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Success for Airbus A320 puts pressure on fate of Boeing 737

Even Airbus officials weren't expecting so much success so soon for its A320 new engine option aircraft.

"With over 1,000 commitments just half a year after launch, our A320neo is a real best-seller," said Tom Enders, president of Airbus, after announcing a record \$18 billion order for the A320neo on Thursday at the Paris Air Show. "I have to admit, I largely underestimated the market demand for neo before this show."

Airbus, which says its A320neo will save carriers 15 percent in fuel use, raked in 667 requests for the updated single-aisle jet during the first four days of the Paris Air Show. The European company announced an order from low-cost carrier AirAsia for 200 A320neo aircraft on Thursday. Since its launch in December, the A320neo has received 1,029 orders and commitments.

The early market success of the A320neo makes Airbus the clear winner at the Paris show and it puts pressure on the Boeing Co. to decide the fate of its single-aisle 737.

Boeing officials have said that improvements on the A320neo - such as adding new engines and fuel-saving wing tip devices Airbus calls Sharklets - only put Airbus' single-aisle jet on "parity" with the 737.

Airbus executives also seem confident they'll steal away a Boeing customer with the A320neo by year's end. Several news outlets at the air show reported that American Airlines could be in talks with Airbus on the A320neo, though no announcement was made.

Boeing officials have said they'll likely decide whether to put a new engine on the 737 or to come out with an entirely new plane - or both - by year's end. That decision is likely to kick off a competition for where the jet will be built.

It wasn't all bad news for Boeing in Paris. Airbus confirmed on Saturday that it will push back the first delivery of its A350-1000, which is expected to compete with Boeing's 777-300 Extended Range jet. Industry observers say the delay could mean orders for Boeing in the meantime and will provide Boeing ample time to decide how to respond

to its 777 challenger.

The Chicago-based company said it recorded orders and commitments for 142 aircraft worth \$22 billion at catalogue prices during the air show. That includes a commitment from an undisclosed customer for its hulking new 747-8 Intercontinentals worth \$4.7 billion.

Airbus said on Thursday it had received 730 orders and commitments, estimated at \$72.2 billion at list prices. Airlines typically receive discounts from list prices.

Boeing played down the orders rivalry, saying it doesn't keep deals in reserve just to announce them at air shows.

Source: Michelle Dunlop, heraldnet.com - 24th June 2011

Bombardier downplays largest CSeries buyer becoming launch customer for rival

Bombardier and Republic Airways, the largest buyer so far of the Canadian company's new CSeries aircraft, are downplaying the impact of the U.S. carrier's decision to become the launch customer for the rival A319neo offering from Europe's Airbus.

The U.S. airline said on Wednesday it had tentatively ordered 40 of the 124-seat A319neos, the plane that competes most closely with the larger CSeries.

It also ordered 40 of Airbus' larger A320neos in a deal that could be worth up to US\$10 billion for both planes, although customers tend to get discounts from list prices.

The list price for each A319neo is US\$119.8 million and US\$131.3 million for the A320neo. That's considerably more than the \$62-million and US\$65-million list price for the two CSeries offerings.

All Airbus planes will be equipped with CFM's Leap-X engine, an alternative to Pratt & Whitney's geared turbofan engine that will power the CSeries.

Republic subsequently said in published reports that its CSeries order remains in place for delivery beginning in 2015.

In early 2010, Republic became the first North American carrier

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to order the Bombardier plane — 40 of the larger CSeries CS300 aircraft in a deal valued at US\$3.06 billion based on list prices. Deliveries are slated to begin in 2015.

Options for another 40 aircraft could raise the contract to US\$6.34 billion.

Bombardier spokesman John Arnone downplayed Republic's Airbus order.

"We have a firm order from our valued customer Republic. Different aircraft types co-exist in airlines everywhere," he wrote from the Paris Air Show.

Analysts said the memorandum of understanding by Republic raised questions about its commitment to the CSeries order.

Cameron Doerksen of National Bank Financial described the A319neo order as a surprise that will be seen as negative for Bombardier.

As the largest customer for the CSeries, he said the order for the A319neo "is a bit perplexing."

"We do not believe that this news necessarily means that the CSeries order is at risk (although a cancellation is certainly a possibility)," he wrote in a report.

"Fortunately, Bombardier has diversified its CSeries orderbook in recent weeks so it is less exposed to any single customer."

So far it has received orders for 123 CSeries aircraft, including 51 CS100 and 72 CS300 aircraft.

Bombardier said it is in advanced negotiations with some five or six customers and hopes to have 20 to 30 customers lined up with 200 to 300 airplane orders when the first aircraft are delivered beginning the end of 2013.

Michael Willemse of CIBC World Markets said investors were likely expecting Republic to order more CSeries and would likely be disappointed with the announcement.

"While we were expecting some A319neo orders, this large order could negatively impact sentiment in the near term," he wrote.

Meanwhile, Willemse added that Bombardier management has become "slightly more optimistic" about its CRJ regional jets but said this market will remain flat until 2012 or 2013.

"(The) recent loss in market share for the Q400 to ATR continues to be somewhat frustrating," he added.

"We have a firm order from our valued customer Republic.

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"(The) recent loss in market share for the Q400 to ATR continues to be somewhat frustrating"

- Michael Willemse

In another development on Wednesday, Bombardier announced it has closed a deal to get US\$1.35 billion in new credit from Canadian and U.S. banks.

The US\$600-million letter of credit and the US\$750-million unsecured revolving credit line replace other credit agreements at better financing terms in current market conditions.

Source: Ross Marowits, thestar.com - 24th June 2011

Big week for GE Aviation

GE Aviation and Snecma, its French partner, on Thursday capped a record performance at the Paris Air Show with an agreement to power the largest single firm aircraft order in history.

CFM International, the GE-Snecma partnership, said it would power all 200 Airbus A320neo jets by discount carrier Air Asia Bhd with its new fuel-efficient LEAP engine, an engine agreement valued at \$4.8 billion.

Malaysian-based Air Asia's decision to buy the re-engined A320 was valued at \$18 billion, based on aircraft list prices.

"This landmark deal is the strongest endorsement yet of our decision to invest in the development of the A320neo," said Airbus CEO Tom Enders.

"We are both honoured and excited to launch this next phase of our relationship with AirAsia," said Jean-Paul Ebanga, president and CEO of CFM.

"We believe that all of the benefits of LEAP technology, including better fuel burn and an improved environmental footprint with CFM's industry-leading reliability and low maintenance costs, will have a very positive impact on AirAsia's operational efficiency and help fuel their continued growth long-term."

Thursday's announcement capped a dramatic performance by CFM and the new LEAP engine which entered the Paris show as the underdog to Pratt & Whitney's new PW1000 geared turbofan, which had won orders for several hundred engines to power the Airbus A320s.

"CFM International said it booked firm orders for 910 LEAP engines valued at \$11 billion to power 455 Airbus A320neo"

CFM International said it booked firm orders for 910 LEAP engines valued at \$11 billion to power 455 Airbus A320neo aircraft during the show.

In addition, CFM said it booked 420 firm orders valued at \$4.2 billion for its current CFM56 engines.

That includes Thursday's announcement that Hainan Airlines, China's fourth largest airline group, finalized an agreement valued at \$1.2 billion for CFM56-5B engines and services to power 42 Airbus A320 family aircraft.

The airline is scheduled to begin taking delivery in 2012. The agreement was originally announced at the Zhuhai Air Show in November.

On Wednesday, Republic Airways Holdings, the parent of U.S.-based Frontier Airlines, said it picked CFM's new LEAP engine to power 80 Airbus A320neo aircraft. The engine order valued at more than \$2 billion is for 40 A319neo versions and 40 A320neo aircraft.

Air Lease Corporation also placed a \$380 million order for CFM56-5B engines to power 20 firm Airbus A320 family aircraft.

Source: Mike Boyer, cincinnati.com - 24th June 2011

“Air Lease Corporation also placed a \$380 million order for CFM56-5B engines to power 20 firm Airbus A320 family aircraft.”

Ryanair, Delta eye Russia's Superjet 100s, MS-21 airliners

U.S. airline Delta and the world's largest low-cost airline Ryanair are considering buying Russia's brand new Superjet 100 medium-haul airliners and MS-21 planes, Kommersant business paper reported on Thursday.

Delta has sent a request for commercial proposals to Russia's United Aircraft-Building Corporation on buying 100 Sukhoi Superjet 100s while Ryanair is considering buying 200 MS-21 short-to medium-haul planes which are currently being developed, the paper said, referring to a source in the UAC.

UAC President Mikhail Pogosyan confirmed to Kommersant that Superjet International, the joint venture between aircraft maker Sukhoi and Italy's Alenia Aeronautica, which sells Superjet 100s in Europe, Africa and America, had received a

“Delta needs about 100 regional aircraft for its subsidiary domestic airlines.”

request for information on Russia's new medium-haul airliners but declined to comment further.

Delta needs about 100 regional aircraft for its subsidiary domestic airlines. The company has sent requests for proposals to all the major commercial passenger aircraft producers, including Boeing, Airbus, Embraer, Bombardier, Japan's Mitsubishi Aircraft Corporation and China's Comac, participants at the Le Bourget air show in France told the paper.

Delta declined to comment on the purchase of new planes while Embraer Director for External Communications Carlos Camargo confirmed to Kommersant that the Brazilian aircraft maker was already preparing proposals for Delta.

Ryanair also declined to comment on the company's interest in Russian aircraft but said that "the airline "was constantly studying the possibilities for fleet expansion and renewal."

Canada's Bombardier, which has already delivered 200 aircraft to Delta, told the paper that Bombardier Series C airliners had a longer range and better efficiency indicators as compared with Superjet 100s.

However Superjet 100s are cheaper at \$31.7 million per plane at catalogue prices as compared with about \$66 million for a Bombardier C Series airliner.

The main rivals for Russia's MS-21 airliner is Boeing and China's Comac, which is working on the creation of the S919 airliner, participants in the Le Bourget air show told the paper.

"The requests sent to Chinese and Russian aircraft makers are only needed to put pressure on Boeing," a representative of a large aerospace company told the paper.

The estimated cost of the MS-21 will be \$68-75 million compared to an equivalent Boeing's \$90 million, the paper said. The aircraft is still at the design stage and is yet to fly.

Source: RIA Novosti, en.rian.ru - 23rd June 2011

"Superjet 100s are cheaper at \$31.7 million per plane at catalogue prices as compared with about \$66 million for a Bombardier C Series airliner."

Qantas, Rolls-Royce reach settlement

Qantas said on Wednesday it had reached a \$100 million settlement with engine maker Rolls-Royce over a mid-air blast that forced the grounding of the Australian flag carrier's entire A380 fleet.

The deal led the airline to increase its profit forecast for the year ending in June despite being hit by natural disasters at home and abroad as well as soaring fuel bills.

'We have reached a compensation agreement with Rolls-Royce following the Rolls-Royce engine failure on flight QF32 in November last year,' said a 'pleased' Qantas chief Alan Joyce.

'After extensive negotiations Rolls-Royce has committed to a settlement of around Aus\$95 million dollars (US\$100 million).'

In November a Qantas A380 superjumbo that had just left Singapore was forced to return and make an emergency landing because one of its Rolls-Royce Trent 900 engines exploded mid-flight.

The incident dented the carrier's reputation for safety, having never experienced a crash in the jet age, and forced it to initially ground all six of its Airbus double-deckers.

Subsequent investigations pinpointed a manufacturing defect that caused fatigue cracking in an oil pipe, resulting in a fire and potentially catastrophic engine failure.

Qantas, Singapore Airlines and Germany's Lufthansa all used the Trent 900 engine on their A380 superjumbos and dozens of turbines had to be replaced.

The Australian firm did not resume full A380 services until January, and the plane involved in the blast will be out of action until next February for repairs estimated to cost Aus\$135 million.

The carrier said the settlement signalled the end of its compensation case in the Federal Court of Australia, adding that it 'looks forward to a continued strong relationship with Rolls-Royce'.

Its shares, which have lost about a third of their value since the blast, surged three percent immediately after the announcement before dropping back to around A\$1.845 — 1.1 percent firmer in a broadly higher market.

Battered by rising fuel prices and a string of natural disasters

"After extensive negotiations Rolls-Royce has committed to a settlement of around Aus\$95 million dollars (US\$100 million)"
- Alan Joyce

including an ash plume from a Chilean volcano that forced widespread flight chaos this week, Qantas has announced job cuts, cancelled plane orders and scaled back growth plans.

In light of the payout and despite the impact from recent natural disasters at home and abroad – including earthquakes in New Zealand and Japan – the airline revised its full year earnings outlook, forecasting a pre-tax profit of Aus\$500-\$550 million in the 12 months to June.

It had earlier predicted profits would be ‘materially stronger’ than the 2010 figure of Aus\$377 million.

Disasters including earthquakes in Japan and New Zealand, floods and cyclones in Australia and the Chile volcano had wiped out \$206 million, he said, with the full cost of the ash upheaval yet to be determined.

Historically high fuel prices were also eating into profits.

‘We don’t have much leeway, we have to be excellent just to get a profit at all, let alone make the returns required to justify capital investments,’ Joyce said.

He vowed ‘tough decisions’ on Qantas’s international business, which is set to return a \$200 million loss for the 12 months ending June 30, pinning the airline’s future on Asia – the world’s fastest growing aviation market.

‘As a nation we used to fly via Asia – now we fly to Asia, and the future will be all about travel to and within Asia,’ he said, promising to unveil a new international strategy later this year.

There has been widespread speculation that Qantas is planning an Asian subsidiary, hoping to lower its cost base and tap the burgeoning travel market there.

The Qantas chief, meanwhile, stepped up warnings to engineers, pilots and baggage handlers over strike plans, accusing unions of having ‘fallen out of touch with reality.’

‘We have seen the anxiety and stress caused when volcanic ash affects many areas of our network – imagine the consequences of industrial action against the whole of our network,’ he said.

Source: AFP, khaleejtimes.com - 22nd June 2011

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IBA Group News

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

Conference Dates

6th - 7th July - Aviation Finance Europe, London - IBA are sponsoring. Phil Seymour is speaking and Owen Geach and Ben Jacques are attending.

SMi Masterclass Series 2011

IBA will be running and participating in the following Aviation Masterclass Series in 2011, in Central London:

18th July - Continuing Airworthiness - <http://www.smi-online.co.uk/training/overview.asp?is=1&ref=3798>

19th July - Continuing Military Airworthiness - <http://www.smi-online.co.uk/training/overview.asp?is=1&ref=3800>

For further information, please contact Owen Geach at owen.geach@ibagroup.com

SMi Inaugural Conference - Future MRO & Ageing Aircraft 2011

24th & 25th October 2011, Holiday Inn Bloomsbury, London

Topics include Global Fleet Maintenance Strategies, Fleet Life Extension vs Renewals & Component life management

For further details please visit www.smi-online.co.uk

Publications - 2011 Editions

Please contact marketing@ibagroup.com for more information.

Aircraft Values Book	Published in February 2011 & August 2011	£660 per year
Lease Rate Digest	Published in February 2011 & August 2011	£360 per year
Engine Values Book	Published in April 2011	£650 per year
Maintenance Cost Journal	Published Quarterly	£200 per year

Phil Seymour's Notes on the Week



I hope you survived the Paris Airshow. I won't repeat the list of orders/MOUs and options that were announced. One thing I like about "coming home" from visits abroad talking about and seeing developments in our relatively high tech industry is how easy it is for me to get back to reality. This photo is an example of that. Clearly there couldn't have been much news about so the headline that sold the local newspaper is the local village Pram Race.

Perhaps it is one step further than reality, perhaps it is even British eccentricity. Pretty obvious what happens, the pram needs at least one person pushing and one person being pushed. The prams have become more bizarre over the years, some look like hospital beds. Take a look at You Tube Ropley Pram Race, there are plenty of rather dangerous looking prams on display. There seem to be some NEO style upgrades on some of the prams. The NEO did seem to mop up the Airshow didn't it? - the longer we wait for a Boeing announcement about the narrowbody space the easier it gets for Airbus. Must dash, I need to fit some sharklets to my pram.

Phil

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