes by 2017, Chemezov said. By then, the airline hopes to service 20 million passengers, up from about 1 million now, according to figures in a Russian Technologies statement. Aeroflot flew 9.27 million passengers last year, or 11.6 million including its subsidiaries.

Chemezov said the airline would need the 65 new planes "in the beginning" to replace some of the 200 old aircraft owned by the airlines that were moved under Russian Technologies' control. Three-quarters of the planes are obsolete and will be scrapped by 2017.

The jet makers will need to provide a financial plan for the deliveries, Chemezov said. Rosavia may work with Russian, European and U.S. financial organizations, and it could also request state guarantees to finance leasing or direct purchases, he said.

Rosavia hopes to sign a contract for the narrow-aisle planes before the end of the year after examining the companies' proposals. Deliveries would happen between 2010 and 2016.

The three companies invited Wednesday will need to submit their proposals by Oct. 17, said Igor Zavyalov, deputy head of Russian Technologies. "We will consider all proposals," he said.

The company will also prepare a tender for regional and wide-body planes by the end of the year, when the airline's needs will be clearer, Chemezov said.

Chemezov said he was eager to see the new airline brought into operation quickly, but he admitted that the original plans to include Atlant-Soyuz were still shaky.

"We expected Moscow to [enter] with Atlant-Soyuz ... but their financial condition does not allow it," he said.

Atlant-Soyuz may become part of Rosavia later, "after the city government makes it more financially healthy," he said. Under the original plans for Rosavia, Moscow was to receive 49 percent of the new carrier in exchange for including Atlant-Soyuz and its fleet of nine Boeing 737s.

Last week, City Hall decided to push back the inclusion of Atlant-Soyuz, Vedomosti reported. The airline has debts worth 11.6 billion rubles, the report said.

IBA's

Comment:

"No doubt that Boeing and Airbus will fight

aggressively for these aircraft orders but one

wonders if there will be

any room for the Russian-built Sukhoi

Superjet in Rosavia's

plans"

- David Rushe

Although long-term plans still include a unified brand, the six airlines that are now part of Rosavia will have their own fleets and passenger volumes at first, Chemezov said, adding that Rosavia would serve as the "managing center."

Boeing said in a presentation Monday that airlines in Russia and the Commonwealth of Independent States could buy 1,050 planes over the next 20 years, 58 percent of which would be narrow-aisle planes like the Boeing 737.

Source: Maria Antonova, moscowtimes.ru - 20th August 2009

Premium air travel decline eases by 2.3% in June

As the airlines across the world reduced airfares, decline in premium air travel eased in June, with First- and Business-class traffic falling 21.3 per cent in the month compared with a 23.6 per cent drop in May, said the International Air Transport Association (IATA).

Within the Middle East itself, carriers such as Emirates, Etihad Airways and Qatar Airways cut prices on an average between 20 and 30 per cent in the summer months this year to fill seats in order to combat the declining air traffic volumes.

The region's carriers struggled to sell seats in First- and Business-class cabins during May, for instance, with demand falling by 7.6 per cent year-on-year.

"The issue now is that this stabilisation of passenger numbers is partly being achieved at the expense of much lower yields as airlines seek to boost cash flow by making more cheaper seats available," said IATA.

"International passenger demand remains very weak," said Giovanni Bisignani, IATA's Director General and CEO, in a statement.

"While it appears that there is stabilisation in some markets, this comes at a steep price. Capacity cuts have not kept pace with demand falls.

"Even with lower fares, the load factor remains 2.3 per cent

"While it appears that there is stabilisation in some markets, this comes at a steep price. Capacity cuts have not kept pace with demand falls"
- Giovanni Bisignani

below last year's levels. Airlines are seeing international revenue falls of up to 30 per cent at the start of the June-August period when they traditionally make their money. The outlook remains bleak," he added.

Revenues from premium travel, meanwhile, fell an estimated 33 per cent in the first quarter of this year, followed by a 41 per cent drop in the second quarter.

"And it was still declining at a rate close to 40 per cent in June," said IATA.

Furthermore, even though the improvement in June was not seen consistently across geographical markets, there was a further improvement in passenger numbers travelling between the Middle East and Asia, said IATA in the June report.

"Premium travel remains down on last year but economy is up sharply, taking total passenger numbers up 14.6 per cent in June after a rise of 9.4 per cent in May. Partly this reflects the investment in tourism in the Middle East and direct travel to the region," said IATA.

It added that Europe to Middle East passenger numbers were also up 7.5 per cent in June.

"Part of the growth in these two markets, compared to the decline in direct Europe to Far East markets reflects the success of Middle Eastern airlines in gaining market share from the direct flights by flying passengers via their hubs," said IATA.

Overall traffic, meanwhile, slumped 7.1 per cent in June, easing from a 9.2 per cent decline in May.

"Passenger travel numbers in June are now indicating some stabilisation in air travel demand. Notably the decline moderated in both premium and economy travel." It said the number of passengers travelling on economy tickets has shown signs of reaching a floor since March, but until June that seemed largely due to business travellers switching from premium to economy seats rather than any underlying stabilisation of demand.

However, in June, numbers travelling on economy tickets fell by 5.5 per cent compared to 7.6 per cent decline in May.

Source: Shweta Jain, zawya.com - 19th August 2009

"the success of Middle Eastern airlines in gaining market share from the direct flights by flying passengers via their hubs"
- Giovanni Bisignani

Air China Ltd. raises Hong Kong Cathay Pacific stake

Air China Ltd. raised its stake in Hong Kong carrier Cathay Pacific Airlines Ltd. to 30 percent in a move aimed at boosting the competitiveness and international reach of mainland China's largest airline.

Air China will buy a 12.5 percent Cathay stake for about 6.4 billion Hong Kong dollars (US\$812 million) from conglomerate CITIC Pacific, increasing its total holdings in Cathay to just under 30 percent, the companies announced late Monday.

Meanwhile, Cathay's largest shareholder, conglomerate Swire Pacific, will raise its stake to nearly 42 percent from about 40 percent.

The deal gives China's growing airline industry expanded access to international routes as well as the expertise and resources of Cathay, one of Asia's leading carriers.

It also solidifies Air China's presence in Cathay's home market of Hong Kong after the Chinese company lost its bid to expand in Shanghai - China's biggest business center and a major transportation hub - by securing a stake in Shanghai Airlines.

Air China was beaten out by about main rival China Eastern.

Shares of Air China fell over 5 percent in Hong Kong trade on Tuesday. Cathay shares were down 0.5 percent.

Source: AP, etaiwannews.com - 19th August 2009

“It also solidifies Air China's presence in Cathay's home market of Hong Kong”



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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

Is the recovery robust?

Will it last?

The recent results are encouraging but is it premature?

Will we see year on year improvements rather than just a short term upturn?

All of the above questions are on the minds of Arsenal supporters everywhere following their great start to the season, winning both away games quite emphatically.

The serious matter is of course that we can now add Japan to the list of countries technically out of recession.

Out of recession is technically accurate when looking at each quarter independently but annual growth is another matter.

Meanwhile I saw that KLM left a wheelchair bound 87 year old lady on the aircraft when it arrived at Schiphol and only found her when a rather concerned daughter enquired as to her whereabouts. It all ended okay but I imagine the dear old lady would have been rather worried during her prolonged stay. Still she was probably lucky it wasn't our favourite low cost airline - she probably would have been charged an "overstay" fee. Actually it would be more likely that she would have been found much more quickly either by the cabin crew cleaning the aircraft or by the passengers getting on board after a quick 20 minute turnaround. Must go - it's my Mum's 88th birthday today (no she isn't flying in from Schipol).

Regards,

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

- Volatile equities, US dollar
- Recession over?
- Eyes on the Atlantic

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

Oil prices remained high and volatile this week, seemingly taking cues from movements in the equity and foreign exchange markets but traders are also monitoring improving macroeconomic signals, petroleum inventory levels and the stormy Atlantic Ocean. At time of this report, benchmark WTI crude oil is trading at just under \$68 per barrel.

Macroeconomic Factors

- ▶ The majority of economists now believe that the US economy has bottomed and that a global economic rebound will begin to occur this quarter. In Europe, Germany and France is leading the way to recovery and actually had positive economic growth in the second quarter.
- ▶ The US Consumer Price Index was unchanged in July from June, a sign that inflation remains under control.
- ▶ Today, the US dollar strengthened a bit while the Dow Jones Industrial Average retreated.

Fundamental Factors

- ▶ The weekly oil inventory report from the US Energy Information Administration (EIA) reported a modest build in crude oil and distillate inventories while gasoline stocks fell slightly. National refinery utilization dropped 1.1% to 83.5% of operable capacity.
- ▶ The EIA statistics show that distillate fuel (e.g., diesel, heating oil, jet fuel) inventories on the US Gulf Coast are at the highest levels on record – going back to 1981. Distillate stocks on the East Coast, including the world's largest home heating oil market, are at a 11-year high.

Political Factors

- ▶ This week, the Obama Administration released a draft of a broad plan to force all OTC derivative trades onto regulated exchanges and be subject to oversight by the CFTC. The provisions of the plan, if enacted, represent a large shift in how derivative instruments will be traded, secured and cleared in the future. Congressional review is expected to begin next month.

Weather Factors

- ▶ Forecasters are monitoring at least three weather systems in the Atlantic for further development in coming days. Computer models indicate that there is some risk for development and tracking toward the Caribbean and Gulf of Mexico.

