

BAE: the time is right

BAE Systems has probably made the right choice in putting its one-fifth stake in Airbus up for sale at this time, a decision announced in early April. The alternative would be to wait for the next peak of the aircraft ordering cycle, which could be at least five years away. From last year's peak of about 2,200 orders, the trend has only one way to go: down.

Meanwhile, Boeing's share price is in the stratosphere, approaching three times where it was a few years ago when it was lagging further and further behind Airbus and was beset by scandals on its defence side. BAE's stake in Airbus is probably worth between £3bn and £4bn (€4.2 - €5.6bn), and EADS, which owns the remaining 80% of Airbus has first refusal on the shares.

The sale has long been flagged by the BAE Systems' chief executive, Mike Turner, who has made it clear in recent years that the company was managing its stake purely for shareholder value. In other words, BAE was ready to sell when the time was ripe to get the best return on the £2bn or so invested in Airbus when it became a commercial company rather than a consortium back in 2001.

Exiting now means BAE will avoid a round of heavy investment that Airbus is going to have to undertake. The reality is that piling some €12-15bn into the A380 programme is far from enough to secure its dominance of the widebody market. After more than five years leading Boeing, thanks to its A330 model, the Americans have been catching up fast with the later versions of the 777, notably the -300ER, and the well-received new 787. The Airbus riposte, the A350 is moving rapidly from being a re-vamped A330 to looking like an entirely new plane. With two big customers, ILFC and Emirates, stating publicly that they want further improvement to the planned model, the development cost could soar from under €5bn to more like €9bn. A key issue is whether to go for a wider fuselage to compete with the 787. It would be strange for Airbus to balk at this: one reason for the attractiveness of the A320 family has been the wider cabin it still enjoys compared with the 737 New Generation aircraft, which are in fact more modern than the A320s.

So BAE is selling off its stake in Airbus and baling out of commercial jets (apart from some regional legacy products) just as the competition in the duopoly becomes vicious. Both Boeing and Airbus are being forced to bring out new models that compete to some extent with older products: for instance, competition from the A350 is forcing Boeing to come out with a larger version of the 787 that will, in effect, also compete with some versions of the 777.

Scare stories about Airbus jobs disappearing from the UK seem wide of the mark: for one thing, with production at a peak and so much invested, both financially and in terms of engineering resources, Airbus needs everything to hand to keep up with the boom in production. It will also need the continuing source of launch aid from the British government, which will not be deterred by an absence of British

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voices on the board of Airbus.

The proceeds of the Airbus sale will certainly be spent in the US bolstering BAE Systems' position in the world's largest

defence equipment market. Ever since BAE acquired the defence side of the old GEC, the balance of its business growth has tilted towards the US.

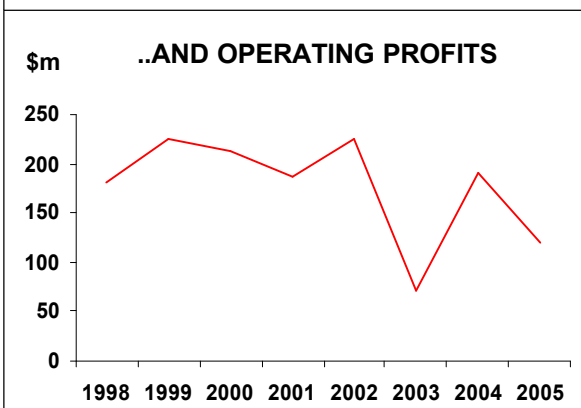
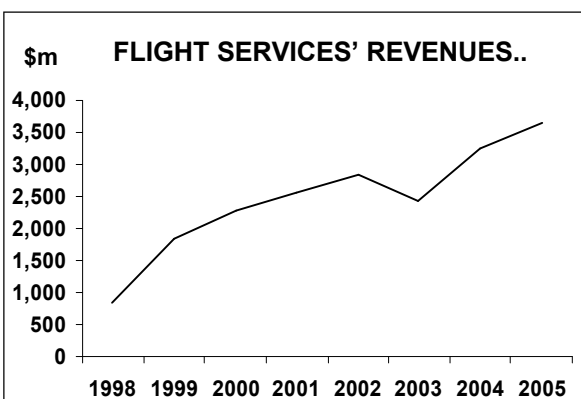
NetJets: that elusive profitability

NetJets, the fully owned subsidiary of Berkshire Hathaway, continues to grow rapidly in terms of fleet and customers, but profitability is proving elusive. As the owner and seasoned NetJets user, Warren Buffett, puts it: "I said last year that this business would earn money in 2005 - and I was dead wrong".

Flight Services, the division of Berkshire Hathaway that is made up of Flight Safety (aviation training) and NetJets made an operating profit of \$120m in 2005, down from \$191m in 2004 on revenues of \$3.7bn, up from \$3.2bn in 2004. While FlightSafety's operating profit earnings increased by around 10% compared to 2004, to \$200m, NetJets incurred a pre-tax loss of around \$80m, compared to pre-tax income of \$10m in 2004.

However, the poor financial performance appears to have resulted not from a lack of demand for fractional ownership but from supply difficulties. NetJets attribute the result to an acute shortage of available aircraft due to increases in owner demand outpacing increases in capacity. So, NetJets had to subcontract additional aircraft capacity through charter services, and the costs associated with subcontracted flights were not fully recoverable from clients and caused an incremental cost of around \$85m in 2005. NetJets also

recorded a special charge of \$20m in the fourth quarter of 2005 for "prior periods' compensation" related to a new labour contract with its pilots and flight attendants. Also interest expense was up \$23m.



The European division, while still just 20% of the size of the US, is expanding. As of March 2006, the European fleet has increased to 89 aircraft. Customer contracts increased in Europe by 37% year on year and excellent growth and reduced losses were claimed in Europe.

NetJets still looks like a good investment, with the fractional ownership concept selling outside the US. However, a worry for Warren Buffett (if he does worry about such things) is the encroachment on the fractional ownership sector from VLJs (Very Light Jets) on the one side and specialist premium-class specialist airlines, like MaxJet, EOS and, soon to be launched, SilverJet, on the other.

NETJETS' FLEETS AND ORDERS		
Type	USA	Europe
125	50 (18)	22
1900		1
737-BBJ	3	
IAI 1126	19	
Beechjet	19 (31)	10 (14)
Citation	254	38
Falcon	34	14
Gulf IV	38	1
Gulf V	9	3
Totals	426 (49)	89 (14)

Source: ACAS, as end March 2006

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United Airlines: Financial vote of confidence

United's parent UAL Corporation received what was effectively a strong vote of confidence from the financial community when it emerged from a three-year Chapter 11 reorganisation on February 1. Banks had been ready to provide twice the exit financing it needed (though that is not entirely surprising since it was all secured debt). Rating agencies immediately gave the company credit ratings that were higher than those of other solvent network carriers. Many stock market analysts expressed confidence about the company's prospects - although some initiated coverage of UAL with a "sell" recommendation, it was only because bullish investors had already driven the share price many times higher than expected.

Yet, despite the \$7bn cost cuts and other Chapter 11 accomplishments, United did not get its unit costs below the typical legacy carrier range. The airline closed the gap with American and Continental but made no further headway against LCCs - something that one would have expected it to do in bankruptcy.

Also, despite the extensive Chapter 11-facilitated debt and lease restructuring and the shedding of pension obligations, UAL still has a heavily leveraged balance sheet.

United also has a history of labour strife - something that raises questions about its corporate culture, even though service levels have improved dramatically in recent years - and it has what can probably be fairly described as one of the least respected management teams in the US airline industry.

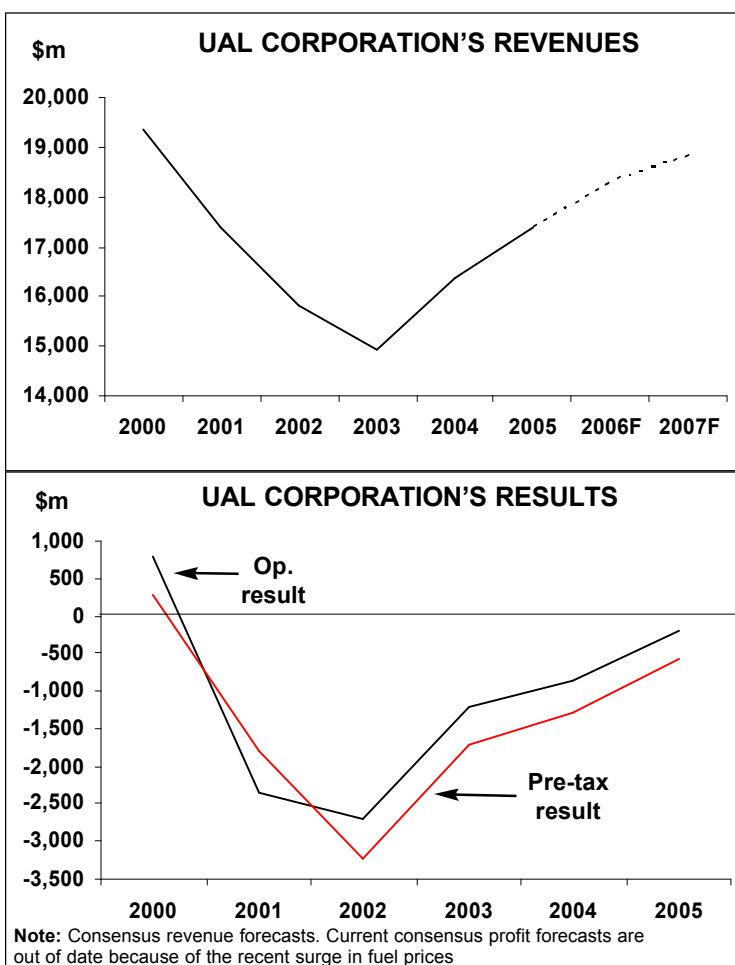
Recent years have seen a steady stream of warning signs, including frequent significant revisions of the business plan, three unsuccessful federal loan guarantee applications and persistently over-optimistic financial projections. Add it all up, and one wonders why the financial community likes United so much.

There is a simple explanation: United has an unrivaled global route network and one of the world's best known brands. Because of those attributes, there was never any real doubt that UAL would not be able to emerge from Chapter

11. In January, when the exit financing commitments were being finalised, United was still forecasting an operating profit of almost \$1bn for 2006 based on the price of crude oil falling to \$50 a barrel. That forecast was prepared in mid-2005 and looked very unrealistic when oil was \$60 and heading up. Why did United not revise the forecast? Because it did not need to - the banks were going to support it anyway.

But United now has lofty investor expectations to live up to. Does it have the right strategies, and will it have a sufficiently competitive cost structure, to build upon its assets?

United has offered two explanations for its higher than expected post-bankruptcy unit costs.



First, it admits that it has a lot more work to do, particularly in terms of reducing non-labour, non-aircraft ownership costs. The management apparently did not have time to focus on the multitude of smaller items (operational simplification, schedule productivity and suchlike) in Chapter 11, and United was left behind as competitors implemented their own cuts. What are the prospects for achieving additional cost cuts?

Second, United believes that it can get away with a higher cost structure than competitors because of its ability to attract higher volumes of premium traffic. There is a sharp new focus on the business passenger with specific product offerings. Is this a wise strategy, given that the premium segment is shrinking?

But United is actually targeting multiple segments with a strategy described as "meeting distinct customer needs with differentiated products and services". The leisure segment is being catered for with Ted, the low-cost unit launched in 2004. All of this is in sharp contrast to what the rest of the industry is doing. With most airlines now opting for simplicity in their business models in order to contain costs, could United succeed with a complex and expensive model offering multiple brands?

There is considerable interest in UAL around the world also because all of its recent growth has focused on its global network. Can that continue, and where is United heading next?

The Chapter 11 reorganisation

UAL filed for Chapter 11 in December 2002 after failing to obtain federal loan guarantees on a proposed \$2bn loan to help it recover from the effects of September 11. However, the airline's financial problems began long before September 11 - largely as a result of the unusual ownership and governance structure introduced by the 1994 ESOP, which gave employees 55% of UAL's stock and three board seats in exchange for a 15% wage cut.

The troubles started with the ending of the ESOP in 2000, when wages snapped back to the pre-1994 levels and all of the labour contracts became amendable. United subsequently became the first major airline to grant hefty pay increases to its pilots which, in combination with the wage snap-backs, led to a sharp hike in

labour costs.

This coincided with a double-digit fall in industry unit revenues in early 2001, partly reflecting a sharp decline in business passengers using full fares, followed by the effects of September 11. But even before September 11 United was headed for a \$1bn loss in 2001; as things turned out, the loss was \$2.1bn.

UAL spent more than twice as long in Chapter 11 than originally expected - 38 months, making it the longest airline reorganisation in history. It was also the most expensive restructuring to date, with lawyer and consultant fees adding up to a staggering \$337m (as of early March 2006).

The process took so long, first, because United lost another federal loan guarantee application in mid-2004, after which it targeted pension plans as part of an effort to secure exit financing from other sources. Second, partly reflecting the large size of the company, there were a large number of aircraft financings to renegotiate - some of those issues still remain to be resolved. Third, there were tough and complex issues involved, including pensions, retiree medical benefits and municipal bond litigation. Fourth, the restructuring took place in an extremely difficult industry environment; United would have been ill advised to rush to leave the protections of Chapter 11.

On the positive side, UAL's Chapter 11 was relatively peaceful. There were no strikes. All of the agreements with labour and other parties were consensual, rather than court imposed.

Unlike US Airways, UAL raised no new equity; instead it obtained a \$3bn secured debt financing, consisting of a \$2.8bn six-year loan and a \$200m credit line, from a bank syndicate led by JP Morgan and Citigroup. The loan, which is secured by substantially all of United's available assets, was used to repay the DIP facility and ensure sufficient cash reserves.

UAL issued 125m new common shares, which began trading on the Nasdaq on February 2. Most of the shares went to the company's former unsecured creditors, who recouped something in the region of 10-20 cents on the dollar in stock based on UAL's \$4.5bn valuation at the close of the first day of trading. Employees received 10m shares (8%), while another 10m shares were allocated to a controversial management incentive plan.

As a result of United terminating its defined

benefit pension plans (the largest corporate-pension default in US history), The Pension Benefit Guaranty Corporation (PBGC) became the largest UAL shareholder with a 20% stake. However, the PBGC immediately indicated that it would sell half of the stake. As part of the settlement, United also issued the PBGC \$500m of convertible preferred stock and \$500m of senior unsecured notes.

The key accomplishments of UAL's Chapter 11 were the following:

Traditional governance structure

Chapter 11 formally ended the ESOP and its related strong labour representation on the board of directors, giving United a traditional governance structure. The board consists of five incumbent, five new and two labour directors, with no group enjoying special voting privileges.

Reduced debt and pension obligations

The restructuring eliminated \$13bn in debt and pension obligations, reducing UAL's total liabilities from \$29bn to \$16bn. Pension obligations declined by \$7bn (to just \$100m), secured aircraft debt by \$3bn (to \$6.1bn), lease obligations by \$3.3bn (to \$3.5bn) and post-retirement benefit obligations by \$2.6bn (to \$2.1bn).

Cost reductions

The Chapter 11 process resulted in \$7bn in average annual cost savings from 2005 to 2010. Of that total, \$3.2bn came from labour - \$2.5bn from wage and benefit reductions and \$700m from work rule and pilot scope clause changes. The rest of the savings represented mainly future expenditures that were eliminated - productivity enhancements (\$1.8bn), restructured United Express contracts (\$520m), aircraft obligations (\$850m) and pensions (\$600m).

Reduced size of company

While in Chapter 11, United reduced its fleet from 570 to 460 aircraft (19.3%) and its work force from 83,000 to 58,000 (30%). The decline in capacity (ASMs) has been much less (5.7% in 2002-2005, following a 9.7% fall in 2001-2002) because aircraft utilisation has improved. The airline eliminated numerous unprofitable domestic flights, returning aircraft to lessors and secured creditors, reallocating capacity to international markets and transferring some flying to regional

partners.

A competitive cost structure?

United emerged from Chapter 11 with lower unit labour costs than its peers but similar total CASM. This was because in the three-year period other airlines tackled non-labour costs more aggressively and also negotiated some pay and lease rate reductions of their own based on United's new lower rates.

According to Merrill Lynch analyst Michael Linenberg, who quantified the trends and the peer differences in his mid-February initiation report on UAL, United's mainline labour CASM declined by an impressive 32% in the three years to 3Q05 (twelve months ended September 30). The latest figure, 3.06 cents, was similar to Continental's but much lower than Northwest's 3.90, American's 3.46 and Delta's 3.32 cents.

In contrast, United's mainline ex-fuel non-labour CASM has remained relatively unchanged. At 4.55 cents per ASM in the TME 3Q05, it was 2-15% higher than the other legacy carriers'. However, United looks high on this metric because it has the flexibility to do more outsourcing than the competition.

In the three-year period, United's total mainline ex-fuel CASM declined by 18.4% to 7.61 cents in the TME 3Q05. This was much lower than Northwest's 8.29 cents but 1-2% higher than the other carriers'.

United's total mainline CASM fell from 12.03 cents in 2001 to 10.52 cents in 2003 and since then has remained in the low-to-mid 10s, despite the surge in fuel prices. The CASM is very similar

UNITED'S OPERATING FLEET*

Type	Number	Average age
A319-100	55	6
A320-200	97	7
737-300	64	17
737-500	30	14
747-400	30	10
757-200	97	14
767-300	35	11
777-200	52	7
Total	460	11

Note: * = Post-restructuring, as of December 31, 2005

to American's and Continental's but obviously well above the 7-9 cent LCC range.

The consensus in the financial community is that United should have accomplished more cost cutting in Chapter 11 in order to be competitive. However, opinion is divided on the potential implications.

On the negative side, competitors are catching up or even overtaking United. Delta and Northwest are both restructuring in Chapter 11, while American and Continental are pressing ahead with further cost cuts; they are believed to be aiming for ex-fuel CASM of around 7 cents, compared to United's 7.5 cents in 2005.

On the positive side, United can now focus on cost reduction initiatives that Linenberg described as "low hanging fruit". In his estimates, if United reduced its ex-fuel, non-labour CASM to the level of American, that would be worth at least another \$500-600m in annual savings.

So far United has identified productivity measures that will result in \$300m of savings in 2006. The initiatives are in the areas of resource optimisation (depeaking all hubs, tightening aircraft turns, improving schedule coordination), maintenance (streamlining processes, outsourcing, etc.), airport operations, call centres and distribution.

United will be able to focus fully on the non-labour issues, because its labour contracts will not become amendable until January 2010. The labour savings are sustainable because there are no snap-back or re-opener provisions, though there is a provision for annual wage increases of up to 2.5%.

Multiple branding strategy

Much will also depend on the success of United's new strategy aimed at improving revenue generation. The airline has gone further than the other legacy carriers in differentiating its product offering for customers in various segments and markets. The aim is to offer "the right product, to the right customer, at the right time". In other words, United is going out of its way to retain both premium and lower-end customers.

Two new brands have been introduced while in Chapter 11: Ted, the low-cost carrier, and "p.s", a premium transcontinental service. United has also expanded its seven-year-old "Economy

Plus" programme that offers 3-5 inches of extra legroom on all mainline flights. First-class seating has been added to more than 100 70-seat RJs operated by regional partners under a programme called "explus". At the other extreme, to reduce the cost of delivery to leisure customers, United has introduced various new fees to non-elite coach class passengers.

United is also relaunching its international first and business classes over the next couple of years. This will involve a \$165m investment in new seats and in-flight entertainment systems.

Ted operates in markets where low-fare customers predominate, such as those where United competes primarily with Frontier and Southwest, though the unit also acts as a feeder to mainline services. Ted is now present at all five of United's domestic hubs, serving 20 airports in the US and Mexico with a fleet of 56 A320s. The all-coach aircraft have 18 more seats than United's mainline A320s though now also offer "Economy Plus" seating.

United went against the industry trend when it launched Ted two years ago. In recent years other network carriers have decided that they are better off reducing costs throughout their system rather than setting up separate low-cost units - after all, virtually all of the domestic market is now low-fare. Delta, too, is now eliminating its low-cost unit - it will start integrating Song's 48 aircraft into its mainline fleet in May, adding first class seating but retaining Song's entertainment systems.

United is encouraged by Ted's ability to recapture market share and eliminate huge losses on many routes, which is attributed to cost advantages stemming from a larger number of seats per aircraft and higher aircraft utilisation. In the 12 months ended October 31, Ted achieved an 84% load factor and an operating profit even on a fully allocated basis.

Ted accounts for 17% of United's domestic capacity and is a key element of the new strategy. However, United's leadership has indicated that the unit may be approaching its optimum size and will not be significantly expanded.

United's decision to retain and expand "Economy Plus" seating, which is complimentary to elite-level FFP members and full-fare passengers and can be purchased by others for \$24-\$99 per flight, is totally contrary to industry trends. Most notably, last year American undid a similar

programme launched in 2000, saying that adding back seats raised annual revenues by \$100m. However, United saw "Economy Plus" upgrade revenues double last year and expects them to double again to \$50m in 2006.

Critics contend that United is taking a big risk with the "p.s." brand, which offers a private-jet style luxury product on 757s in markets with "extraordinary premium cabin demand", namely New York to Los Angeles and San Francisco. But United has reported some early promising results, including a 13-point increase in the segment profit margin.

Adding first class cabins and "Economy Plus" seating to commuter affiliates' 70-seat RJs is also an interesting experiment - the first time anyone has tried it on such a scale.

These high-end strategies aim to address the problem of premium passengers defecting to corporate jets, as service standards on commercial flights have slipped - a sort of backlash against the commoditisation of air travel. New niche carriers like Eos, which is wooing transatlantic business passengers with a product that mixes corporate jet-like privacy with the luxury of a first-class cabin, are also trying to cash in on this trend (see briefing in *Aviation Strategy*, October 2005).

Of course, there has been the much stronger parallel trend of corporations and premium passengers becoming more cost-conscious and switching to LCCs or to coach class. In other words, the premium segment is shrinking.

Strategy decisions are obviously influenced by an airline's strengths. For example, Continental, which has great hubs and has long enjoyed a revenue premium over competitors, is one of the few airlines that still offers hot meals on domestic flights.

By the same token, United is probably the strongest candidate to succeed with the premium segment-focused strategy, because its leading positions in powerful hubs, comprehensive global network and strong alliances give it the best potential to capture such traffic. It has some extremely valuable assets, including a Pacific route system, which accounts for 44% of US airlines' capacity in that region, and significant operations at London Heathrow, Tokyo Narita and Frankfurt - the world's most attractive gateways with severe capacity restrictions.

It is indicative that, unlike some other legacy carriers in recent years, United has not closed

any hubs. In the US, it operates major hubs at Chicago O'Hare, Denver and San Francisco and smaller ones at Washington Dulles and Los Angeles. Each of those was considered viable based on the size of the local market and United's leading position.

United also noted recently that, despite the Chapter 11 cutbacks, at the end of 2005 it actually served ten more cities (a total of 204), including seven more international points, and operated 45 more routes (456) than three years earlier.

United was previously not able to maximise the potential revenue advantage because its service quality was inconsistent. However, the airline has made significant strides in that area. In recent years it has consistently ranked among the top three major carriers in terms of on-time performance and other key operating metrics. This is helping it retain premium passengers and appears to be reflected in unit revenue trends - United's mainline RASM has risen steadily since 2002.

Linenberg calculated in February that United enjoys a 7% length-of-haul adjusted passenger unit revenue (PRASM) premium over other network carriers and a 40% premium over Southwest, though he said it was hard to ascertain how much of the premium was due to passenger segmentation.

Linenberg suggested that the strategy could make United more vulnerable in the event of an economic downturn. This is because having fewer seats per aircraft reduces an airline's flexibility to generate additional revenue.

There are obviously backup plans. According to Calyon Securities analyst Ray Neidl, United's leadership stated in early April that if the revenue premium model fails, the airline would add back seats, which would reduce its ex-fuel CASM by 4-5% (from 7.5 to 7.1 or 7.2 cents).

Growth plans and prospects

United's growth in the next few years will be relatively limited because the airline does not plan to take any additional aircraft. After shedding 107 aircraft while in Chapter 11, United reached agreement with Airbus and engine manufacturers in January 2006 to delay, with the right to cancel, all of its A319 and A320 orders valued at \$2.5bn.

However, United still expects to grow its sys-

tem mainline capacity by 2.5-3% in 2006 through improved aircraft utilisation. Measures such as reducing turnaround times, trimming scheduled block time and improving schedule coordination are expected to free up at least ten aircraft in 2006.

United has not disclosed more detailed growth forecasts, but most of the freed up aircraft look likely to be utilised in Denver. United is adding 32 daily flights at that hub in June (a 7.6% increase) in response to demand growth that may be the result of Southwest's recent arrival there.

Although United is likely to continue to rationalise capacity in other domestic markets, the Denver move represents a departure from the Chapter 11 strategy of reallocating aircraft to international routes.

United was the first of the US major carriers to start growing internationally to escape intensified LCC competition at home. The process began in October 2004, when the airline cut domestic flight capacity by 12% and increased international capacity by 14%. While in Chapter 11, the share of international flying increased from one-third to almost one-half of United's total operations. However, none of the international route areas are yet profitable; The Pacific, Atlantic and Latin America divisions lost \$101m, \$50m and \$69m, respectively, in 2005 (loss margins of 3%, 2% and 15%).

Much of the activity has focused on the Pacific, where capacity has grown by 15% since October 2004 with the launch of San Francisco to Ho Chi Minh City and Nagoya flights, Chicago-Shanghai, Nagoya-Taipei and added frequencies to Australia and Hong Kong. This month United also returned to the San Francisco-Seoul market.

United has stated that it plans to continue in

particular Pacific expansion, but most of the near-term international growth looks likely to be through the Star alliance. Challenges on the international front include fleet investment and modernisation, capacity constraints at Chicago and intense competition among US airlines for new route authority to key markets such as China.

If all goes well, at some point United is expected to place new orders for long-range aircraft such as the 787 or the A350. It has adequate liquidity, with estimated unrestricted cash reserves of well over \$3bn at the end of March. However, the balance sheet is highly leveraged, so the company is expected to try to raise equity in an offering at the earliest opportunity.

UAL has steadily narrowed its losses since 2002, when restructuring and other special items are excluded. Its results are now in line with those of other solvent legacy carriers. The current consensus estimate - which may turn out to be wildly inaccurate because of fuel - is a modest profit of \$2 per share in 2006 before special items, compared to a loss of \$4.88 per share last year. On the negative side, crude oil prices have suddenly surged to over \$70 a barrel this month; on the positive side, US airline revenue trends are much better than anticipated because of a series of fare increases.

The critical time for United will be in a couple of years, when it should earn reasonable profits in order to meet its significant debt and lease obligations and fleet investment needs. The reorganisation plan anticipates 10% operating margins, but that assumes the price oil falling to \$50. Longer-term challenges include potential for labour disputes (if financial recovery does not proceed as anticipated) and new LCC competition, such as from Virgin America in the West.

By Heini Nuutinen

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Emirates: Radicalising the long-haul network model

Some 20 years after it was launched, Emirates has become the world's most profitable network airline, by a wide margin. Can it maintain its seemingly relentless growth?

The Group

The Emirates group is owned 100% by the government of Dubai and comprises the airline and Dnata, an aviation services company. The group employs approximately 20,000 staff, with the airline accounting for 16,400 (of which 1,000 are pilots and 5,600 are cabin crew). Over the past two decades, Emirates has grown into a highly successful profit generator (see *Aviation Strategy*, February 2003).

In the financial year to the end of March 2006, the Emirates group posted a net profit of US\$763 (AED 2.8bn), 4.9% up on 2004/05, its 18th consecutive year of profit, though the increase was modest in comparison to previous years - net profit in 2004/05, for example, was 49% up on the previous year. Operating profit was \$802m, 2.9% up on 2004/05, while there was a 27% rise in turnover, to \$6.6bn. This increase in operating profit was achieved despite rising fuel costs that accounted for 27% of operating costs, compared with 21% in 2004/05 and 14% in 2003/04, even though hedging saved the group \$189m in the financial year (fuel surcharges were raised again in February 2006). Results were good enough for the Emirates group to pay a \$105m dividend to the Dubai government.

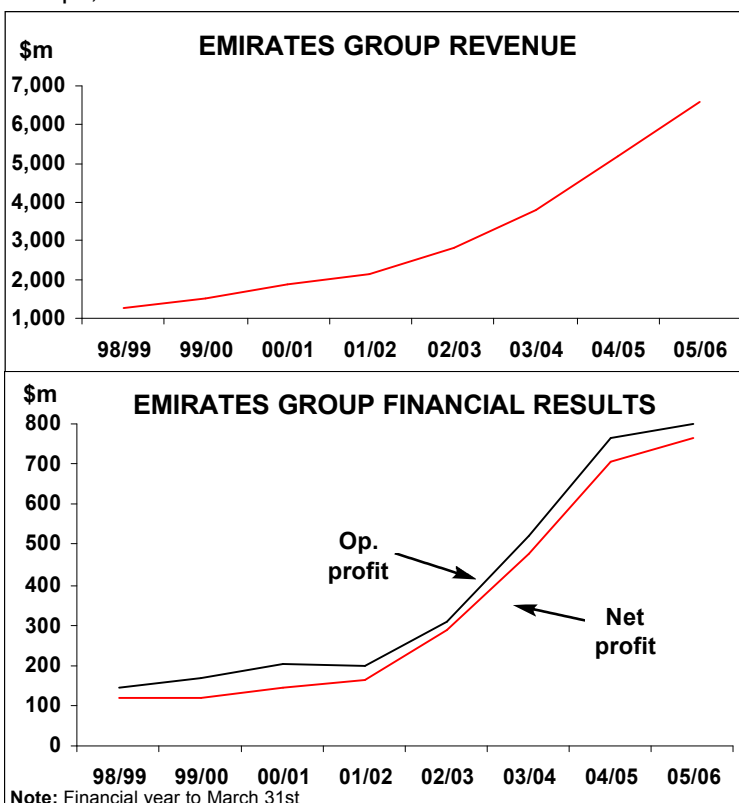
Airline operations accounted for \$674m of group net profit in 2005/06 (88% of the total), 2.8% up on the previous year, with airline revenue up 27% to \$6.3bn (representing 95% of group revenue). Airline operating profit was \$722m, 1.3% up on 2004/05, and accounting for 90% of group operating profit, with the remaining revenue and profit coming from Dnata (although in March 2006 the Emirates group launched a hotels division). Load factor

rose by 1.3% to 75.9% in 2005/06, with passengers carried up 16% to 14.5m, thanks to new routes and extra capacity on existing services.

Dubai's strength

These impressive figures have arisen from Sixth Freedom traffic growth based on a dominant position at Dubai International airport, which acts as a hub for regional flights that connect with Emirates' international services.

Today the UAE airline operates passenger services to 83 destinations in 55 countries, but more than 60% of Emirates' passengers make a connection at Dubai airport, based on a system of two waves of flights each day. There is a west-east wave in the late evening and early morning (where passengers on flights from Europe, the Middle East and Africa connect



EMIRATES GROUP FLEET

	Emirates fleet	Emirates orders (options)
747-400F	6	
767-300ER		
777-200	3	
777-200ER	6	
777-200LR		10
777-300	12	
777-300ER	12	40 (20)
777F		8
A300-600F		
A310-300	1	
A310-300F	3	
A330-200	29	
A340-300	8	
A340-500	10	
A340-600		18
A380-800		45
Total	90	121 (20)

with short haul services to the Indian sub-continent and long-haul to the Asia/Pacific region), and a east-west wave in the 6.00am to 9.00am period, where the opposite traffic flows occur.

The system originated back in the late 1980s and early 1990s, when Emirates negotiated long-term landing rights deals with foreign governments at a time when it was regarded as nothing more than a niche carrier. With these agreements in place, Emirates built up a network of feeder flights, and the two parts of the route strategy now reinforce each other so much that Emirates can open regional routes almost anywhere on the basis that there will be substantial connecting

traffic with its international routes. Although Dubai has a population of just 1.3m (according to the UAE government), some 3.5bn people live within a 4,000 miles radius of Dubai - or a maximum eight-hour flight.

Despite the 100 other airlines that compete at Dubai, Emirates accounted for about 54% of the 22m passengers at the airport in 2005 (Gulf Air was in second place) and 50% of cargo traffic. Crucially for Emirates, Dubai airport is carrying out a \$4.5bn terminal expansion over the next few years that will enable the airport to handle 70m passengers a year by 2012 (the same size as Atlanta today), of which approximately half are expected to be Emirates' customers. Two new concourses are being built, which together will have capacity to receive 23 A380s. Emirates will have exclusive use of these facilities, while all other airlines will have to make do with just two other A380 stands, being built at the existing concourse.

It's advantages like these that have increasingly made Emirates the target of criticism from rivals such as Qantas and Air France. For example, in November 2005 Qantas chairman Margaret Jackson said that: "Life must be wonderfully simple when the airline, government and airport interests are all controlled and run by the same people." She added that Emirates benefited from corporate tax exemptions and, since it was owned by the government, the airline had a risk rating that allowed higher levels

of debt than commercially owned airlines could enjoy.

Qantas's attack followed an attempt by Emirates to double the number of weekly flights it operates to Australia, to almost 100. Emirates' load factors to Australia are apparently in the 80s, and Qantas is particularly worried that Emirates' 90 flights a week between Dubai and the UK will allow the airline to win a large chunk of the lucrative UK-Australia market, connecting via the Dubai hub.

The dispute between the two airlines was stoked further after Maurice Flanagan, Emirates vice chairman and group president (and who built the airline up since launch), responded by saying that Qantas's statements proved they were "fundamentally against competition ... lately Qantas has tried to stop, at all costs, competition on one of the world's most protected routes - Australia to the US - and now they want to stop further competition on arguably Australia's most important routes to greater Europe, the Middle East and Africa".

But while it's true that Emirates has had no direct financial aid from the Dubai government since \$10m of launch funding, some of Qantas's claims are based on fact, in that Emirates enjoys privileges at Dubai that most of its rivals would love to have at their hub airports. Landing fees have not been raised at Dubai airport for at least 10 years, and unlike almost all its rivals, Dubai airport does not have any noise restrictions, which allows Emirates' aircraft to operate 14 hours each day. Importantly, Sheik Ahmed bin Saeed al-Maktoum, the chairman and CEO of Emirates Group, is also head of aviation for Dubai and his nephew, Sheikh Mohammed, the founder of Emirates (and since the start of the year the new Emir of Dubai), led the development of what will become the world's largest airport when it is completed in 2020 - World Central Jebel Ali Airport City. And then there is the favourable tax regime that Emirates enjoys in Dubai, which saves the airline an estimated \$250m a year, according to one analyst.

Emirates' fleet has grown steadily over the last few years, from 38 in early 2002, 69 as at March 2005 and 90 as at the end of March 2006. During last year Emirates received the last of its \$2bn worth of 10 A340-500 aircraft, and the overall fleet now has an average age

of less than five years (surprisingly the average has been rising steadily for the last two years, although it is younger than most of its rivals). Yet that fleet growth is just the start, for Emirates is targeting a fleet of 150 aircraft by 2010, which will carry 33m passengers in that year. There are now no fewer than 121 aircraft on firm order, and more orders are expected shortly. Among the major fleet developments are:

- In November 2005 Emirates announced the largest ever order for 777s - 42 aircraft (24 777-300ERs, 10 777-200LRs and eight 777Fs) worth \$9.7bn at list prices, as well as options for another 20 aircraft. The first aircraft will be delivered in 2007 and enable a whole raft of new routes to be launched, including non-stop services to the west coast of the US. Emirates already had 28 777-300ERs on order (most of which will be leased - 13 from GECAS and 11 from ILFC), the first of which was delivered in March 2005, with the last due to arrive in October 2007. They are being used to bolster capacity on long-haul routes to the Asia/Pacific region.

- 18 A340-600s are on order, although whether these will be delivered depends on Airbus's plans to "upgrade" the slow-selling model. The latest indication from Emirates is that these aircraft may be swapped for even more A380s, partly because the traffic growth of some routes originally designated as A340 routes has already turned them into A380 possibilities.

- 45 A380s are on order - 43 passenger variants and two freighters, at a list price of \$13bn. The first aircraft was to be delivered in October 2006 but last summer that date shifted to April 2007, and although Emirates is likely to gain financial compensation from Airbus, the delay has forced the airline to juggle its scheduling and route launches. When they do arrive, the A380s will be used on routes such as to Auckland, which is currently served with A340-500s and 777-300s. Emirates is also interested in the potential stretched version of the A380 - the 900 - which would seat up to another 100 passengers. If the 900 goes ahead, Emirates would switch some of its 800 orders to the new variant, according to Tim Clark, president of Emirates airline.

- Emirates is expected to make an order for

EMIRATES' FLEET PLANS UNTIL 2013

	2006	2007	2008	2009	2010	2011	2012	2013
A310-300	1							
A330-200	29	29	27	24	20	13	4	1
A340-300	8	8	8	8	8	8	8	8
A340-500	10	10	10	10	10	10	10	10
A340-600		8	12	12	12	12	12	12
A380-800		9	14	21	34	43	43	43
777-200	3	3	3	3	3	3	3	3
777-200ER	6	6	6	6	6	6	6	6
777-300	12	12	12	12	12	12	12	12
777-300ER	23	31	37	43	44	46	51	54
777-200LR		3	9	10	10	10	10	10
A310-300 F	3	3	3	3	3	3	3	3
A380-800 F				2	2	2	2	2
747-400 F	5	5	5	4	3	3	3	3
747-400ER F		1	1	1	1	1	1	1
747-200 F	1	1	1					
777-200LR F			1	6	8	8	8	8
Total	101	129	149	165	176	180	176	176

Note: Fleet as at end of calendar year
Source: Emirates

mid-range aircraft soon, and although other aircraft (such as the 777-200LR) were considered, most observers see it as a straight fight between the A350 and the 787. An order for up to 50 aircraft was expected last year, but nothing has materialised yet, and no doubt both Boeing and Airbus are competing hard on discounts.

Additionally, Emirates' cargo operation - SkyCargo - which operates four leased 747-200s and two leased 747-200Fs, bought three converted A310-300Fs in 2005 and will receive two A380 freighters at the end of the decade, which will be used on high-density cargo routes to North America and the Pacific region.

Altogether, Emirates is committed to paying around \$37bn at list prices (The actual price paid might be closer to \$22bn) for the 121 aircraft on outstanding order, a financial commitment that has some other airlines debating where that money will come from. Emirates counters that it will not have to stretch itself to pay for the new equipment as it has strong cash flow and has never had trouble raising debt when required. As at March 2005, the group's long-term debt totalled \$2.4bn (10% up on March 2004), but cash and cash equivalents stood at \$2bn at the same date, 14% up on a year earlier, and cash rose considerably in the six months to the end of September 2005,

EMIRATES AIRLINE RESULTS BY REGION - 04/05

	Revenue	Operating profit
Middle East	16.4%	25.7%
Europe & Americas	36.7%	33.6%
Far East/Australasia	27.8%	21.3%
W. Asia & Indian sub-continent	9.7%	9.4%
Africa	9.4%	10.0%
	100%	100%

to \$2.6bn.

Emirates is innovative in its external funding - in July 2005 it financed an A340-500 via a \$120m 12-year lease with the China Construction Bank Corporation, while last year Emirates also issued the first ever Islamic bond to be launched by an airline (known as a "sukuk"), and the \$550m seven-year debt was 50% oversubscribed. The sukuk is being used to finance Emirates' new engineering centre at Dubai airport as well as a new corporate headquarters, both of which will be completed this year. The airline is also in talks with the government-backed Dubai Aerospace Enterprise about financing some of the A380s (and DAE, helpfully, is chaired by Sheik Ahmed).

Altogether, Emirates has raised more than \$7bn to expand its operations since the late 1990s, from a variety of sources including commercial debt (28%), European export credits (25%) operating leases (20%, with approximately a third of the fleet currently on operating leases) bonds (13%) and Islamic funding (10%).

Emirates may raise another \$500m in 2006 through a bond issue, but the sheer size of the investment needed for equipment (a new aircraft will arrive virtually every month until the end of the century) may be behind the group's informal assessment last year about a possible IPO.

Capacity push

However the new aircraft are funded, Emirates will undergo a substantial increase in capacity over the next five years - approximately 20% pa growth in seat capacity. Eight new destinations are being added through 2006, although a planned route to Copenhagen, scheduled to launch in October 2006, has been postponed. Although regional

feeder routes are continuing to be built up (for example, a route to Thiruvananthapuram in India started in February 2006 and to Addis Ababa in March, while a service to Bangalore begins in October), in the long-term the priority for the airline is to grow its long-haul network, whether the fatter A380 routes or the longer range and thinner 777 routes.

Although Emirates codeshares with up to a dozen airlines - including Air India, Continental, JAL, and Thai Airways (with the latest being Korean Air, which started in October 2005) - and in late 2005 began interline e-ticketing with American, it continues to rule out joining a global alliance (in particular resisting informal approaches from Star), claiming that not only can it see no long-term benefit from joining one, but that participation would lead to reduced profitability.

Maurice Flanagan, Emirates group president, encapsulates the strategy: "Dubai is the perfect location for a global hub, especially as we develop our operations to North and South America. We have an Open Skies agreement with the US - including intermediate fifth freedom rights - and we can connect any two points in the world with one stop only, in Dubai. And our A380s, A340-600s, and Boeing 777-300ERs will eventually connect sectors of at least 12 to 14 hours each, which takes in from Dubai many of the points we serve, or will serve, in North and South America, Australasia and the Far East."

Indeed passengers handled at Dubai airport are forecast to grow from the current 25m by 10%-15% a year for the next 10 years, with growth split between TOD (tourist oriented directional) and transit traffic. A 12% annual growth rate would result in 78m passengers passing through Dubai in 2015.

A massive building boom is underway in Dubai, with an estimated \$100bn of construction projects planned for the next few years. This will draw in an even greater number of workers from the Indian sub-continent and south Asia, and plans for economic growth may even be accelerated now that Sheikh Mohammed is the new Emir of Dubai after the death of his brother, Sheikh Maktoum, in January.

Some observers, including *Aviation Strategy* (November 2005 issue) have ques-

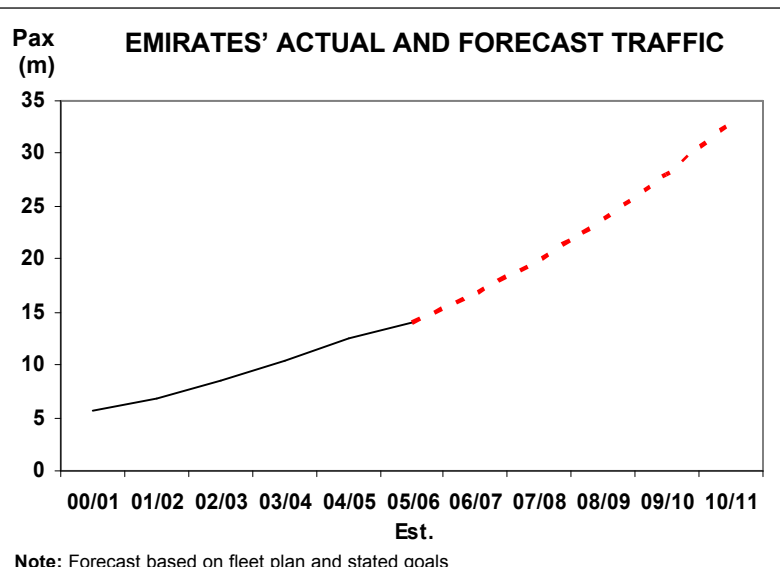
tioned the scale of the capacity build-up by Emirates and the other Middle East super-connectors. Emirates' projected growth rate is similar to that being achieved by the most successful of the European LCCs, while the operating profit margin has recently been around 12% which is better than any of the LCCs apart from Ryanair. What Emirates is in effect producing is a radical change to the long-haul network airline model.

Although the Middle East market is still the most profitable for Emirates in terms of margin (see table, left), it is the long-haul routes to the Asia/Pacific region, Europe and the Americas that provide almost two-thirds of revenue and more than half of profits. The Asia/Pacific region alone accounts for 28% of revenue, and in 2005 Emirates added capacity on routes to Hong Kong, Bangkok, Sydney and Singapore (on the latter increasing weekly flights to 42 at what is Emirates' gateway to Australia and New Zealand), and launched direct flights to Jakarta and Kuala Lumpur. Emirates also operates passenger routes to Osaka, Manila, Seoul and Shanghai, while in 2006 a daily Dubai-Beijing service launched in February using A340-300s, and a Dubai-Nagoya route will commence in June, initially with 777-200s before switching to A340-500s.

Another target for expansion is North America. In November 2005 Emirates doubled frequency on its Dubai-New York service (to two flights a day), which is believed to be one of its most profitable routes. A planned route to San Francisco was postponed after rising fuel prices, but this is back on the agenda for 2006, as is Los Angeles and Houston. Also in February 2006 a route started to Abidjan in Cote d'Ivoire, increasing Emirates' African network to 12 destinations.

The future

According to Sheikh Ahmed, Emirates group chairman, the airline is set to return to a high rate of profit growth this financial year (2006/07), with an increase of 13% being targeted. However, "High fuel prices remain the single largest threat to Emirates' achievements of its financial goals." In 2005 the airline implemented a series of cost cutting measures,



such as a freeze on recruitment other than pilot, cabin and engineering crew, and also introduced a fuel surcharge. Against the jet kerosene impact, however, there is the economic benefit of the influx of petro-dollars into the UAE.

Crucial to Emirates' future success is the reaction of competitors to the planned increases in capacity. Most airlines will not be prepared to allow Emirates to dominate long-haul sectors, and Virgin Atlantic, for example, launched a service to Dubai from London Heathrow in March (to become a daily service in June), with a 12% market share target on the route. At the other end of the globe, the immediate strategy of the Australasian airlines appears to be to encourage governments to block unrestricted access by Emirates to their markets while at the same time encouraging transpacific tourists to stop over at Australia and New Zealand, rather than fly quickly on to Dubai. SIA is perhaps best able to resist Emirates through a reliance on feed into Changi from south-east Asia - a market that Emirates cannot directly tap into.

Emirates currently appears to be the price leader in all the main markets that it competes in, and the A380 will add a new dimension, with suggested fares of €400 for a return UK-Australia flight on Emirates. In a straight fight between Emirates A380 and BA's 747s, for example, the lower unit costs (14% claimed at Direct Operating Cost level) plus Emirates'

other cost advantages, will mean that BA will have to think very carefully about just how much it may be willing to cut fares.

Lufthansa faces another problem in that Emirates is targeting cities like Hamburg and Düsseldorf, offering direct service to the Middle East and, of course, connecting service to Asia, without connecting at Frankfurt or Munich, which is necessary on Lufthansa's network.

Emirates has floated the possibility of a long-haul LCC, presumably with 550-plus economy seats. Tim Clark, president of Emirates airline since 2003, first raised the idea back in 2004, and last November he said that Emirates had been analysing the launch of a long-haul LCC based on A380 equipment. It had even gone so far as to have a working name for the concept - Emirates Express - although Clark also said the project had now been set aside for the immediate future. Segmenting its traffic into separate airlines (about 20% of Emirates' traffic is in premium classes) would be difficult and could well have unforeseen cannibalisation effects. It is also possible that the entire suggestion was intended to cause more consternation among competitors.

Given its aggressive aircraft investment

programme, it has become very unlikely that Emirates will be tempted to invest in airlines. Emirates bought a 44% stake in SriLankan Airlines in 1998, but this does not appear to have provided a financial return nor any strategic benefit.

Perhaps the greatest threat of all to Emirates comes from closer to home - from the other airlines emerging in the Middle East, and specifically in the UAE. There is growing trade and tourism within and to the Middle East and the Indian sub-continent, and a frenzy of new hotel construction in Dubai over the next few years anticipates a rise in both leisure and business travellers to the area. That means a growing challenge from others, including Etihad Airways and Qatar Airways, the latter of which has ordered two A380s and which will make use of the \$5.5bn investment in the New Doha International airport. And then there is the new airport at Jebel Ali itself, which with six runways will handle up to 145m passengers a year when it is completed (with the first runway on target to be operational in the first quarter of 2007), and will presumably attract plenty of competition for Emirates if it is to be commercially successful.

Etihad: Abu Dhabi's A380 new entrant

Etihad Airways was created by the government of Abu Dhabi (one of the seven emirates that makes up the United Arab Emirates), in July 2003 with a capital base of \$136m, and launched its first regional services in November of that year, initially with two A330-200s dry leased from Brazilian airline TAM, and with a staff of 150.

Since then Etihad (union in Arabic) has grown steadily, with almost one new destination every month, and today it employs around 1,000 and operates to 27 destinations out of Abu Dhabi - eight in the Middle East, eight in the Indian sub-continent, seven in Europe (Brussels, Frankfurt, Geneva, London Gatwick, London Heathrow, Manchester and Munich), and long-haul services to Toronto, Bangkok, Manila and Johannesburg.

Etihad's strategy is to link Abu Dhabi with key commercial centres around the world, with a target market of business travellers and full-fare leisure passengers. Yet with a handful of aircraft, initially Etihad had been regarded as nothing more or less than an interesting regional start-up - until in 2004 it placed the biggest ever order for a new airline, for 24 widebody aircraft worth approximately \$7bn. In July of that year Etihad ordered four A380s, four A340-500s (to give ultra-long range capability) and four A340-600s. The A340-500s are scheduled for delivery from April 2006 and the A340-600s from 2007, with the first A380 scheduled to arrive in January 2008. At the same time, Etihad also ordered 12 A330-200s, with eight of these to be leased from Abu Dhabi-based

Oasis International Leasing, with delivery in January 2006-May 2007, in a deal worth around \$1bn. Two other A330-200s were received on 14-year leases last year from CIT. The Airbus orders were followed up in December 2004 by an order for five 777-300ERs, worth \$1.1bn at list prices, which began arriving in January this year. That order was partly financed by a \$450m loan from HSBC and local banks.

With these arrivals and with other leased aircraft, the fleet will expand to 20 aircraft in 2006 and to at least 50 in 2009, by which time the airline is targeting a network of between 60 and 70 destinations. Although the Etihad fleet will include a wide range of types by the end of the decade, the airline is apparently unworried about this, and says that the A330-200 will remain the core of the fleet. In the short-term, Etihad is aiming to carry 3.5m passengers in 2006, and the seriousness of its ambitions was underlined when it announced a \$100m global advertising campaign in August 2005.

Etihad has already started expanding its long-haul routes - a service to Frankfurt was launched in June 2005; in November a three-times-a-week route was launched to Toronto via Brussels (code-sharing with SN Brussels Airlines, although operated by Etihad), in December a two-times-a-week service was started to Johannesburg and in February 2006 a Manila operation was launched as well as three routes to Pakistan.

The Toronto route is the airline's first transatlantic service, and routes are planned to the US from the summer of 2006 onwards, (starting with New York JFK, to be followed by Los Angeles). A US route was originally targeted by the end of 2005, but the airline decided to go for a Canadian route first. In the spring and summer services will begin from Abu Dhabi to Casablanca, Dhaka and Paris CDG, while other routes under consideration are to Scandinavia and Singapore. India is the second most important destination for Etihad after the UK, and further routes are planned, potentially to include Kochi, Chennai, Bangalore, Hyderabad, Thiruvananthapuram and Kolkata.

Etihad's expansion is closely aligned to Abu Dhabi International airport, which is undergoing a \$7bn development that will expand capacity to 20m passengers a year by 2010. This will include facilities for A380s; although Etihad has not specified which capacity version it requires for its A380s, the aircraft will be used on routes to

London and Mumbai, most probably on other Asian services (such as to Bangkok, which it regards as its most important destination in Asia) and possibly on the new route to Johannesburg.

Sheikh Ahmed bin Saif Al Nahyan, previously CEO and president of Gulf Air, became chairman and CEO of Etihad on launch, but the expansion is being headed by Robert Strodel, previously managing director at Lufthansa Cargo India, who was promoted to Etihad's CEO from Head of Cargo in July 2005.

The Etihad group (which does not release any meaningful financial results) also comprises Etihad

Holidays and Etihad Crystal Cargo, the latter of which utilises capacity of Etihad's A330s and also acquired two A300-600Fs and an A310-300F in 2005. It operates on 10 cargo routes across the globe, including a twice-a-week service to Milan Malpensa and three routes to India. With the extra capacity, Etihad Crystal Cargo increased its cargo carry fivefold in 2005, and it has plans to add another four aircraft. In December 2005 Etihad started negotiations to acquire a 33.7% stake in Luxembourg-based Cargolux, which will cost in the region of \$130m. Etihad is also reported to be negotiating with Gulf Air to buy its stake in the Gulf Aircraft Maintenance Company (GAMCO), which services Etihad's aircraft.

But passenger services remain at the heart of Etihad's expansion plans, and as it grows with A330s and A340s, Etihad has been looking for up to 40 additional pilots. In the summer of 2005 it made an agreement with Swiss International Air Lines to offer pilots the option of transferring across to the Middle Eastern airline as part of the Swiss carrier's restructuring efforts - although it is believed that few personnel accepted that offer.

Given Etihad's planned growth, it was little surprise when in September 2005 the UAE government announced that over a six-month period it would withdraw from its joint ownership of Gulf Air with the Kingdom of Bahrain and the Sultanate of Oman. The government of Qatar had previously also been a joint owner in Gulf Air, but it withdrew in May 2002 after the launch of its own airline, Qatar Airways.

ETIHAD'S FLEET

	Etihad fleet	Etihad orders
747-400F		
767-300ER	1	
777-200		
777-200ER		
777-200LR		
777-300		
777-300ER	1	3
777F		
A300-600F	2	
A310-300		
A310-300F	1	
A330-200	7	11
A340-300	1	
A340-500		4
A340-600		4
A380-800		4
Total	13	26

Aviation Strategy

Databases

		Group revenue US\$m	Group costs US\$m	Group op. profit US\$m	Group net profit US\$m	Operating margin	Net margin	Total ASK m	Total RPK m	Load factor	Total pax. 000s	Group employees
Alaska	Apr-Jun 04	699	719	-20	-2	-2.9%	-0.3%	9,068	6,605	72.8%	4,116	10,255
	Jul-Sep 04	702	626	76	41	10.8%	5.8%	9,675	7,356	76.0%	4,589	10,201
	Oct-Dec 04	656	714	-58	-45	-8.8%	-6.9%	8,774	6,399	72.9%	3,998	9,433
	Year 2004	2,724	2,804	-80	-15	-2.9%	-0.6%	35,849	26,121	72.9%	16,295	9,968
	Jan-Mar 05	643	723	-81	-80	-12.6%	-12.4%	8,642	6,271	72.6%	3,851	9,219
	Apr-Jun 05	756	747	9	17	1.2%	2.2%	8,920	6,947	77.9%	4,232	9,144
	Jul-Sep 05	689	609	80	82	11.6%	11.9%	9,369	7,399	79.0%	4,632	8,961
American	Oct-Dec 04	4,541	4,896	-355	-387	-7.8%	-8.5%	69,049	51,325	74.3%		90,700
	Year 2004	18,645	18,789	-144	-761	-0.8%	-4.1%	280,042	209,473	74.8%		90,700
	Jan-Mar 05	4,750	4,727	23	-162	0.5%	-3.4%	68,965	52,024	75.4%		88,500
	Apr-Jun 05	5,309	5,080	229	58	4.3%	1.1%	72,447	57,605	79.5%		88,500
	Jul-Sep 05	5,485	5,446	39	-153	0.7%	-2.8%	73,405	59,584	81.2%		88,500
	Oct-Dec 05	5,168	5,552	-384	-604	-7.4%	-11.7%	68,599	53,471	77.9%		87,200
America West	Oct-Dec 04	579	602	-24	-50	-4.1%	-8.6%	12,236	9,471	77.4%	5,336	11,845
	Year 2004	2,339	2,357	-18	-90	-0.8%	-3.8%	48,525	37,550	77.4%	21,132	11,904
	Jan-Mar 05	723	673	50	34	6.9%	4.7%	11,749	9,126	77.7%	5,172	11,869
	Apr-Jun 05	833	803	30	14	3.6%	1.7%	12,480	10,277	82.3%	5,752	12,200
	Jul-Sep 05	846	904	-58	-71	-6.9%	-8.4%	12,673	10,192	80.4%	5,802	12,179
	Oct-Dec 05	833	944	-111	-139	-13.3%	-16.7%	12,184	9,447	77.5%	5,404	12,003
Continental	Oct-Dec 04	2,397	2,558	-161	-206	-6.7%	-8.6%	37,962	29,350	77.3%	14,253	
	Year 2004	9,744	9,973	-229	-363	-2.4%	-3.7%	95,082	73,151	76.9%	56,482	38,255
	Jan-Mar 05	2,505	2,676	-171	-184	-6.8%	-7.3%	37,955	29,148	76.8%	14,122	
	Apr-Jun 05	2,857	2,738	119	100	4.2%	3.5%	36,138	29,041	80.4%	11,465	
	Jul-Sep 05	3,001	2,892	109	61	3.6%	2.0%	37,450	31,185	81.7%	11,642	
	Oct-Dec 05	2,845	2,939	-94	-43	-3.3%	-1.5%	36,410	28,449	78.1%	15,447	
Delta	Jul-Sep 04	3,871	4,294	-423	-646	-10.9%	-16.7%	63,031	48,952	77.7%	28,247	69,700
	Oct-Dec 04	3,641	5,897	-2,256	-2,206	-62.0%	-60.6%	61,384	45,237	73.7%	27,794	69,150
	Year 2004	15,002	18,310	-3,308	-5,198	-22.1%	-34.6%	244,097	182,351	74.7%	110,000	69,150
	Jan-Mar 05	3,647	4,604	-957	-1,071	-26.2%	-29.4%	60,955	45,344	74.4%	29,230	66,500
	Apr-Jun 05	4,185	4,314	-120	-382	-2.9%	-9.1%	65,136	50,957	78.2%	31,582	65,300
	Jul-Sep 05	4,216	4,456	-240	-1,130	-5.7%	-26.8%	66,054	52,323	79.2%	30,870	58,000
Northwest	Oct-Dec 04	2,753	3,177	-424	-412	-15.4%	-15.0%	36,964	29,107	78.7%	13,775	
	Year 2004	11,279	11,784	-505	-848	-4.5%	-7.5%	147,055	117,981	80.2%	55,374	39,342
	Jan-Mar 05	2,798	3,090	-292	-450	-10.4%	-16.1%	36,636	29,238	79.8%	13,502	39,105
	Apr-Jun 05	3,195	3,375	-180	-217	-5.6%	-6.8%	38,256	32,218	84.2%	15,145	38,348
	Jul-Sep 05	3,378	3,545	-167	-469	-4.9%	-13.9%	38,881	32,889	84.6%	14,984	33,755
	Oct-Dec 05	2,915	3,176	-261	-1309	-9.0%	-44.9%	33,921	27,672	81.6%	12,839	32,460
Southwest	Oct-Dec 04	1,655	1,535	120	56	7.3%	3.4%	32,540	21,140	65.0%	17,709	31,011
	Year 2004	6,530	5,976	554	313	8.5%	4.8%	123,693	85,966	69.5%	70,903	31,011
	Jan-Mar 05	1,663	1,557	106	76	6.4%	4.6%	32,559	21,304	65.4%	17,474	30,974
	Apr-Jun 05	1,944	1,667	277	159	14.2%	8.2%	34,341	24,912	72.5%	20,098	31,366
	Jul-Sep 05	1,989	1,716	273	227	13.7%	11.4%	35,170	26,336	74.9%	20,638	31,382
	Oct-Dec 05	1,987	1,824	163	86	8.2%	4.3%	35,000	24,364	69.6%	19,485	31,729
United	Oct-Dec 04	3,988	4,481	-493	-664	-12.4%	-16.6%	58,033	44,824	77.2%	17,143	57,500
	Year 2004	16,391	17,168	-777	-1,644	-4.7%	-10.0%	233,929	185,388	79.2%	70,914	58,900
	Jan-Mar 05	3,915	4,165	-250	-1,070	-6.4%	-27.3%	55,133	43,103	78.2%	15,667	56,300
	Apr-Jun 05	4,423	4,375	48	-1,430	1.1%	-32.3%	56,538	47,156	83.4%	17,150	55,600
	Jul-Sep 05	4,655	4,490	165	-1,172	3.5%	-25.2%	58,123	48,771	83.9%	17,448	54,600
	Oct-Dec 05	4,386	4,568	-182	-17	-4.1%	-0.4%	55,991	44,869	80.1%	16,498	53,200
US Airways	Oct-Dec 04	1,660	1,802	-142	-236	-8.6%	-14.2%	24,514	17,622	71.9%	14,097	24,628
	Year 2004	7,117	7,495	-378	-611	-5.3%	-8.6%	98,735	72,559	73.5%	55,954	24,628
	Jan-Mar 05	1,628	1,829	-201	-191	-12.3%	-11.7%	24,976	17,779	71.2%	14,068	23,696
	Apr-Jun 05	1,945	1,904	41	-62	2.1%	-3.2%	26,547	20,165	76.0%	15,826	21,396
	Jul-Sep 05	926	997	-71	-87	-7.7%	-9.4%	21,281	16,503	77.5%	10,109	
	Oct-Dec 05*	1,756	1,827	-71	-120	-4.0%	-6.8%	22,493	16,048	71.3%	12,961	19,669
JetBlue	Oct-Dec 04	334	322	12	2	3.6%	0.6%	8,200	6,802	82.9%	3,179	6,413
	Year 2004	1,266	1,153	113	47	8.9%	3.7%	30,434	25,315	83.2%	11,783	6,413
	Jan-Mar 05	374	349	26	7	7.0%	1.9%	8,318	7,136	85.8%	3,400	6,797
	Apr-Jun 05	430	390	39	12	9.1%	2.8%	9,408	8,247	87.7%	3,695	7,284
	Jul-Sep 05	453	439	14	3	3.1%	0.7%	10,190	8,825	86.6%	3,782	7,452
	Oct-Dec 05	446	478	-32	-42	-7.2%	-9.4%	10,229	8,229	81.1%	3,851	8,326

* = US Airways from 27/09/05

Note: Annual figures may not add up to sum of interim results due to adjustments and consolidation. 1 ASM = 1.6093 ASK. All US airline Financial Year Ends are 31/12.

Aviation Strategy

Databases

		Group revenue US\$m	Group costs US\$m	Group op. profit US\$m	Group net profit US\$m	Operating margin	Net margin	Total ASK m	Total RPK m	Load factor	Total pax. 000s	Group employees
Air France/ KLM Group YE 31/03	Apr-Jun 04	5,394	5,205	189	115	3.5%	2.1%	48,944	38,025	77.7%		
	Jul-Sep 04	6,328	5,964	364	248	5.8%	3.9%	57,668	46,767	81.1%		
	Oct-Dec 04	6,628	5,745	883	83	13.3%	1.3%	54,144	42,042	77.6%	15,934	
	Year 2004/05	24,641	21,744	641	453	2.6%	1.8%	214,606	168,998	78.7%	64,075	102,077
	Apr-Jun 05	6,257	5,982	275	135	4.4%	2.2%	57,936	46,041	79.5%	17,948	101,886
	Jul-Sep 05	6,790	6,154	636	864	9.4%	12.7%	60,472	50,961	84.2%	18,705	
	Oct-Dec 05	6,430	6,205	225	91	3.5%	1.4%	58,266	46,644	80.0%	17,120	102,291
BA YE 31/03	Jan-Mar 04	3,386	3,327	164	22	4.8%	0.6%	35,232	24,932	70.8%	8,142	46,551
	Year 2003/04	13,806	13,067	739	237	5.4%	1.7%	141,273	103,092	73.0%	36,103	49,072
	Apr-Jun 04	3,479	3,208	271	127	7.8%	3.7%	36,150	27,083	74.9%	9,288	46,280
	Jul-Sep 04	3,645	3,213	432	221	11.9%	6.1%	36,639	28,749	78.5%	9,822	46,179
	Oct-Dec 04	3,801	3,589	212	94	5.6%	2.5%	35,723	25,999	72.8%	8,428	45,888
	Jan-Mar 05	3,549	3,474	96	17	2.7%	0.5%	35,677	26,062	73.0%	8,178	45,914
	Year 2004/05	14,681	13,666	1,015	472	6.9%	3.2%	144,189	107,892	74.8%	35,717	46,065
	Apr-Jun 05	3,716	3,398	318	162	8.6%	4.4%	36,706	27,768	75.6%	9,177	46,079
	Jul-Sep 05	3,887	3,427	460	301	11.8%	7.7%	37,452	29,812	79.6%	9,767	46,144
Oct-Dec 05	3,664	3,362	301	212	8.2%	5.8%	37,119	27,499	74.1%	8,530	45,624	
Iberia YE 31/12	Jan-Mar 04	1,325	1,356	-32	-1	-2.4%	-0.1%	14,563	10,721	73.6%	6,136	
	Apr-Jun 04	1,461	1,371	90	95	6.2%	6.5%	14,743	11,106	75.3%	6,913	
	Jul-Sep 04	1,593	1,452	141	110	8.9%	6.9%	16,053	12,699	79.1%	7,314	25,839
	Oct-Dec 04	1,660	1,605	55	74	3.3%	4.5%	15,700	11,398	72.6%	6,329	24,783
	Year 2004	5,895	5,663	232	230	3.9%	3.9%	61,058	45,924	75.2%	26,692	24,993
	Jan-Mar 05	1,531	1,571	-40	-21	-2.6%	-1.4%	15,261	11,421	74.8%	6,181	24,044
	Apr-Jun 05	1,466	1,392	74	54	5.0%	3.7%	15,843	11,939	75.4%	7,242	24,435
	Jul-Sep 05	1,439	1,368	71	53	4.9%	3.7%	16,659	13,619	81.8%	7,656	25,069
	Oct-Dec 05	1,451	1,504	-53	-7	-3.7%	-0.5%	15,864	12,082	76.2%	6,596	23,845
Lufthansa YE 31/12	Year 2003	20,037	20,222	-185	-1,236	-0.9%	-6.2%	124,000	90,700	73.1%	45,440	94,798
	Jan-Mar 04	4,742	4,883	-141	76	-3.0%	1.6%	31,787	23,030	72.5%	11,414	93,479
	Apr-Jun 04	5,269	5,045	224	-28	4.3%	-0.5%	36,440	26,959	74.0%	13,336	
	Jul-Sep 04	5,511	5,164	347	154	6.3%	2.8%	38,115	28,883	75.8%	14,053	92,718
	Year 2004	25,555	24,285	1370	551	5.3%	2.1%	140,648	104,064	74.0%	50,300	90,763
	Jan-Mar 05	5,041	5,079	-38	-150	-0.8%	-3.0%	32,477	23,793	73.3%	11,190	89,939
	Apr-Jun 05	5,487	5,138	349	140	6.4%	2.6%	37,700	28,178	74.7%	13,583	90,373
Jul-Sep 05	5,798	5,411	387	501	6.7%	8.6%	38,967	30,466	78.2%	14,203	91,433	
SAS YE 31/12	Jan-Mar 04	1,652	1,823	-171	-184	-10.4%	-11.1%	11,852	7,031	59.3%	7,238	
	Apr-Jun 04	2,007	1,979	27	13	1.3%	0.6%	13,456	8,960	66.6%	8,879	
	Jul-Sep 04	2,099	1,860	239	9	11.4%	0.4%	13,557	9,198	67.8%	8,591	
	Oct-Dec 04	2,271	2,293	-22	-96	-1.0%	-4.2%	12,667	7,649	60.4%	7,645	32,600
	Year 2004	8,830	8,967	-137	-283	-1.6%	-3.2%	43,077	28,576	64.0%	32,354	32,481
	Jan-Mar 05	1,842	1,990	-148	-137	-8.0%	-7.4%	12,465	7,342	58.9%	7,299	31,797
	Apr-Jun 05	2,046	1,925	121	64	5.9%	3.1%	13,810	9,259	67.0%	9,357	32,285
	Jul-Sep 05	2,140	2,036	104	68	4.9%	3.2%	13,599	9,838	72.3%	9,325	
	Oct-Dec 05	2,050	1,966	84	25	4.1%	1.2%	12,880	8,646	67.1%	8,945	
Year 2005	7,789	7,717	173	32	2.2%	0.4%	38,454	26,487	68.9%	23,799	32,363	
Ryanair YE 31/03	Year 2002/03	910	625	285	259	31.3%	28.5%	14,072		84.0%	15,740	1,900
	Year 2003/04	1,308	978	330	252	25.2%	19.3%	22,524		81.0%	23,133	2,300
	Apr-Jun 04	366	288	78	64	21.3%	17.5%			83.0%	6,600	2,444
	Jul-Sep 04	516	305	211	181	40.9%	35.1%			90.0%	7,400	2,531
	Oct-Dec 04	402	335	68	47	16.9%	11.7%			84.0%	6,900	2,671
	Year 2004/05	1,727	1,301	426	345	24.7%	20.0%	28,665		84.0%	27,593	
	Apr-Jun 05	488	392	96	84	19.7%	17.2%			83.4%	8,500	2,764
	Jul-Sep 05	652	409	244	208	37.4%	31.9%				9,500	2,987
	Oct-Dec 05	439	381	58	44	13.2%	10.0%			83.0%	8,600	2,963
easyJet YE 30/09	Year 2001/02	864	656	111	77	12.8%	8.9%	10,769	9,218	84.8%	11,350	3,100
	Oct-Mar 03	602	676	-74	-76	-12.3%	-12.6%	9,594	7,938	82.2%	9,347	
	Year 2002/03	1,553	1,472	81	54	5.2%	3.5%	21,024	17,735	84.1%	20,300	3,372
	Oct-Mar 04	803	861	-58	-36	-7.2%	-4.5%	10,991	9,175	83.3%	10,800	
	Year 2003/04	1,963	1,871	92	74	4.7%	3.8%	25,448	21,566	84.5%	24,300	3,727
	Oct-Mar 05	1,039	1,116	-77	-41	-7.4%	-3.9%	14,526	12,150	83.8%	13,500	
Year 2004/05	2,364	2,278	86	76	3.6%	3.2%	32,141	27,448	85.2%	29,600	4,152	

Note: Annual figures may not add up to sum of interim results due to adjustments and consolidation.

Aviation Strategy

Databases

		Group revenue US\$m	Group costs US\$m	Group op. profit US\$m	Group net profit US\$m	Operating margin	Net margin	Total ASK m	Total RPK m	Load factor	Total pax. 000s	Group employees
ANA												
YE 31/03	Year 2001/02	9,714	9,529	185	-76	1.9%	-0.8%	87,908	57,904	64.7%	49,306	29,095
	Year 2002/03	10,116	10,137	-22	-235	-0.2%	-2.3%	88,539	59,107	66.7%	50,916	28,907
	Year 2003/04	11,529	11,204	325	234	2.8%	2.0%	87,772	55,807	63.6%	44,800	28,870
	Year 2004/05	12,024	11,301	723	251	6.0%	2.1%	85,838	55,807	65.0%		29,098
Cathay Pacific												
YE 31/12	Year 2002	4,243	3,634	609	513	14.4%	12.1%	63,050		77.8%		14,600
	Jan-Jun 03	1,575	1,672	-97	-159	-6.2%	-10.1%	26,831		64.4%	4,019	14,800
	Year 2003	3,810	3,523	287	168	7.5%	4.4%	59,280	42,774	72.2%	12,322	14,673
	Jan-Jun 04	2,331	2,046	285	233	12.2%	10.0%	35,250		76.1%	6,404	
	Year 2004	5,024	4,350	674	581	13.4%	11.6%	74,062	57,283	77.3%	13,664	15,054
	Jan-Jun 05	3,074	2,799	275	225	8.9%	7.3%	39,535		78.1%	7,333	15,400
JAL												
YE 31/03	Year 2001/02	9,607	9,741	-135	-286	-1.4%	-3.0%				37,183	
	Year 2002/03	17,387	17,298	88	97	0.5%	0.6%	145,944	99,190	68.0%	56,022	
	Year 2003/04	18,398	19,042	-644	-844	-3.5%	-4.6%	145,900	93,847	64.3%	58,241	
	Year 2004/05	19,905	19,381	524	281	2.6%	1.4%		102,354	67.4%	59,448	
Korean Air												
YE 31/12	Year 2001	4,309	4,468	-159	-448	-3.7%	-10.4%	55,802	38,452	68.9%	21,638	15,127
	Year 2002	5,047	4,679	368	366	7.3%	7.3%	58,310	41,818	71.7%	22,160	15,309
	Year 2003	5,172	4,911	261	-202	5.0%	-3.9%	59,074	40,507	68.6%	21,811	15,352
	Year 2004	6,332	5,994	338	414	5.3%	6.5%	64,533	45,879	71.1%	21,280	14,994
Malaysian												
YE 31/03	Year 2001/02	2,228	2,518	-204	-220	-9.2%	-9.9%	52,595	34,709	66.0%	15,734	21,438
	Year 2002/03	2,350	2,343	7	89	0.3%	3.8%	54,266	37,653	69.4%		21,916
	Year 2003/04	2,308	2,258	50	121	2.2%	5.2%	55,692	37,659	67.6%	15,375	20,789
Qantas												
YE 30/06	Year 2001/02	6,133	5,785	348	232	5.7%	3.8%	95,944	75,134	78.3%	27,128	33,044
	Jul-Dec 02	3,429	3,126	303	200	8.8%	5.8%	50,948	40,743	80.0%	15,161	34,770
	Year 2002/03	7,588	7,217	335	231	4.4%	3.0%	99,509	77,225	77.6%	28,884	34,872
	Jul-Dec 03	4,348	3,898	450	269	10.3%	6.2%	50,685	40,419	79.7%	15,107	33,552
	Year 2003/04	7,838	7,079	759	448	9.7%	5.7%	104,200	81,276	78.0%	30,076	33,862
	Jul-Dec 04	5,017	4,493	524	358	10.4%	7.1%	57,402	43,907	76.5%	16,548	35,310
	Year 2004/05	9,524	8,679	845	575	8.9%	6.0%	114,003	86,986	76.3%	32,660	
Singapore												
YE 31/03	Year 2001/02	5,399	4,837	562	395	10.4%	7.3%	94,559	69,995	74.0%	14,765	29,422
	Year 2002/03	5,936	5,531	405	601	6.8%	10.1%	99,566	74,183	74.5%	15,326	30,243
	Year 2003/04	5,732	5,332	400	525	7.0%	9.2%	88,253	64,685	73.3%	13,278	29,734

Note: Annual figures may not add up to sum of interim results due to adjustments and consolidation. 1 ASM = 1.6093 ASK

AIRCRAFT AVAILABLE FOR SALE OR LEASE - MONTH END

	Old narrowbodies	Old widebodies	Total old	New narrowbodies	New widebodies	Total new	Total
Dec-2000	302	172	474	160	42	202	676
Dec-2001	368	188	556	291	101	392	948
Dec-2002	366	144	510	273	102	375	885
Dec-2003	275	117	392	274	131	405	797
Dec-2004	185	56	241	194	48	242	483
Dec-2005	145	51	196	258	45	303	499
Feb-06	167	55	222	272	47	319	541

AIRCRAFT SOLD OR LEASED

	Old narrowbodies	Old widebodies	Total old	New narrowbodies	New widebodies	Total new	Total
2000	475	205	680	895	223	1,118	1,798
2001	286	142	428	1,055	198	1,253	1,681
2002	439	213	652	1,205	246	1,451	2,103
2003	408	94	502	1,119	212	1,331	1,833
2004	321	177	498	1,815	325	2,140	2,638
2005	321	114	435	1,653	346	1,999	2,434
Feb-06	18	8	26	141	30	171	197

Source: BACK Notes: As at end year; Old narrowbodies = 707, DC8, DC9, 727, 737-100/200, F28, BAC 1-11, Caravelle; Old widebodies = L1011, DC10, 747-100/200, A300B4; New narrowbodies = 737-300+, 757, A320 types, BAe 146, F100, RJ; New widebodies = 747-300+, 767, 777, A600, A310, A330, A340.

Aviation Strategy

Databases

EUROPEAN SCHEDULED TRAFFIC

	Intra-Europe			North Atlantic			Europe-Far East			Total long-haul			Total Int'l		
	ASK bn	RPK bn	LF %	ASK bn	RPK bn	LF %	ASK bn	RPK bn	LF %	ASK bn	RPK bn	LF %	ASK bn	RPK bn	LF %
1998	188.3	120.3	63.9	194.2	149.7	77.1	135.4	100.6	74.3	453.6	344.2	75.9	673.2	484.8	72
1999	200.0	124.9	62.5	218.9	166.5	76.1	134.5	103.1	76.7	492.3	371.0	75.4	727.2	519.5	71.4
2000	208.2	132.8	63.8	229.9	179.4	78.1	137.8	108.0	78.3	508.9	396.5	77.9	755.0	555.2	73.5
2001	212.9	133.4	62.7	217.6	161.3	74.1	131.7	100.9	76.6	492.2	372.6	75.7	743.3	530.5	71.4
2002	197.2	129.3	65.6	181.0	144.4	79.8	129.1	104.4	80.9	447.8	355.1	79.3	679.2	507.7	74.7
2003	210.7	136.7	64.9	215.0	171.3	79.7	131.7	101.2	76.8	497.2	390.8	78.6	742.6	551.3	74.2
2004	220.6	144.2	65.4	224.0	182.9	81.6	153.6	119.9	78.0	535.2	428.7	80.1	795.7	600.7	75.5
2005	309.3	207.7	67.2	225.9	186.6	82.6	168.6	134.4	79.7	562.6	456.4	81.1	830.8	639.3	76.9
Feb-06	22.4	13.6	60.8	15.1	10.8	71.4	13.8	11.0	79.6	42.6	33.1	79.9	62.1	45.1	72.6
Ann. change	2.9%	4.6%	1.0	0.5%	-0.9%	-1.0	12.0%	15.0%	2.0	5.6%	6.3%	0.5	4.9%	5.9%	0.7
Jan-Feb 06	46.1	27.6	59.8	31.9	23.6	73.9	28.8	23.0	79.9	89.6	70.7	78.9	130.0	95.4	73.4
Ann. Change	2.0%	4.5%	1.4	0.2%	-0.9%	-0.8	11.7%	14.8%	2.1	5.3%	5.8%	0.4	4.1%	5.4%	0.9

Source: AEA

US MAJORS' SCHEDULED TRAFFIC

	Domestic			North Atlantic			Pacific			Latin America			Total Int'l		
	ASK bn	RPK bn	LF %	ASK bn	RPK bn	LF %	ASK bn	RPK bn	LF %	ASK bn	RPK bn	LF %	ASK bn	RPK bn	LF %
1998	960.8	678.8	70.7	150.5	117.8	78.3	112.7	82.5	73.2	83.5	52.4	62.8	346.7	252.7	72.9
1999	1,007.3	707.5	70.2	164.2	128.2	78.1	113.2	84.7	74.8	81.3	54.3	66.8	358.7	267.2	74.5
2000	1,033.5	740.1	71.6	178.9	141.4	79.0	127.7	97.7	76.5	83.0	57.6	69.4	380.9	289.9	76.1
2001	1,025.4	712.2	69.5	173.7	128.8	74.2	120.1	88.0	73.3	83.4	56.9	68.2	377.2	273.7	72.6
2002	990.0	701.6	70.9	159.0	125.7	67.2	103.0	83.0	80.5	84.1	56.8	67.5	346.1	265.5	76.7
2003	963.1	706.6	73.4	148.3	117.6	79.3	94.8	74.0	80.5	84.2	59.3	70.5	327.2	251.0	76.7
2004	1,014.5	763.6	75.3	164.2	134.4	81.8	105.1	87.6	83.4	96.4	68.0	70.5	365.6	289.8	79.3
2005	1,004.4	783.7	78.0	174.6	143.3	82.1	116.8	96.0	82.2	105.0	76.6	72.9	396.4	315.9	79.7
Feb 06	72.8	55.9	76.8	11.9	8.2	69.2	8.8	6.9	78.5	8.4	6.0	71.9	29.1	21.2	72.8
Ann change	-5.2%	0.5%	4.3	1.8%	0.2%	-1.4	1.5%	2.6%	0.9	-3.3%	-1.7%	1.2	0.3%	0.2%	0.1
Jan-Feb 06	152.9	114.9	75.2	25.2	18.0	71.4	18.5	14.9	80.6	18.2	13.4	73.6	61.8	46.3	74.8
Ann change	-3.6%	1.1%	3.4	1.9%	0.1%	-1.3	1.5%	2.6%	0.8	-0.1%	1.2%	0.9	1.2%	1.2%	0.0

Note: US Majors = Aloha, Alaska, American, Am. West, American Transair, Continental, Cont. Micronesia, Delta, Hawaiian JetBlue, MidWest Express, Northwest, Southwest, United and US Airways Source: ATA

JET ORDERS

	Date	Buyer	Order	Delivery	Other information/engines
Boeing	29 Mar	GECAS	30 x 737	2008-10	plus 30 options
	05 Apr	Icelandair	2 x 787-800	2012	converted options
	06 Apr	Air Europa	16 x 737-800	2010-14	converted options
	11 Apr	China Aviation Supplies	- 80 x 737NG		actual airlines/delivery TBC
	20 Apr	Southwest	79 x 737-700	2007-12	converted options
Airbus	09 Mar	Air Cairo	4 x A320	3Q 2006 onwards	
	14 Mar	Aer Lingus	A330-200/A330-300	2007	
	30 Mar	Finnair	9 x A350-900, 3 x A340-300E		plus 4 A350 options
Embraer	15 Mar	AeroRepublic	5 x ERJ190	4Q 2006	plus 20 options
	22 Mar	Royal Jordanian	7 x ERJ195	4Q 2006	
Bombardier					

Note: Only firm orders from identifiable airlines/lessors are included.

Source: Manufacturers

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