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Singapore Airlines delays A380 deliveries

Recession- hit Singapore Airlines (SIA) said it had agreed with Airbus to defer the delivery of eight A380 superjumbo jetliners by six to 12 months.

The airline, which posted its first quarterly loss in six years during the June quarter, already has nine A380s in operation with two more due for delivery in the current financial year.

"The revised schedule will see the 12th aircraft delivered in October 2010 rather than April 2010, while the 19th aircraft will be delivered in January 2012 rather than January 2011," the airline said in a statement.

SIA said in July it lost US\$213.26 million in the April to June period, its first quarterly loss since the outbreak of Severe Acute Respiratory Syndrome (SARS) in 2003.

The airline earned a net profit of US\$358.6 million in the same quarter last year. Revenue declined 30 percent to US\$2.87 billion, and the airline warned it expects to report a loss for the full year if the current downturn continues.

The global airline industry has been hit hard by the economic downturn as companies cut back on business travel and families defer holiday plans.

SIA particularly relies on premium travellers for its margins.

The International Air Transport Association (IATA) said Tuesday that more than 50 global airlines lost US\$2.021 billion in the second quarter, bringing industry losses for the first half to more than US\$ 6.0 billion.

While European and Asian-Pacific carriers were worse off than a year ago, North American airlines managed to trim their losses while Latin American and Middle Eastern carriers reported a rise, IATA said.

IATA had earlier forecast losses for the full year would reach about 9.0 billion US dollars.

Sixteen Asian-Pacific carriers posted losses of US\$1.29 billion during the second quarter, compared with losses of US\$958 million dollars a year ago.

Source AFP, mb.com.ph - 4th September 2009

Boeing plane deliveries slide 22%

Boeing Co. said Thursday deliveries of its commercial jets slid 22 per cent and orders fell 11 per cent in August, as weaker demand for air travel forces airlines to cancel or postpone plans to buy new planes.

The Chicago-based airplane maker has struggled with lower demand amid the economic slowdown, which has hurt its airline customers. It also has grappled with costly production problems related to its new 787, a lightweight plane built for fuel efficiency.

Repeated delays have put the 787 more than two years behind schedule. Boeing says it plans to conduct the first test flight of the plane by year's end and book a US\$2.5-billion charge for three of the test planes, which lack commercial value.

Days after announcing the latest 787 schedule, Boeing said on Monday that Scott Carson was stepping down as head of its commercial airplane division and would be succeeded the following day by Jim Albaugh, the head of its defence business.

Boeing delivered 28 planes last month, down from 36 during the same month of 2008, according to figures posted Thursday on its Web site. Boeing, which receives payments when planes are delivered, has received a number of deferrals and some cancellations from customers.

The company said it received 32 orders in August. That is down from 36 in August of 2008.

Despite weaker demand for Boeing's commercial jets, the company has a record backlog of orders and operates a defence business that accounts for about half its overall revenue.

Shares of Boeing slipped 27 cents to \$48.13 in late morning trading.

Source: theobserver.ca - 4th September 2009

IBA's

Comment:

"With just 70 net orders for 2009 as of today and monthly deliveries reduced, Boeing will be highly pressured to get the 787 flying before the year end and minimise ongoing cancellations and compensation payments to airlines."
- David Rushe

Chinese Airbus delivered to airline

China Eastern Airlines on Wednesday took delivery of its first Chinese-assembled Airbus jet from Final Assembly Line China in Tianjin, Airbus's first assembly center outside Europe.

"The A320 jet is one of the most profitable jets for China Eastern, and we plan to introduce more than 40 A320 jets in coming years," said Zhang Jianzhong, vice general manager of the Shanghai-based airline.

The country's third-largest carrier was the first to introduce Airbus jets to the domestic fleet, and it now has 147 Airbus planes, more than any other carrier in the Asia Pacific region.

The Tianjin factory will assemble 11 jets this year, including seven A320 jets, four A319 jets, and will produce four airplanes monthly in 2011.

The factory has already delivered three jets to Sichuan Airlines, Deer Air and Shenzhen Airlines.

The Tianjin facility, a joint venture between Airbus and Tianjin Zhongtian Aviation Industry Investment Co, began operations last September with a total estimated investment of 8 billion yuan (US\$1.17 billion) to 10 billion yuan.

The factory has an order book of nearly 300 airplanes up to 2016. Airbus accelerated cooperation with Chinese firms as it seeks to tap strong air traffic demand in the world's second-largest aviation market and competes with its rival Boeing.

Chinese airlines plan to fly 700 million passengers annually by 2020, compared with 192 million last year, according to Li Jiayang, director of the Civil Aviation Administration of China.

Source: Winny Wang, shanghaidaily.com - 4th September 2009

IBA's

Comment:

"Airbus has taken a clever step by entering manufacturing in the Chinese market, particularly as the Chinese Banking community gets more active and labour costs remain low."

- David Rushe

FAA orders airlines to replace probes in Airbus jets

U.S. airlines must replace certain airspeed probes in Airbus A330 and A340 jets, under a directive the Federal Aviation Administration filed Wednesday. Investigators believe malfunctioning Thales Avionics pitot probes, which relay airspeed information, played a role in the June Air France crash into the Atlantic that killed all 228 people aboard. In August, The Associated Press reported similar malfunctions on at least a dozen recent flights by Northwest Airlines Airbus A330s.

The FAA said the new directive, set to take effect Sept. 8, aims to prevent airspeed discrepancies that could lead to disconnection of the autopilot and/or auto-thrust functions, and, depending on the situation, result in reduced airplane control. It requires replacing certain Thales pitot probes with certain Goodrich probes in two places -- positions 1 (captain) and 3 (standby) -- and with improved Thales or Goodrich probes at position 2 (first officer).

The FAA gave Airlines 120 days to do the work, saying it did not choose a shorter time frame "because of a short-term problem with the availability of sufficient replacement parts." The FAA said it eliminated the usual 30-day comment period before issuing a final rule "because of the importance of initiating the required replacements as soon as possible." Instead, the FAA will consider comments submitted within 30 days of Thursday for possible changes to the directive.

The directive mirrors a July order by the European Aviation Safety Agency, which said airspeed indication discrepancies have been reported on A330 and A340 airplanes flying at high altitudes in inclement weather. It said A330 and A340 jets equipped with certain Thales pitot probes appear to have a greater susceptibility to adverse environmental conditions than certain other pitot probes. The EASA said a new Thales pitot probe works better but has not yet shown the same level of robustness against high-altitude ice crystals as certain Goodrich pitot probes.

In reporting on the FAA order, Bloomberg said it would affect a total of 43 U.S.-registered planes. Airlines said they already have started replacing the probes.

"a short-term problem with the availability of sufficient replacement parts"

Source: Aubrey Cohen, blog.seattlepi.com - 3rd September 2009

Middle East airlines post \$20m earnings in Q2

Middle Eastern carriers recorded \$20 million (Dh73.4m) profits in the second quarter of 2009, up from \$7m profit recorded in the first quarter of the year, even as airlines across the globe posted \$2 billion in losses in the second quarter, according to the International Air Transport Association (IATA).

"Net losses continue to expand in the second quarter, with some exceptions in North and South America. Net losses so far this year for more than 50 airlines are in excess of \$6bn, excluding 'mark-to-market' fuel hedging gains," IATA said in the July-August 2009 Airlines Financial Monitor report.

The aviation trade body had earlier forecast the industry losses for the full year to reach about \$9bn.

Meanwhile, Latin America was the only other region to see its airlines making a profit in the second quarter, as carriers in Europe and Asia-Pacific fared worse than a year ago, IATA said.

With regards to the passenger capacity, IATA said it has been cut on international routes in July-August, "with the exception of the Middle East".

Recently, Official Airline Guide, a UK-based global flight information and data solutions firm, said Middle Eastern airlines saw their overall capacity in August going up by 13.3 per cent, even as airlines globally increased seating capacity by just 0.2 per cent in the month compared to the same period a year earlier.

Nonetheless, stronger equity markets gave airlines an opportunity to raise more, much needed, cash, according to IATA. "Since the start of the year airlines have raised \$3bn of equity and \$12bn from new debt issues," IATA said.

"Airlines take advantage of stronger equity markets to raise \$15bn to help cushion operating cash burn."

Source: Shweta Jain, zawya.com - 2nd September 2009

IBA's

Comment:

"The Middle East continues (with Latin America) to buck the trend, however, the rise in capacity continues to outstrip that of passenger levels."

- David Rushe

Low-price airline SkyEurope goes under

Slovak-based low-cost airline SkyEurope, already in bankruptcy protection, late Monday threw in the sponge and cancelled all its flights, mostly from Bratislava, Prague and Paris.

SkyEurope, listed on the Vienna stock exchange, said in a statement that thousands of passengers were stranded at different European airports. Earlier Monday the airline had cancelled all afternoon flights from Bratislava and all flights as of Tuesday from Prague.

The Ruzyně Prague airport said Monday it would halt all SkyEurope's flights as of Tuesday after the airline failed to pay its debts, the airport spokeswoman Eva Krejci told AFP. The Vienna airport halted SkyEurope's flights in mid-August for the same reason.

The airline said in July it had found an investor who would rescue the struggling low-cost carrier that entered bankruptcy protection in June. The Austrian group FOCUS Equity was supposed to invest 16.5 million euros (23.34 million dollars) in the airline, conditional on a successful restructuring process.

The company, set up in 2001 by mainly Austrian investors, launched ticket sales for the winter season in July after adding two new Boeing 737-300 aircraft to its fleet. The carrier announced earlier this year that its business had been badly hit by the global economic slump and that it had had to reduce its fleet to just five planes from the 15 Boeing 737s it operated in late 2008.

SkyEurope, with bases in Bratislava, Vienna, Prague and the eastern Slovak city of Kosice, never posted a profit in the six years of its existence.

Source: AFP, timesofoman.com - 1st September 2009

IBA's

Comment:

"SkyEurope has had a long stay of execution while airlines such as Ryanair and easyJet were baying for blood. Both airlines are likely to exploit the gap in the market ahead of an expected re-launched version of SkyEurope, as happened with Sterling last year."

- David Rushe

IBA starts the sale process for the remaining Alitalia Assets

IBA starts the sale process for the remaining Alitalia Assets in its role of exclusive global sales agent and advisor to the Extraordinary Administrator of Alitalia.

The International Bureau of Aviation (IBA Group) has started the sales process for the remaining aircraft spares, tooling and equipment not required by the new Alitalia business. The appointment is by the Extraordinary Administrator of Alitalia.

The formal process will start in the next few weeks, when adverts will be published in Flight International, Speednews, the Financial Times and Il Sole 24 Ore. However, in the meantime IBA are contacting operators, owners and distributors worldwide ahead of the formal process and 'Expressions of Interest' are being sought in relation to the aircraft parts and equipment available. The proposed 'lots' are numerous and include individual engines, APU's, rotatable and consumable spares, as well as an MD11 flight simulator.

The formal full process will shortly be published on IBA's website, www.ibagroup.com, and also at www.alitaliaamministrazionestraordinaria.com.

For more information please contact David Rushe (david.rushe@ibagroup.com) or Ross Elliott (ross.elliott@ibagroup.com) or call +44 (0) 1293 772743.

Source: IBA Group - 4th September 2009

"The proposed 'lots' are numerous and include individual engines, APU's, rotatable and consumable spares, as well as an MD11 flight simulator."



IBA Group News

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

Conference Dates

- 13th - 14th September 2009 - Boeing Appraisers Conference, Seattle - Dr Stuart Hatcher will be attending
- 15th - 17th September 2009 - Cargo Facts, Fifteenth Annual Aircraft Symposium, Seattle- Dr Stuart Hatcher will be attending
- 24th - 25th September 2009 - Euromoney Operating Leasing Masterclass, Dublin - David Rushe will be speaking on aircraft valuations
- 11th - 13th October 2009 - ISTAT 16th European Conference, Dubrovnik - Owen Geach and another IBA delegate will be attending
- 21st - 23rd October 2009 - GE Appraisers Conference, Cincinnati - Dr Stuart Hatcher will be attending
- 26th - 27th October 2009 - CAO US Valuation Conference, Washington - Dr Stuart Hatcher will be speaking and IBA is a sponsor

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

I have become somewhat obsessed with the replacement for the A320 and B737.

Frankly I actually think it was a good move not to have rushed into such a programme during the "crest of the wave" mentality of 2006/7.

It is now looking more like 2020 before any such entry into service, but I was interested to see Boeing's Mr McNerney's comments about the potential re-engining of the B737 rather than a completely new type.

In these days of austerity the principle is valid, especially since it is mostly the engine technology advances that create what the airlines want - lower operating costs. However, that won't necessarily meet the shareholders and unions need for production of replacement airframes.

Mildly thought provoking for some - obsession for me.

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

"Newswatch" is a free weekly round-up collated by IBA Group Ltd.

Go to our website to find the last year editions of Newswatch archived.

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As a leading independent aviation consultancy, IBA Group Ltd. offers technical advice, commercial business solutions & asset valuations for our worldwide client base.

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Highlights

- Rising equities
- Falling dollar
- Positive signs of recovery
- 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

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Executive Summary

Oil prices continue to be volatile but range-bound this week with benchmark WTI crude oil (prompt futures contract) locked in a recent band of \$70/bbl on the lower side and \$75/bbl on the upper side. Traders are monitoring equity prices, the value of the dollar, signs of economic recovery and storms in the Atlantic in order to try to assess market direction and potential breakout of the range. At time of this report, the benchmark crude marker is trading at \$73.30/bbl.

Macroeconomic Factors

- ▶ The US Commerce Department reported that 2Q GDP fell by 1.0% annualized, better than the 1.5% expected drop. A sharp decline in business inventories was an encouraging surprise while weekly jobless claims were slightly worse than expected.
- ▶ The International Monetary Fund (IMF) said that the global economy appears to be in better shape than expected and that policymakers should begin to think about unwinding the emergency measures implemented during heat of the financial crisis.
- ▶ Today, as of the time of this report, the Dow Jones Industrial Index is trending up for the 9th consecutive day – the first time since November 1996.
- ▶ This week, the value of the US dollar fell to a three-week low against the euro, with €1 = \$1.4407, reflecting a renewed appetite for riskier investments.

Fundamental Factors

- ▶ The weekly oil inventory report from the US Energy Information Administration (EIA) reported moderate declines in crude oil and gasoline inventories while distillate stockpiles rose slightly. National refinery utilization rose slightly to 84.14% of operable capacity. Overall US weekly petroleum demand is lower by just .8% since last year.

Weather Factors

- ▶ Tropical Storm Danny is expected to skirt along the US Atlantic coastline but is expected to weaken without a major threat of landfall. Elsewhere, forecasters are monitoring a “well developed” tropical wave in the Atlantic for further strengthening.

