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Private equity looks to pick up ILFC on the cheap

International Lease Finance Corporation (ILFC) - the world's largest aircraft lessor by fleet value - is facing an uncertain future thanks to its reliance on the formerly ultra-cheap debt rating of its parent AIG, which was effectively taken over by the US government last year after running into financial trouble.

Thanks to disastrous forays into hedging and risky derivatives, US insurance giant AIG had substantial liquidity problems last year, with credit and debt rating being downgraded substantially. This cut off access to public debt markets, and the situation for AIG became so dire that in September 2008 the US Department of the Treasury had to step in, leading to the Federal Reserve Bank of New York providing AIG with a two-year $85bn revolving credit facility (subsequently raised to $150bn).

In return, the US government took a 79.9% stake in AIG, and the credit facility was accompanied by a number of financial and operating restrictions, including the requirement that AIG's businesses were restructured, most importantly to include the offloading of a number of investments in order to pay off debts. AIG sold its 50% stake in London City Airport in September last year, and ILFC was also put up for sale.

For California-based ILFC, a change of ownership should have been a relatively straightforward exercise, as the lessor made a net profit of $1.1bn last year, 19.7% up on 2007, based on revenue of $5.1bn - 7.6% higher than in 2007. This was despite 12 of ILFC's clients going into bankruptcy protection in 2008, accounting for 38 leased aircraft. ILFC's portfolio is reasonably well spread around the globe - the chart on page 3 shows where ILFC's revenues come from, with the two largest single country markets being China and France.

Parent trouble

But the situation is made far more complicated by the fact that ILFC's credit rating is dependent upon AIG's credit rating. In the past this has been hugely to ILFC's benefit, with an AAA rating at its parent giving ILFC access to debt at interest rates lower than many of its leasing rivals.

Usually ILFC finances its purchases through a combination of cash and debt but, ominously, in the 10K for 2008 filed with the US SEC in March, ILFC said that: "A combination of the challenges facing our parent, American International Group, the downgrades in our credit ratings or outlooks by the rating agen-

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cies, and the turmoil in the credit markets have eliminated our ability to issue commercial paper and public unsecured debt."

In effect AIG's troubles mean that ILFC cannot raise funds externally, and hence it has also been forced to take credit from the New York Fed. ILFC went on to say that "to fulfil our short-term liquidity needs in the third quarter of 2008 we borrowed approximately $1.7bn from AIG Funding, a subsidiary of our parent American International Group, to repay our maturing commercial paper obligations and other general obligations as they became due. Subsequently, we drew down the maximum available on our revolving credit facilities of $6.5bn".

Funding problems continue

But the funding crunch has not eased since then. Though ILFC repaid that loan from AIG Funding via a "Commercial Paper Funding Facility" provided by the New York Fed, in January Standard & Poor's (S&P) downgraded ILFC's long-term debt from A-2 to BBB+, and ILFC then no longer had access to the CPFF, which it had to repay by the end of January. But just a short time later, on March 12th, ILFC borrowed another $800m from AIG Funding to "fund our contractual obligations through the end of March", and another $900m loan was provided by AIG on March 30th to pay obligations through to the end of April.

ILFC's funding crisis will not go away, and to make matters worse ILFC admits that: "Without additional support from AIG or obtaining secured financing from a third party lender, in the future there could exist doubt concerning our ability to continue as a going concern."

Therefore it was hardly surprising that Moody's downgraded its credit rating on ILFC's unsecured long-term debt from Baa1 to Baa2 in mid-March. Moody's also assigned ILFC a "negative outlook" and said that: "Though AIG reported strong preliminary 2008 operating results for ILFC, pressure on airlines' earnings and the potential for higher lease defaults and lower aircraft lease rates could weaken ILFC's profitability ... the current cycle presents greater challenges than previously encountered by the company, given its larger scale and higher volume of maturing leases."

The worst case scenario is a collapse of ILFC, which would be disastrous for the manufacturers. As at December 31st 2008 ILFC owned 955 aircraft, with nine others on finance leases and 99 others being managed for clients At that same date ILFC had commitments to buy 168 aircraft from Boeing and Airbus, at an estimated purchase price of $16.7bn.

Unfortunately for ILFC, although it has passed the peak of its delivery cycle (it received an average of 90+ aircraft each year during 2002 to 2006, with another 66 arriving last year, when 11 aircraft were sold from the fleet), it has a further 48 aircraft being delivered in 2009. Deliveries then fall to just five in 2010, six in 2011

DELIVERY SCHEDULE FOR ILFC'S ORDER BOOK

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
737-700/800	12		5	5								**22**
777-300ER	4											**4**
787				4	11	8	1	5	12	17	16	**74**
A319	7	1	1									**9**
A320	11	3										**14**
A321	9	1										**10**
A330	5											**5**
A350						2	4	8	6			**20**
A380					5	3	2					**10**
Total	**48**	**5**	**6**	**9**	**16**	**13**	**7**	**13**	**18**	**17**	**16**	**168**

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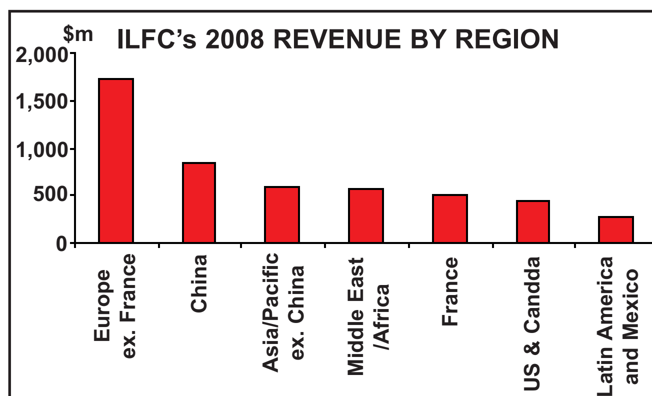
and nine in 2012 before picking up again with 74 787s orders, the first of which is due to be delivered in July 2012 – although further delays in delivery dates from Boeing are possible. Ten A380s are also being delivered, from 2013 onwards.

As of March this year ILFC had customers for all the aircraft being delivered in 2009 and 2010, though the percentage drops to zero per cent for deliveries in 2011, 44% in 2012, 69% in 2013 and 24% after that – a total of 79 future deliveries that do not yet have customers. Unsurprisingly almost all of these are for 787s (43 aircraft not yet contracted) and for A380s. The 787s are the greatest concern for ILFC, as there is a straightforward cancellation option on the A380s, which can be exercised until June 2010 without any great financial downside.



a buyer is found. But the problem that the US government faces is that while the underlying business fundamentals of ILFC are fine, this is in effect a fire sale - and buyers brave enough to step forward in the global recession will be keen to pick up the lessor at a bargain price.

A critical 2009

However, it's the 48 aircraft scheduled for delivery this year that is the immediate problem for ILFC, as the lessor has to find $3bn to pay the outstanding amounts on these units. If a buyer is not found soon then ILFC will be in big trouble because without access to cheap finance its costs increase dramatically, which would force it to cancel orders.

Of course if ILFC did go under, the biggest impact would be on the manufacturers. The approximate $0.5bn of non-refundable deposits prepaid by ILFC to Airbus and Boeing would be scant compensation, as the manufacturers would not be able to find replacement customers for the majority (or at least a sizeable minority) of the ILFC aircraft. Incidentally Steven Udvar-Hazy, the chairman of ILFC, recently appealed to the manufacturers to cut production by up to 35% by mid-2010, or else they (the manufacturers) would have to finance sales of aircraft themselves.

Clearly though, the US government has decided that AIG is too important to be allowed to fail, and it directly follows that ILFC will not be allowed to fail either - and therefore it's in everyone's interest to provide enough short-term funding until

The suitors

In the current environment, prospective buyers come from only two sectors - sovereign wealth funds or private equity funds. In the first category, among those believed to be interested in ILFC last year was CICC, China's sovereign wealth fund, which was reportedly looking for support from the Bank of China (which bought SALE in 2006 for $1bn, before renaming it BOC Aviation). Middle Eastern sovereign wealth funds were also rumoured to be interested, as was Temasek Holdings of Singapore. Among private equity firms, interest reportedly came from Kohlberg Kravis Roberts and TRG Capital.

However, there was briefly another intriguing possibility - Udvar-Hazy (who sold the company he founded to AIG in 1990 for $1.3bn) said last year that he wanted to complete a deal for ILFC by March this year. But that didn't happen - presumably because his efforts to persuade other investors to back him did not go as smoothly as expected. Instead it's believed that Udvar-Hazy is willing to work with whichever consortium is successful in acquiring ILFC.

Altogether, six bidders disclosed interest by an initial deadline in mid-

December, after which the list was reduced down to three, who had to submit second round bids by April 8th, with two of those scheduled to be shortlisted for a final round after that.

The three front-runners as of April 8th were reported to be a consortium between the Carlyle Group and Thomas H Lee Partners; one between private equity companies Onex Corp and Greenbriar Equity Group; and one led by Terra Firma Capital Partners.

These are all heavyweight bidders; Carlyle is of one of the largest private equity funds around, with at least $85bn of funds under management, while Terra Firma - led by notorious UK financier Guy Hands - has previously bought and merged AWAS and Pegasus, which currently has a portfolio of more than 300 aircraft (see *Aviation Strategy,* September 2008).

A bargain price?

All three are believed to be indicating bids in the region of less than $5bn, substantially less than the company's book value of $7.6bn as of the end of 2008. As of end 2008 ILFC's debt stood at $32.5bn (6.6% up on 2007), giving a debt/equity ratio of 4.3 (the same as in 2007). But as recently as late last year some analysts had estimated ILFC's worth as being around $8-10bn - so the bids of around half the upper estimate must be disappointing for AIG and the US government (but hardly surprising given the fact that everyone knows that ILFC has to be sold).

The fact is that improvements in ILFC's credit rating – and access to cheaper borrowing – will not occur until a new owner is chosen although, interestingly, along with its credit rerating in March, Moody's added that if ILFC was sold to a financial investor-led consortium this would be unlikely to improve the company's ratings – while a sale to a "highly-rated strategic investor" could strengthen the rating.

Moody's also warned that an acquirer that required ILFC to pay dividends to service debt used to fund the purchase would "reduce the firm's financial flexibility". However, a deal is unlikely to be financed by putting substantial extra debt onto ILFC's balance sheets as AIG cannot sell the lessor without the consent of the existing ILFC debt holders. If they did not approve a sale, then the debt would automatically default and be immediately payable; this would undoubtedly sink ILFC.

The three shortlisted bidders could hardly be described as "highly-rated strategic investors", although at least Terra Firma does have another leasing company in its portfolio, which raises the prospect of a merger between AWAS and ILFC if Guy Hands is successful with his bid.

Given the terrible timing (from AIG's point of view) for a sale, the key negotiations will be over price, with the private equity companies likely to play hardball. Unfortunately for ILFC, given the large number of aircraft arriving this year and a portion of debt that is due to be repaid from October onwards, between $4bn and $6bn of cash has to be found somehow.

While AIG previously said it would give short-term funding support to ILFC until it is sold, or to March 2010 (in effect giving a deadline for its sale), in April it was reported that ILFC was negotiating a $5bn credit line "backstop" with the Federal Reserve to help facilitate its sale. Potentially this will provide potential buyers with an assurance that some kind of federal support will continue in the short-term, which will reduce the immediate financing need for any acquirer of ILFC.

Though the negotiations with the New York Fed, the US government, AIG and ILFC will inevitably be complicated, if ILFC comes pre-packaged with a credit line in the short-term then someone will pick up one of the world's major lessors with guaranteed financing and for substantially less than its book value. After that, the future for ILFC will depend on how urgently the new owner wants (or is forced) to cut back debt – potentially to include the sale of aircraft or the cancellation of orders in any case.

Vueling: a Catalan phoenix?

In 2004 Vueling, a new low cost carrier, set up in Barcelona with strong expansion plans.

Vueling floated on the Madrid stock exchange in 2006 with promises of profitability and great growth prospects. Throughout 2007, however, it found that its very existence had spurred an intense price war within the domestic Spanish market as SAS-owned Spanair tried desperately to ensure its survival and as Iberia redesigned its domestic route network in the face of the expansion of capacity at Madrid, which in itself led to the incursion of easyJet and Ryanair into the Iberian markets.

As a result this destroyed many of Vueling's promises. Meanwhile, the incumbent legacy carrier Iberia had quietly established a stake in its own LCC (Clickair) to which it passed many of the routes that avoided Madrid as it built up the Barajas hub, and which it aimed to use in direct opposition to the incursion of the low cost menace.

It could have been that Vueling might have passed the way of the usual start up carrier and failed ignominiously. However, its main shareholder - Hemisferos - took direct action at the end of 2007 in aggressive revolt against the then management. It brought in a new CEO from Spanair, ousting founder Carlos Maňos (and the newly appointed chairman Barbara Cassini of BA's go fame), and in the background negotiated a merger with arch rival Clickair.

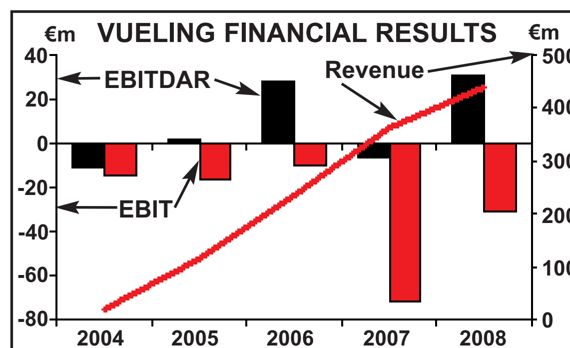
A lengthy merger

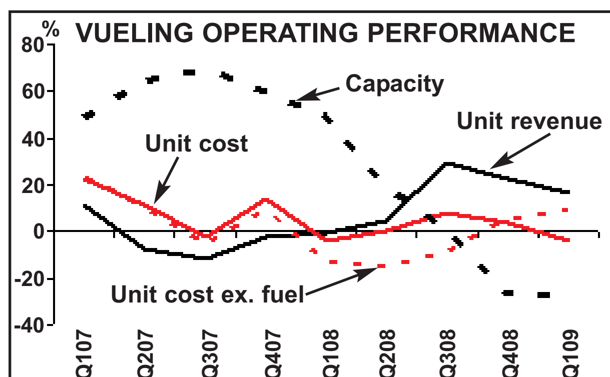
This merger has had to go through the regulatory hoops – not only with Brussels and the Spanish authorities, but also involving a tedious negotiation to absolve Iberia (who will end up with a major stake) from the need to bid for the resulting outstanding publicly owned shares in Vueling. It is finally to be consummated in July after eighteen months of preparation, creating a truly Spanish opposition to the foreign LCC inrush.

In hand with the merger plans, Vueling itself had constructed its own attempts to restructure the business towards a viable model and instituted its "profit improvement" plan in July 2008.

During 2008 it reduced its growth plans significantly with the aim of creating some semblance of profitability, concentrated on generating improvements in unit revenues at the expense of growth (the old econometric relationship between capacity and demand really does have an impact) and started aggressively promoting non-internet based distribution channels to access the higher yielding SME businesses; many seem to forget that outside the Anglo-Saxon world there is still a conservative reticence to embrace the new world anarchy of the internet. (And even within it – as evidenced by easyJet's embrace of GDS distribution).

These plans only really seem to have started to come to fruition from the start of the winter 2008/09 season. In the fourth quarter of 2008 the company cut its fleet by six aircraft from the 23 A320s it had been operating. Although for the full year 2008 the company showed a growth in capacity of 5% and traffic of 7%, the final three months of the year saw a reduction in





capacity and traffic of 28% year-on-year but a decline in revenue of only 10%.

Surprisingly perhaps, Vueling posted an EBITDAR profit for the full year of €1.6m after a loss at the same level in 2007 of €14.4m. More importantly it ended the year with some €43m in cash – down €44m from the prior year period but still reflecting a massive 50% of annual revenues.

It is very difficult for any airline to manage a reduction in activity but at last the results of the restructuring are starting to be seen in the first quarter results published last month. In the three months to the end of March 2009 the company operated 40 routes from its three remaining bases in Barcelona, Madrid and Seville, some 15 lower than the same period the previous year, using 16 aircraft compared with 23 in the prior year period.

Despite this, the company managed to improve aircraft utilisation by 3% to 10.8 hours a day. Total capacity fell by 28% but traffic declined by only 27% and the load factor improved by 1.3 points to 67%. Unit revenues (per ASK) in the period climbed by 18%: average fares per passenger grew by 10% to a still paltry €46.50 while ancillary revenues jumped by 23% to €10.20 per passenger and average revenues per flight increased by 14% year on year.

Underlying unit costs excluding fuel meanwhile grew by 10% (which you would expect as you reduce capacity) - although this was heavily influenced by an increase in distribution costs related to the expansion of GDS access from September last year (distribution through travel agents virtually doubled over the prior year level in the quarter although still only representing around 16% of sales – albeit reaching 19% of total sales in April this year).

By James Halstead

Virtually unhedged however, with the fall in the fuel price total unit costs per ASK fell by 3% with the total fuel bill falling by 55% to €15m. Total revenues for the quarter fell by 16% to €74m but total costs slumped by 30% and Vueling achieved a first quarter EBITDAR of €3.1m compared with a loss in the prior year period of €13.3m.

Operating profits were still negative to the tune of €10m (down from losses of €32m in the three months to March 2008) and the net loss improved 72% to €6m from €23m a year ago. In the company presentations on the quarterly results the management carefully emphasise that the airline displays operating profitability for the period from July 2008 to March (neatly forgetting the period from April to June last year).

It also emphasises its belief that it will see a very strong improvement in returns for the quarter ended June this year (helped by the disparity of the timing of Easter festivities between this year and last) and will at last be able to report a profit for the full year in 2009.

Rationality in Spain?

The merger with Clickair meanwhile is slowly evolving. The two companies have already started operating as a single organisation and in June will present a “single face” to the customer. By July it is anticipated that the two will finally become a single entity. This may at last allow for some level of rationality to enter the domestic Spanish market, given that Spanair is under new ownership and with a need there to recover some idea of profits, and with the current dire economic environment in Spain and the poor demand environment.

With the Clickair/Vueling merger bringing a major competitor under the Iberia umbrella, there may be the opportunity to create a more stable operating environment in one of the most competitive low cost markets in Europe.

Qantas - jumping through hoops

Apart from having its safety record praised by Dustin Hoffman in “Rain Man”, Qantas can be described as being unique in many ways.

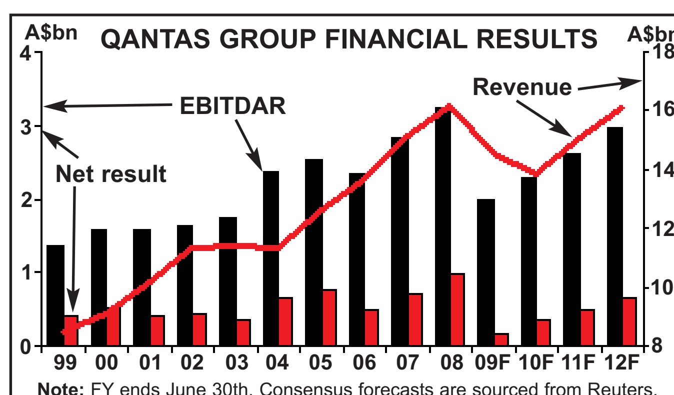
Founded in 1921 as Queensland and Northern Territories Aerial Services, the Australian flag carrier is the second oldest surving airline in the world. It is based in a sparsely populated and physically isolated country with no realistic alternative to air transportation; Australia is the world's sixth largest nation by land mass but has a population of only 21.5m. The resulting population density of 2.8 people per square kilometre (the world average is 13.1/km^2) is deceptive; 60% of the population live in the five major conurbations of Sydney, Melbourne, Brisbane, Perth and Adelaide, while the next 14 largest cities (with populations of between 100,000 and 1m people) account for a further 15% of the total. By far the majority live on the western and southwestern coasts.

Profitable history

Given Australia's geography there is no natural single hub, almost enforcing an air route network of point-to-point services domestically and international operations to each of the top five cities. Uniquely, Qantas has also been consistently profitable – at least since privatisation in 1995 (and helped considerably by the failure of Ansett just before the industry downturn in 2001-02).

Deregulation of the Australian industry in 1990 paved the way for the merger with former domestic government-owned Australian Airways, while a core 20% shareholding by British Airways in 1993 (subsequently disposed of in 2004) provided the impetus for full privatisation, the backbone for a solid joint venture on the UK-Australia “kangaroo route” and the basis of the establishment of the oneworld alliance with BA and American.

Recently Qantas has created for itself another unique accolade: it is arguably the only legacy carrier to have successfully introduced a profitable LCC operation - Jetstar - alongside its own premium brand to allow it to compete with the new generation of low frills operators.

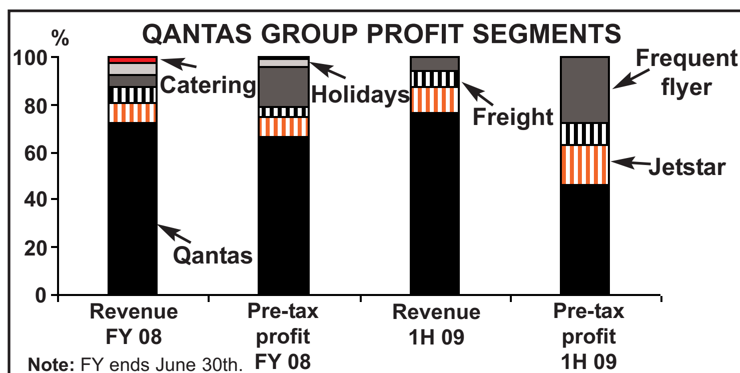


Note: FY ends June 30th. Consensus forecasts are sourced from Reuters.

The core company strategy relies on the premise that it needs to maintain a domestic market share of around 65% to optimise profitability. In the face of increasing threat from low cost operators in the domestic market and the encroaching lower cost medium-haul international operators from Asia undermining its inbound and outbound leisure markets, it started to develop a two brand airline policy.

The group initially re-launched Australian Airlines as a full-service leisure-based international carrier in 2002 - but closed it down again in 2006. In 2004, the group set up Jetstar, initially with a fleet of 14 717s, as a true low cost operator – primarily to counter the threats from Virgin Blue. With significantly lower wage costs than the mainline operation, a true low cost model and benefiting from certain group synergies, it was designed to have operating costs some 15% below those of Virgin.

The management worked hard to avoid cannibalisation of its mainline operation; with continuous detailed route-by-route margin analysis providing the basis for allocation of the greatest loss making routes to the new sister company. Five years later and Jetstar



has some 15% of the domestic market, with Qantas/QantasLite mainline brands retaining a 50% share (against a 25%-30% share for Virgin Blue and 5% for SQ-owned Tiger).

The group has started expanding the brand within southeast Asia with the aim of creating a pan-Asian brand (hitting back at SIA's incursion with Tiger): it has a 49% stake in Singapore-based Jetstar Asia, and an initial 10% stake (to grow to 30% in 2010) in Vietnam-based Jetstar Pacific (the second largest carrier in a country of 84m people).

The Jetstar network now encompasses nine international routes to and from south and southeast Asia on the main outbound leisure routes and it has started a base in Darwin to facilitate greater coordination.

When Qantas launched Jetstar there was some opposition from the unions on the basis that the group would use this as the proverbial "Trojan Horse" and increasingly move services from the higher cost main Qantas brand to the start-up. Somehow Qantas management appears to have dispelled these fears - but that is exactly what the group appears to be doing.

Currently Jetstar is in the process of taking over the loss-making domestic New Zealand routes operated by Qantas, and even expanding services further into Japan (it already replaced the QF Narita to Cairns and Gold Coast services last December), which Qantas itself has been unable to do profitably. Qantas's management proudly emphasises that Jetstar has been profitable since start up in 2004; but more importantly has improved the group's domestic profitability by over A$250m annually – half from the profits generated at Jetstar and half from losses avoided at Qantas mainline.

In hand with the two brand approach, the group started looking (as many have done before it) at ways to "unlock the potential of its portfolio of businesses". The cargo operation has been set up as a separate business unit; the air freight operation is primarily selling belly-hold capacity on Qantas and Jetstar, while also using three wet-leased Atlas freighters, although the division also has a series of parcel and express operations and a significant ground transport operation.

FFP business

Taking a leaf out of Air Canada's book, the group has also set up its frequent flyer plan as a separate business centre. With five million members (the largest FFP in Australasia), revenues of A$850m in the year to June 2008 and profits (under one measure) of A$234m it is seen as an attractive separate business.

In July last year the company announced significant changes to the redemption policies – including the opportunity to redeem points for any seat on QF or JQ (including taxes and surcharges) as well as the more classic restricted seat allocations.

At the same time it signalled plans to float 40% of the business through an IPO. Suggestions at the time pointed to a total value of the business of over A$2bn (compared with Qantas' current market capitalisation of A$4.5bn). These were done in comparison with the then value of Aeroplan (the Air Canada offshoot). Given the financial markets' turmoil, Aeroplan's market value has halved over the past year to C$1.4bn (which incidentally compares with Air Canada's market value of C$128m) and Qantas has sensibly shelved the flotation plans until the financial environment improves.

The holiday businesses meanwhile have been merged into separately quoted Jetset Travelworld, in which Qantas retains a 58% stake. At the same time the group has started separately identifying its flight training, maintenance, catering and airports businesses – either moving towards the Lufthansa-style holding company structure

or more likely aiming to release greater value by onward sale.

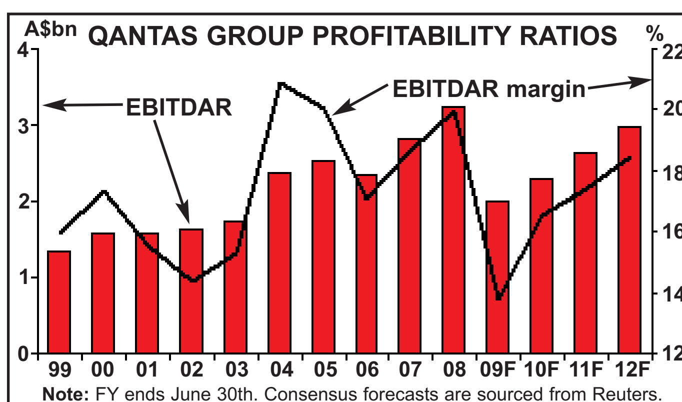
This very strategy seemed attractive to others too: the group received an unsolicited approach from a TPG-led consortium in December 2006 – at a price some 33% above the then share price (typical top-of-the-market stuff?). The board recommended acceptance, but the dragon of national pride raised its head and core institutional shareholders in the end forced the bidders' retreat (since which time the shares have fallen 70% from their peak).

It may have been that the consortium saw more returns from the long anticipated global consolidation of the industry (see *Aviation Strategy,* March 2007); and indeed Qantas itself, under newly appointed CEO Alan Joyce, tried to kick-start an acceleration of the process last year by approaching British Airways with the idea of a merger (embarrassingly while BA was itself in negotiations with Iberia). Not unsurprisingly, (QF prides itself on its investment grade rating, which may well have suffered from the inclusion of BA's pension problems) this approach petered out.

The group achieved a record level of profitability in the year ended June 2008. Revenues were up by 7% to A$16bn, EBITDAR grew by 14% despite the strength of the fuel price and net profits as published jumped by 35% to A$970m.

Even if this reflects the peak of the cycle, the EBITDAR margin of 20% was marginally below the peak of 21% achieved in 2004 – and this is after a significant level of outsourcing (particularly of IT services) in the past few years. This performance was significantly aided by the continuing cost cutting and results improvement “Sustainable Future Programme” introduced in 2003 to generate A$3bn in profit enhancement.

Since then the full force of the economic downturn has hit – as for everyone else – and the operating environment has gone pear-shaped. The group's traffic started showing serious weakness in June 2008, led primarily by the international business. This deterioration accelerated in October 2008, and for a couple of months even the fast growing Jetstar’s international operations saw declines in traffic. The company has been trying to reduce capacity in line with the deterioration in demand, but load factors are still running some two points below prior year levels.

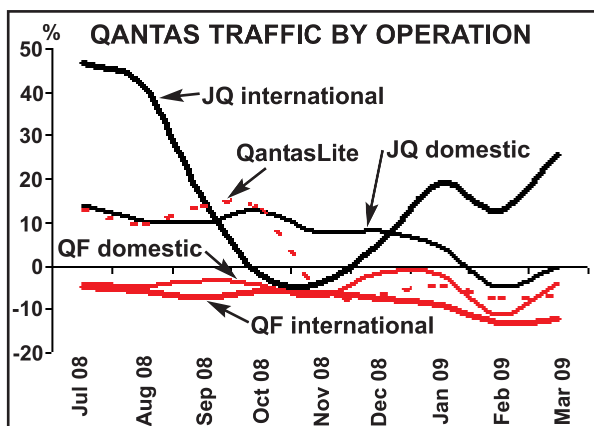


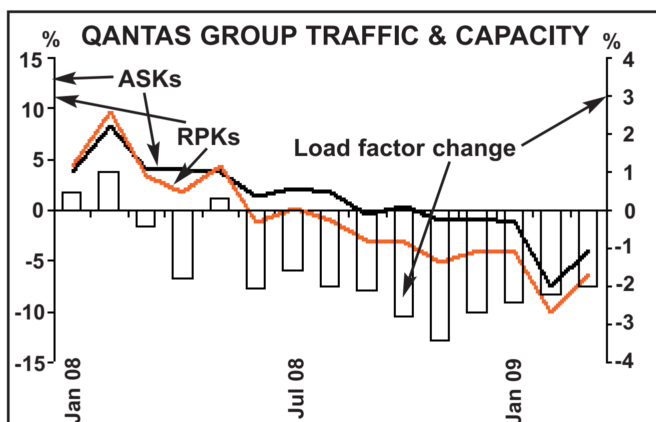
Note: FY ends June 30th. Consensus forecasts are sourced from Reuters.

The first half results – for the six months to December 2008 – showed a severe deterioration in profitability. Total group revenues grew by 2% to A$7.9bn in the period but pre-tax profits slumped by two-thirds to A$288m – despite the benefit of an A$86m pre-tax gain on the sale of the holidays division. This was on the back of a 0.4% increase in capacity, a 2.4% fall in traffic and a 1.2% improvement in yields.

Qantas’s main brand operations saw pre-tax profits down to a mere A$200m from A$836m in the prior year period, with traffic down by 5.2%, revenues down by 3.4% with capacity down by 2% year-on-year.

The company states that unit costs (presumably excluding fuel) fell by 3.5%. Jetstar profits merely halved from the comparable period to A$72m on a 15% increase in passenger revenues and a 13% growth in capacity (equally split between international





and domestic growth) although load factors dipped by half a point to 78%. It may be interesting to note that domestic system yields at both Qantas and Jetstar fell by 2%, while international yields (where the fuel surcharges will have stuck more easily) grew by 3.4% on a constant currency basis.

The freight operation saw only a 10% decline in profitability to A$41m – air freight performed well, up by 13% to A$37m but was brought down by weakness in associate domestic freight express joint ventures. QF Frequent Flyer meanwhile experienced a 20% jump in revenues to A$482m but, because of the costs of the launch of the new redemption plans, reported a profit of $119m (similar to the previous year).

Of course a large part of the deterioration in profitability was due to the cost of fuel, exacerbated by US Dollar strength in the period. The in-plane cost of fuel rose by some 40% in the six months but hedging brought benefits of some A$179m and the total fuel bill rose by 28% to A$2.2bn, equivalent to 29% of total operating costs. In addition staff costs were up by some 13% in the period – partly reflecting redundancy provisions, retraining costs relating to new aircraft types (the good old A380 again) and a new wage agreement. Other variable aircraft costs also rose by some 13%, reflecting higher maintenance material costs from the strength of the US Dollar as well as increased levels of heavy maintenance to improve on-time performance. Total costs in the six months jumped by 11% to A$7.6bn.

Importantly, despite the deterioration in results the group's cash balances (after all this reflects the start of the peak Australian travel season) were little changed from the year end at A$2.8bn (17% of annual revenues), while net debt stood at A$3.3bn or 60% gearing of net debt to equity. At the time of the interim release in February, the management confirmed a full year prognosis of pre-tax profits of A$500m.

Since then the environment has deteriorated significantly further. Last month the group issued a severe profits warning, revising its guidance down to a pre-tax profit of between A$100 and A$200m – suggesting an almost unprecedented second-half loss of A$150m, although this does include additional write-downs and provisions of A$150m.

March woes

The deterioration in the market conditions apparently started to be seen at the end of March – and was particularly experienced in the long-haul Qantas premium passenger routes and in cargo operations. The management emphasised however that the other segments – principally Jetstar and the regional QantasLite – continue to perform well, while the QF Frequent Flyer business was benefiting from high levels of redemptions (apparently running some 24% above last year).

As the group entered its winter season, it looks as if the management may have been a bit surprised by an acceleration in the competitive environment, citing a very high level of discounting – particularly on the Pacific (one of the strongly profitable route areas in recent years) and on the kangaroo route – and severe competitive pressure on full-freight and belly-hold cargo yields out of China and out of the US.

Management also reconfirmed that it has seen severe declines in premium traffic volumes - in the order of 20% - while economy yields were also showing year-on-year falls of around 10-15%. Capacity on the Pacific into Australasia appears to be growing well above the levels of current demand, with what looks to be a 25-30% increase in capacity for the second half of the year: Virgin Blue started operations into LAX from Sydney in February (and recently Brisbane)

as part of its new Virgin Australia long-haul offshoot. Qantas itself has been adding capacity with its A380 operations on the LAX route (management dryly noted in a conference call that the A380 is an aircraft “for the best of times”); Delta will be starting a new non-stop operation from July. This translates into a growth of some 33% in capacity into California alone.

The kangaroo route meanwhile, always (and naturally) highly dependent on the strength of the UK economy, has not only been experiencing weakness in underlying demand but is also seeing exacerbated levels of competition from carriers in the Middle East. Given that it has to be operated as a multi-stop route, and that it is one of the longest leisure routes in the world, there is not a huge amount of competitive disadvantage in offering a service that changes equipment half way, even if the total journey time is 20% greater; but you still have to use price to stimulate demand even in the good times. Capacity into and out of Australasia from the Middle East (Emirates and Etihad have to put their new aircraft somewhere) appears to be doubling in the second half of the year.

Capacity cuts

The company announced immediate remedial action to attempt to stem the bleeding. It is parking 10 additional aircraft (five 747-400s and five 767s) - with the aim of trying to sell them (adding to the five existing parked 747-300s and five 737-300s up for sale) - and cutting Qantas international and domestic capacity by a further 5%.

It is also deferring some of its aircraft orders. Of the 17 A380s on order it stated that it would take delivery of the next three due in 2009, but that the following four have been deferred for 10-12 months. It has negotiated deferrals to the deliveries of the 737-800s from Seattle – of which it has 31 on order and 49 options: it will take the next three due this year and has deferred the following 12 for up to 14 months.

It also has one of the largest orders in place for the 787 (65 on order and 50 options) and is (ironically) in negotiation with Boeing to delay deliveries - the first 14 of these were due to be operated by Jetstar as part of its international expansion plans; the remainder for replacement of the 767s. (Interestingly enough Virgin Australia has also deferred its 2010 planned 777 deliveries). At the same time the company announced plans to cut 500 management jobs and total staff reductions of 1,750, or 5% of the total 34,000 (with luck without union opposition or compulsory redundancies) and was pursuing further aggressive cost reductions – at the same time noting that the extended SFP benefits this year should be running at around A$550m (with the aim of garnering an additional running A$1bn annual benefits by 2010).

Undoubtedly Qantas is one of the best quality airlines in the world, is well managed, has strong control over its domestic market and is one of the few carriers worldwide to have worked out how to counter the threat from the new airline business models. In the short run it is not only suffering from the general economic malaise and lack of demand, but is being battered by an extraordinary increase in competitive capacity on its main profitable routes. The company has significant flexibility in being able increasingly to transfer routes to the low cost Jetstar subsidiary in this period of weak demand – but even this is unlikely to offset the declines in fortunes on the Pacific and European routes.

The markets appear to believe the company guidance – but there must be a real risk that Qantas could fall into its first annual loss since privatisation.

By James Halstead

QANTAS GROUP FLEET

	Qantas/ QantasLite	Jetstar	Total	Orders	Options
A380	3		**3**	17	
747	30		**30**		
A330	16	6	**22**	2	
767	29		**29**		
787			**0**	65	50
737-800	38		**38**	31	49
737 Classic	26		**26**		
A320/21		32	**32**	67	40
717	11		**11**		
Dash 8	21		**21**		
Q400	12		**12**	9	
Total	**186**	**38**	**224**	**191**	**139**

Note: Five 747-300s are parked pending sale.

Tough times ahead for SIA

Although the SIA group is the world's largest airline company by market cap, this hasn't stopped Singapore Airlines from feeling the full force of the global recession. After a 43% fall in net profits during the October-December 2008 quarter, the group avoided reporting only its second-ever quarterly net loss in January-March 2009 thanks to a reduction in the Singaporean corporate tax rate (which enabled SIA to book a 12 month tax "writeback" in the final quarter of its financial year).

The change in the tax rate can't hide the fact that the challenges facing the Singaporean flag carrier - which currently operates to more than 70 destinations across the world - are considerable. In the 2008/09 financial year (ending March 31st 2009), the SIA group saw net profit fall 47% to S$1,147m (US$799m), even despite the tax writeback of S$138m (US$96m) and a 1% rise in revenue to S$16bn. Operating profit fell even further - by 57% - to S$904m (US$630m).

Management blamed the profit plunge on a number of factors, including the performance of its cargo operation, which made an operating loss of S$245m (US$171m) in the 12 month period, compared with a S$132m (US$92m) profit in the previous financial year. But while the group also has major engineering and airport services divisions, group profitability depends largely on the airline division, which made a S$823m (US$573m) operating profit in 2008/09 - some 50% (or (S$821m) lower than in the 2007/08 financial year.

A closer look at the results reveals two worrying trends. Firstly, in the 12 month period passengers carried fell 4.4% to 18.3m. With ASKs up by 1% and RPKs down by 1.5% in the financial year, load factor fell 3.8 percentage points to 76.5%. But crucially, proportionately SIA is losing more lucrative premium passengers than economy travellers.

Traditionally the group has had robust results because of its focus on first and business class passengers, but these revenues are falling fast, not helped by the fact that in the last quarter of 2008 real GDP in Singapore fell by 17% on an annualised rate.

This has led to SIA cutting some of its all-business class services to New York Newark and Los Angeles that were launched only last year (using A340-500s). This trend is exacerbated by the fact that SIA has no domestic routes, revenue from which could have expected to remain more robust than international services in the current downturn.

Yield worries

Mainline yield remained flat in October-December 2008 compared with the previous quarter (see graph, page 14), but then fell by a substantial 9% in the January-March 2009 period. In a report released in mid-April, Merrill Lynch said that SIA was being affected significantly by trying to stick with its premium price/product strategy in today's environment, and that: "Simply put, the market is highly price-sensitive and unwilling to pay for SIA's frills. Yields will still be sharply down due to the collapse of lucrative business class traffic (40% of passenger revenue)."

In today's world corporate budgets for premium travel are severely restricted, and no amount of additional economy traffic at the SIA group will fully compensate it for the loss of high margin premium passengers. Merrill Lynch says that "although airlines have historically rebounded early in cyclical recoveries, we think it will be different this time … premium traffic needs a turnaround in the financial services sector."

The second problem that SIA faces is cost control. While staff costs fell 12.4% in the 2008/09 financial year, fuel costs rose by 27.5% to S$6.4bn (US$4.5bn) - even though fuel prices in the world market gradually fell over the three month period - thanks to fuel hedging losses of S$543m (US$378m).

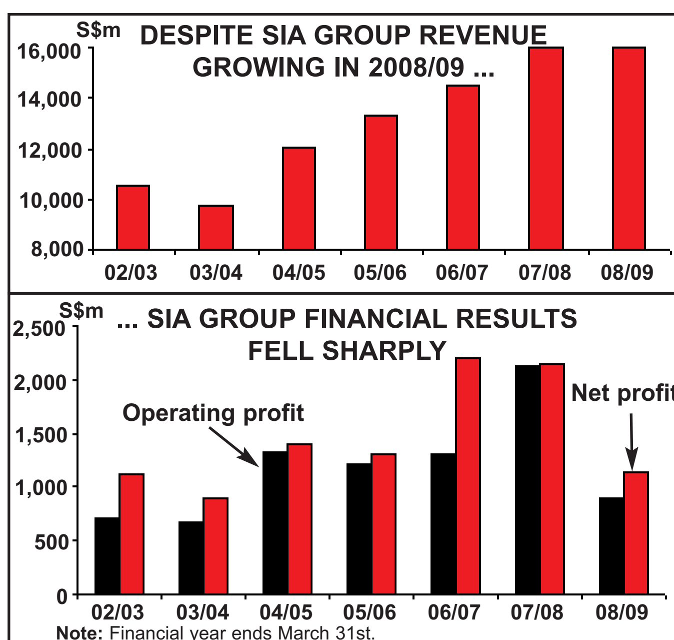
In fact SIA's hedging strategy has been nothing short of disastrous, and the huge loss for the financial year was signalled back in February when the group revealed that 44% of its fuel needs for the January-March quarter had been hedged at an average price of US$131 per barrel, considerably above the spot price at that time.

Earlier this year one analyst estimated that SIA's unrealised fuel hedging losses could be as high as S$1.8bn (US$1.2bn). Unlike most other airlines, the SIA group does not make provisions for anticipated hedging loses, but reports them only in the profit and loss account for the quarter they expire in – so looking forward there could be a considerable amount of bad news yet to be reported by SIA. All the group says is that lower fuel prices in the global market "will be offset by progressive settlement of fuel hedges contracted at higher prices ... but the consequential effect of these hedges will tail off over the next twelve months".

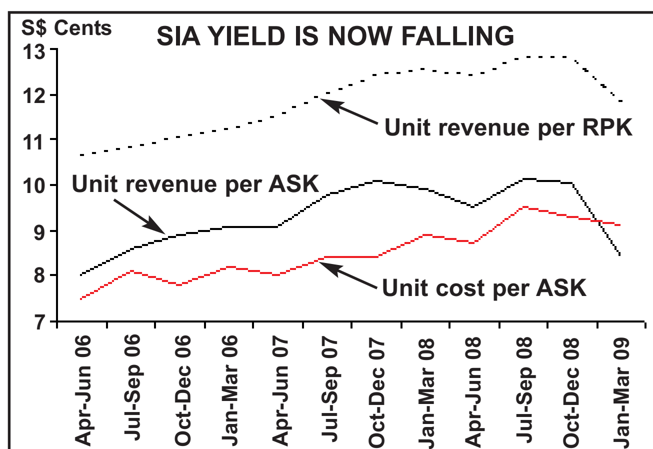
The SIA group also lost S$144m (US$97m) in October-December 2008 due to the strength of the Singaporean dollar against other currencies, and the full year's results were accompanied by a warning that "in the near term, promotional pricing and reduced business travel will keep revenue under pressure". The group added that: "Action taken to trim excess capacity, together with a strong balance sheet, will help to sustain the company through the downturn."

Capacity cuts

Indeed in February, as a response to "the drop in demand owing to the global economic slowdown", SIA announced it would retire 17 older aircraft in the 2009/2010 financial year (ending March 31st) as part of cuts in capacity across its network. SIA had previously planned to decommission four aircraft (three returning to lessors at the end of their contracts and the conversion of a passenger aircraft to a freighter), but this has now been raised to 17, representing an 11% reduction in overall capacity compared with the previous year. As recently as November last year SIA was saying it wanted to increase capacity by 1% in 2009/2010, so the reversal in its fortunes has been recent and pronounced. With 17 aircraft now being taken out of service, it's likely that some – or many – of these will end up parked in the desert.



SIA had already begun to cut capacity from the second half of 2008 in response to the global recession, but the "upgraded" capacity reduction is being taken from all parts of its network in all sorts of ways, including route cutting (such as from Singapore to Amritsar, Vancouver, Osaka via Bangkok and Los Angeles via Taipei), reduction of frequency (to India, Japan, China, South Korea and the US in particular, as well as selected other routes elsewhere) and via capacity reductions (for example, in March the daily 747-400 service on Singapore-London was replaced by a 777-300ER service, cutting capacity by 7.5% a day on the route).



Although the 17 aircraft that are being decommissioned are not yet known, they are likely to be the larger 747-400s and older 777s. SIA traditionally has a young fleet (its average age is currently less than seven years), and is among the pioneer carriers in introducing new types.

The mainline has a fleet of 104 (see table, right) and 68 aircraft are on order. The first of 19 A330s on order was delivered earlier this year and they have been rolled out onto services to Australia and Japan from April, replacing 777s.

However, these aircraft are arriving on leases from AWAS as a short-term replacement on regional and medium-haul routes only, and are filling in until 20 A350s are delivered to SIA from 2013 onwards.

In October 2007 SIA became the first operator of the A380. Six have been delivered so far and four more are due this year, out of a total order book of 19. The A380s are used on routes from Singapore to Sydney, Tokyo, London Heathrow and - from June, once the seventh and eighth aircraft are delivered - to Paris CDG.

With such a large order book and given SIA's current difficulties, there must be considerable doubt as to whether all those aircraft will be delivered. SIA insists that it has no plans to defer deliveries at the moment, although it says this cannot be ruled out in the future. If adjustments are made, then the A380 orders will surely be the first to be deferred. The 20 787s on order also look vulnerable, particularly since new delivery dates are yet to be confirmed by Boeing.

The SIA group also includes regional subsidiary SilkAir, which operates to more than 25 destinations with a fleet of 16 A319s and A320s (and with 10 aircraft on order). In the 2008/09 financial year, SilkAir's profits fell 16% to S$34m (US$24m).

But more problematical is SIA's cargo operation, given its contribution to revenue and its hefty loss in 2008/09. According to Chew Choon Seng, group CEO, the "air freight business is even in deeper straits than the passenger business", and the group is likely to park temporarily some of its freighter fleet, which currently stands at 12 747-400s.

Worryingly, in April SIA's cargo traffic fell by a substantial 22%, ahead of a 17% reduction in capacity, and with cargo load factor falling 3.7 percentage points to 58.0%.

The solutions?

Given the challenges of falling premium revenue and a rising cost base, what can SIA do? In the short-term the only answer to the premium problem may be to slash first and business class fares, something that the group appears very reluctant to do. But if that's difficult, then cutting the cost base at SIA is even more of a problem. The capacity reduction is a help, but without large amendments to the order book the main area of variable cost that management can alter is staffing.

At the beginning of the year SIA announced a voluntary unpaid leave scheme (for periods of between a week and two years) and management met with unions in February to discuss other "measures", such as a shorter working week and voluntary retirements. At that point a cut in salaries was not on the agenda; a three-year collective agreement with SIA's pilots was reached only in November 2008 (after 12 months of negotiations), although this included only some elements of pay (specifically a variable component of basic wages) and excluded all other (i.e. more

contentious) issues, such as management's wish to have pilots work across different types of aircraft (e.g. A330s and A340s).

But take-up of the voluntary scheme was not sufficient and in April SIA introduced compulsory leave of one day a month (either without pay or to be taken as part of annual leave entitlement) for all managers - and said it would introduce the measure to its entire workforce from the beginning of May.

However, pilots and cabin crew would have to take this as unpaid leave since the airline now has too many staff, given its plan to reduce capacity by 11% in the current financial year. Management announced that two of the three main unions (including the one representing ground staff and cabin crew) had agreed the measure "in principle", although the pilots union (Air Line Pilots Association-Singapore) didn't initially agree, with the union saying the proposal from management was unfair as the airline wanted pilots to take three days unpaid leave a month and first officers four days a month, compared with the one day a month every other employee was being asked to accept.

If a deal hadn't been agreed with pilots then the tentative agreements with the two other unions would have become non-binding. Relations between pilots and the management at SIA are strained anyway, stemming from 2003 when the airline cut pay and conditions, leading to pilots voting out the then union leadership for accepting such a deal.

This time around a deal was agreed at the last moment, with management backing down and pilots accepting one unpaid day of compulsory leave a month. Yet these agreements are unlikely to put off the need for cuts in the workforce. SIA says that: "We will only contemplate retrenchment as a last resort but we do not have the luxury of time and we need to agree and act on some measures quickly so that we can push back the point of retrenchment and improve our chances of avoiding it altogether".

SIA GROUP FLEET

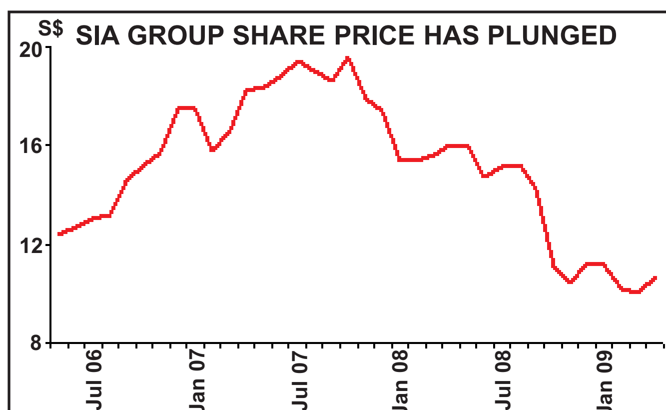
	Fleet	Orders	Options
SIA			
A330	4	15	
A340	5		
A350		20	20
A380	6	13	21
747-400	12		
777-200ER	46		28
777-300	12		
777-300ER	19		13
787		20	
Total	**104**	**68**	**82**
SIA Cargo			
747-400F	**12**		
SilkAir			
A319	6	4	
A320	10	6	12
Total	**16**	**10**	**12**
Group total	**132**	**78**	**94**

The airline currently employs 14,200, of which 7,100 are cabin crew and 2,300 pilots. While SIA is shutting its pilot bases in Brisbane and Perth, these employ a small number of foreign pilots. If SIA is to make a serious dent into its cost base, then a percentage reduction matching the cutback in capacity this year would result in 1,500 redundancies. And a larger figure of 2,000 would be feasible given deeper cuts in overhead staff (i.e. not pilots, cabin crew or ground staff) that must surely be achievable without affecting customer service too much. Maybe a benchmark is close rival Qantas, which announced 1,750 job losses in April. Whatever the level, it's almost inevitable that SIA will have to make significant redundancies, and sooner rather than later.

Other problems ...

There are other major challenges ahead for SIA, most particularly from its traditional rival Qantas (see pages 7-11). A restructuring of the shareholding in Jetstar Asia and Valuair has seen Qantas increase its stake in these carriers from 45% to 49%, while at the same time Temasek has sold its 33% holding in these airlines to other investors.

This now sets Singapore-based JetstarAsia and Valuair free to compete



vigorously against SIA's own LCC, Tiger Airways, as Asian open skies become more widespread. An added danger for SIA would be any partnership between Qantas's JetStar and AirAsia, which some analysts speculate could happen now that AirAsia has had to cancel its attempt to delist (see *Aviation Strategy,* January/ February 2009).

The SIA group holds a 49% stake in Tiger Airways, a Melbourne-based LCC that was launched in 2004 [other shareholders include Indigo Partners (24%), RyanAsia (16%) and Dahlia Investments (11%) - a subsidiary of Temasek]. It operates a fleet of 10 A319s and A320s and has 56 aircraft on order, and operates only on regional routes in order to avoid any dilution of the SIA brand. It currently has a route network of 25 destinations in nine Asia/Pacific countries.

In March Tiger opened its third base (after Singapore and Melbourne) in Adelaide, with two A320s based there initially to serve six domestic routes. In July Tiger is launching services on Melbourne-Sydney, which is the largest domestic route in Australia. Tiger will offer 24 flights a week, where it will compete against Qantas, JetStar and Virgin Blue. This is a major strategic change for Tiger, which until now has kept away from the busier routes and instead concentrated on niche sectors.

Elsewhere, in March a Singapore-Jakarta route was launched following an adjustment to the air services agreement between Singapore and Indonesia, and where Tiger is competing against AirAsia. There had been plans to set up a Tiger subsidiary in South Korea, to operate flights to China, Japan and other countries, in partnership with the Incheon city government, but those plans have now been abandoned due to "the global economic situation and continued regulatory uncertainty in Korea".

It's believed that Korean carriers lobbied the government against what they claimed would be "unfair competition" from Tiger, and the Incheon city government has now agreed a deal with Korean Air for it to relocate Jin Air, its LCC, to Incheon from Seoul.

In the financial year ending March 31st 2008, Tiger Aviation - which owns Tiger Airways and Tiger Airways Australia - reported a net profit of US$6.6m. This was its first-ever profit (and, unsurprisingly, the first time it has released financial results) and compares with a US$9.9m net loss in 2007/08.

Into the future?

The role of Temasek Holdings, the Singapore state-owned investment fund, in guiding SIA's future is critical. Temasek owns 55% of the SIA group and its stake had been a positive for SIA, in that it had been a stable and relatively passive majority shareholder.

But according to one analyst Temasek's investment portfolio has lost around US$50bn in value over the last three years, and inevitably in the current recession its investments are coming under increasing scrutiny, particularly as Ho Ching, the current head of the fund (who is the Singaporean prime minister's wife) is being replaced by Chip Goodyear, the former CEO of a major diversified Australian mining company and who is believed to be more aggressive in his approach than his predecessor.

Most immediately Temasek's views will be relevant to the future of SIA's 49% stake in Virgin Atlantic Airways, which was bought back in March 2000 for US$975m. Last year the SIA group said that it was unhappy with the performance of Virgin

and that it would be willing to sell its shareholding if it received the right offer. This would suit Virgin as well, since SIA's stake in Virgin Atlantic is holding up plans to rebrand Virgin Blue's long-haul operation as Virgin Australia (rather than the current V Australia). SIA's stake in Virgin Atlantic gives it a veto right over the use of the Virgin name on any route that SIA operates, or is permitted to operate.

The sticking point for SIA is not so much finding a buyer, but the price that SIA and Temasek will be willing to accept without appearing to lose too much face in terms of selling the Virgin Atlantic stake for what may be perceived by others as a "fire sale" price.

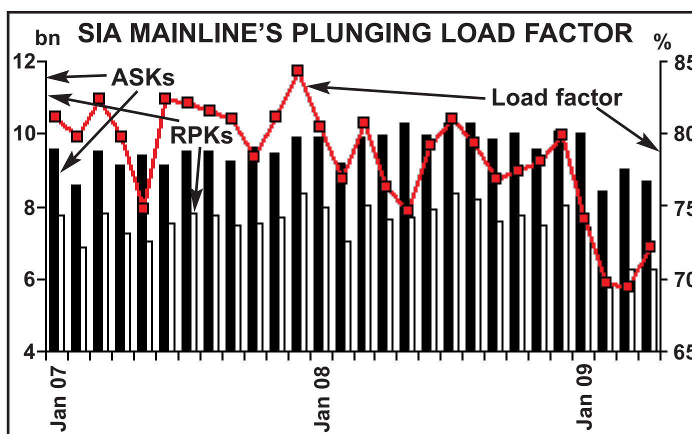
Certainly the focus of strategic attention for SIA now appears to be selling rather than acquiring. In 2007 SIA and Temasek attempted to acquire 24% between them of China Eastern, but this was rejected by minority shareholders in early 2008 in anticipation of a better offer from Air China, and according to SIA there is no plan to resuscitate the deal in the short- or medium-term. Negotiations had been expected to be restarted after the Olympic Games in Beijing were completed, but (even if the SIA group could afford another bid) China Eastern's parent company now appears to be more interested in a merger with the parent company of Shanghai Airlines.

In May SIA also said it was separating out its ground handling subsidiary SATS, in order to better "focus on what it knows".

A tough 2009

There's no doubt that SIA's prospects for 2009 are grim. The Singapore state's GDP is forecast to contract by a huge 7.9% this year and some analysts expect the April-June quarter to be in the red, given that, as Chew Choon Seng says: "The drop in air transportation has been sharp and swift ... we have to face the reality that 2009 is going to be a very difficult year."

Indeed load factor has fallen away dramatically in the last few months (see chart, above) – and the traffic figures for March



reveal a substantial drop in demand, with RPKs down by a massive 21.8%, way ahead of the reduction in ASKs of 9%. Passenger load factor in the month fell by 11.4 percentage points, to 69.4%. This trend continued into April, when RPKs fell 17.7%, ahead of a 12.9% cut in capacity, and with load factor dropping by 9.8 percentage points on routes to Europe.

Along with the April figures the airline commented that "the ongoing global economic slowdown continues to impact travel demand. As a result, all route regions except East Asia registered lower PLFs compared to last year. SIA will continue to monitor traffic movement and make appropriate adjustments where necessary to match capacity to forward demand".

While Chew Choon Seng adds that the company "will contemplate retrenchment only as a last resort", that last resort is drawing ever closer, unless SIA dares to make significant aircraft order postponements and cancellations. Yet if SIA goes down that route, this would severely hit its cherished brand image, one that is underpinned by a young fleet and a reputation for being the first to introduce new models (and a legacy from its origins in 1972 when, with no domestic routes, it had to immediately compete against foreign airlines on international routes, and thus had to concentrate significant resources on marketing and brand management.)

Whatever it does, SIA appears to have little room for manoeuvre, and as a result shareholders are sure to be in for a rough ride in 2009.

Jet values and lease rates

The following tables reflect the current values (not "fair market") and lease rates for narrowbody and widebody jets. Figures are provided by The Aircraft Value Analysis Company (contact details opposite) and are not based exclusively on recent market transactions, but more reflect AVAC's opinion of the worth of the aircraft.

These figures are not solely based on market averages. In assessing current values, AVAC bases its calculations on many factors such as number of type in service, number on order and backlog, projected life span, build standard, specification etc. Lease rates are calculated independently of values and are all market based.

NARROWBODY VALUES (US$m)

	NEW	5 years old	10 years old	20 years old
A318	26.7	17.8		
A319 (IGW)	34.4	28.2	21.9	
A320-200 (IGW)	41.1	33.4	25.7	10.2
A321-200 (LGW)	44.9	35.8	26.7	

	NEW	5 years old	10 years old	20 years old
717-200		11.2	8.4	
737-300 (LGW)			8.4	4.8
737-400 (LGW)			8.3	5
737-500 (LGW)			7.4	
737-600		19.8	13.0	
737-700 (LGW)	34.7	28.6	22.5	
737-800 (LGW)	44.0	35.8	27.6	
737-900ER	48.2			
757-200		21.3*	19.0	11.1
757-200ER		22.2*	19.5	11.1
757-300		27.9**	22.4	
MD-82			3.4	2.2
MD-83			4.4	2.8
MD-88			4.2	2.7
MD-90			6.2	

WIDEBODY VALUES (US$m)

	NEW	5 years old	10 years old	20 years old
A300B4-600				5.1
A300B4-600R (HGW)			18.6	9.4
A310-300 (IGW)				6.9
A330-200			57.1	
A330-300 (IGW)		63.6	46.8	
A340-200			31.6	
A340-300 (LGW)		61.4**	45.1	
A340-300ER		66.7**	52.8	
A340-500 (IGW)		78.7		
A340-600 IGW)		79.8		
A380-800	193.6			

	NEW	5 years old	10 years old	20 years old
747-400		76.6	58.4	24.0
767-200				4.8
767-300			22.0	10.3
767-300ER (LGW)			35.6	17.2
767-400		42.7**		
777-200		58.9	45.5	
777-200ER	115.9	94.2	72.6	
777-300		86.6	58.7	
787-800	107.5			
MD-11P			30.8	

Source: AVAC.
Note: As assessed at end-April 2009; mid-range values for all types. * = 2002 year of manufacture; ** = 2003 year of manufacture

NARROWBODY LEASE RATES (US$000s per month)

	NEW	5 years old	10 years old	20 years old
A318	239	174		
A319 (IGW)	319	272	227	
A320-200 (IGW)	333	304	260	150
A321-200 (LGW)	381	322	268	

	NEW	5 years old	10 years old	20 years old
717-200		147	118	
737-300 (LGW)			128	90
737-400 (LGW)			125	93
737-500 (LGW)			113	
737-600		168	132	
737-700	315	267	223	
737-800	354	305	269	
737-900ER	404			
757-200		201*	194	163
757-200ER		253*	201	162
757-300		269**	216	
MD-82			89	69
MD-83			96	73
MD-88			96	73
MD-90			99	

WIDEBODY LEASE RATES (US$000s per month)

	NEW	5 years old	10 years old	20 years old
A300B4-600				100
A300B4-600R (HGW)			190	139
A310-300 (IGW)				122
A330-200			580	
A330-300 (IGW)		619	507	
A340-200			436	
A340-300 (LGW)		686**	563	
A340-300ER		722**	607	
A340-500 (IGW)		832		
A340-600 (IGW)		795		
A380-800	1,660			

	NEW	5 years old	10 years old	20 years old
747-400		671	575	360
767-200				112
767-300			232	164
767-300ER (LGW)			387	306
767-400		453**		
777-200		548	473	
777-200ER	932	805	700	
777-300		829	638	
787-800	845			
MD-11P			317	

Source: AVAC.
Note: As assessed at end-April 2009; mid-range values for all types. * = 2002 year of manufacture; ** = 2003 year of manufacture

AIRCRAFT AND ASSET VALUATIONS
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		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 emp.
Air France/ KLM Group YE 31/03	Jul-Sep 07	9,183	7,855	1,328	1,041	14.5%	11.3%	67,375	57,009	84.6%	20,448	
	Oct-Dec 07	8,678	8,202	476	207	5.5%	2.4%	62,615	49,591	79.2%	17,868	104,482
	Jan-Mar 08	8,543	8,612	-69	-810	-0.8%	-9.5%	62,948	49,060	77.9%	17,154	
	Year 2007/08	**34,173**	**32,182**	**1,991**	**1,087**	**5.8%**	**3.2%**	**256,314**	**207,227**	**80.8%**	**74,795**	**104,659**
	Apr-Jun 08	9,830	9,464	366	266	3.7%	2.7%	66,610	53,472	80.3%	19,744	106,700
	Jul-Sep 08	10,071	9,462	609	44	6.0%	0.4%	69,930	58,041	83.0%	20,439	107,364
	Oct-Dec 08	7,880	8,136	-256	-666	-3.2%	-8.5%	64,457	51,255	79.5%	17,934	106,773
	Jan-Mar 09							60,957	46,070	75.6%	15,727	
	Year 2008/09							**261,954**	**208,838**	**79.7%**	**73,844**	
BA YE 31/03	Apr-Jun 07	4,395	3,868	527	539	12.0%	12.3%	37,514	28,836	76.9%	8,648	
	Jul-Sep 07	4,729	4,118	611	458	12.9%	9.7%	38,191	30,500	79.9%	9,206	42,024
	Oct-Dec 07	4,142	3,774	368	247	8.9%	6.0%	37,122	27,531	74.2%	7,913	
	Jan-Mar 08	4,049	3,824	225	133	5.6%	3.3%	36,745	26,149	71.2%	7,394	
	Year 2007/08	**17,315**	**15,584**	**1,731**	**1,377**	**10.0%**	**8.0%**	**149,572**	**113,016**	**75.6%**	**33,161**	**41,745**
	Apr-Jun 08	4,455	4,386	69	53	1.5%	1.2%	37,815	27,757	73.4%	8,327	
	Jul-Sep 08	4,725	4,524	201	-134	4.3%	-2.8%	38,911	29,480	75.8%	8,831	42,330
	Oct-Dec 08	3,612	3,692	-80	-134	-2.2%	-3.7%	36,300	31,335	86.3%	8,835	
	Jan-Mar 09											
	Year 2008/09											
Iberia YE 31/12	Jul-Sep 07	2,080	1,882	198	211	9.5%	10.1%	17,119	14,653	85.6%	7,216	22,803
	Oct-Dec 07	1,963	1,681	279	140	14.2%	7.1%	16,773	13,471	80.3%	6,463	22,168
	Year 2007	**7,617**	**7,049**	**568**	**450**	**7.5%**	**5.9%**	**66,454**	**54,229**	**81.6%**	**26,860**	**22,515**
	Jan-Mar 08	1,948	1,990	-42	-661	-2.2%	-33.9%	16,360	12,990	79.4%		21,574
	Apr-Jun 08	2,142	2,148	-6	33	-0.3%	1.5%	16,771	13,372	79.7%		21,793
	Jul-Sep 08	2,181	2,156	25	45	1.1%	2.1%	17,093	14,220	83.2%		21,988
	Oct-Dec 08	1,753	1,836	-83	-25	-4.7%	-1.4%	15,875	12,302	77.5%		20,956
	Year 2008	**8,019**	**8,135**	**-116**	**47**	**-1.4%**	**0.6%**	**66,098**	**52,885**	**80.0%**		**21,578**
	Jan-Mar 09	1,436	1,629	-193	-121	-13.4%	-8.4%	15,369	11,752	76.5%		20,715
Lufthansa YE 31/12	Apr-Jun 07	7,267	6,506	761	663	10.5%	9.1%	39,573	30,544	77.2%	14,629	97,067
	Jul-Sep 07	8,960	8,004	956	843	10.7%	9.4%	48,662	39,112	80.4%	18,836	
	Oct-Dec 07	8,197	8,103	94	165	1.1%	2.0%	45,845	35,128	76.6%	17,106	
	Year 2007	**30,682**	**28,797**	**1,885**	**2,264**	**6.1%**	**7.4%**	**169,108**	**130,893**	**77.4%**	**62,900**	**100,779**
	Jan-Mar 08	8,368	8,086	282	85	3.4%	1.0%	45,131	34,828	77.2%	15,992	106,307
	Apr-Jun 08	10,113	9,285	829	541	8.2%	5.3%	50,738	40,258	79.3%	18,488	108,073
	Jul-Sep 08	9,835	9,542	293	230	3.0%	2.3%	52,487	42,437	80.9%	18,913	109,401
	Oct-Dec 08	8,274	7,693	582	70	7.0%	0.8%	47,075	36,632	77.8%	17,107	108,711
	Year 2008	**36,592**	**34,600**	**1,992**	**896**	**5.4%**	**2.4%**	**195,431**	**154,155**	**78.9%**	**70,500**	**108,123**
	Jan-Mar 09	6,560	6,617	-58	-335	-0.9%	-5.1%	44,179	32,681	74.0%	15,033	106,840
SAS YE 31/12	Apr-Jun 07	2,383	2,247	136	89	5.7%	3.7%	10,281	7,677	74.7%	7,696	26,916
	Jul-Sep 07	2,612	2,518	94	109	3.6%	4.2%	10,452	8,228	78.7%	7,523	27,447
	Oct-Dec 07	2,041	2,039	2	-96	0.1%	-4.7%	9,985	7,034	70.4%	7,195	25,651
	Year 2007	**5,969**	**5,676**	**293**	**259**	**4.9%**	**4.3%**	**40,030**	**29,365**	**73.4%**	**29,164**	**26,538**
	Jan-Mar 08	2,046	2,185	-139	-181	-6.8%	-8.8%	9,696	6,700	69.1%	6,803	25,477
	Apr-Jun 08	2,959	2,968	-9	-69	-0.3%	-2.3%	11,564	11,851	102.5%	8,260	26,916
	Jul-Sep 08	2,604	2,869	-265	-319	-10.2%	-12.3%	10,984	10,879	99.0%	7,325	24,298
	Oct-Dec 08	1,665	1,706	-42	-357	-2.5%	-21.4%	9,750	6,559	67.3%	6,612	23,082
	Year 2008	**8,170**	**8,288**	**-117**	**-971**	**-1.4%**	**-11.9%**	**41,994**	**29,928**	**71.3%**	**29,000**	**24,635**
	Jan-Mar 09	1,359	1,482	-123	-90	-9.0%	-6.6%	8,870	5,541	62.5%	5,748	22,133
Ryanair YE 31/03	Apr-Jun 07	934	722	212	187	22.7%	20.0%			82.0%	12,600	
	Jul-Sep 07	1,229	795	434	384	35.3%	31.2%			86.0%	13,952	
	Oct-Dec 07	824	760	64	68	7.7%	8.3%					
	Jan-Mar 08	859	808	51	-85	6.0%	-9.9%					
	Year 2007/08	**3,846**	**3,085**	**761**	**554**	**19.8%**	**14.4%**			**82.0%**	**50,900**	
	Apr-Jun 08	1,215	1,202	13	-141	1.0%	-11.6%			81.0%	15,000	
	Jul-Sep 08	1,555	1,250	305	280	19.6%	18.0%			88.0%	16,600	
	Oct-Dec 08	798	942	-144	-157	-18.0%	-19.7%			71.3%	12,400	6,298
	Jan-Mar 09											
	Year 2008/09											
easyJet YE 30/09	Oct 05-Mar 06	1,095	1,177	-82	-50	-7.5%	-4.6%	16,672	13,642	81.8%	14,900	
	Year 2005/06	**2,917**	**2,705**	**212**	**170**	**7.3%**	**5.8%**	**37,088**	**31,621**	**84.8%**	**33,000**	**4,859**
	Oct 06-Mar 07	1,411	1,333	-47	-25	-3.3%	-1.8%	19,108	15,790	81.2%	16,400	
	Year 2006/07	**3,679**	**3,069**	**610**	**311**	**16.6%**	**8.5%**	**43,501**	**36,976**	**83.7%**	**37,200**	**5,674**
	Oct 07-Mar 08	1,795	1,772	22	-87	1.2%	-4.8%	23,442	19,300	82.3%	18,900	
	Apr-Sep 08	2,867	2,710	157	251	5.5%	8.7%	32,245	28,390	88.0%	24,800	
	Oct 08-Mar 09	1,557	1,731	-174	-130	-11.2%	-8.3%	24,754	21,017	84.9%	19,400	

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

		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 emp.
Alaska	**Year 2007**	**3,506**	**3,294**	**212**	**125**	**6.0%**	**3.6%**	**45,359**	**34,389**	**75.8%**	**25,110**	**13,485**
	Jan-Mar 08	840	892	-52	-37	-6.2%	-4.4%	9,791	7,284	74.4%	4,080	9,881
	Apr-Jun 08	931	824	107	63	11.4%	6.8%	10,039	7,841	78.1%	4,425	9,880
	Jul-Sep 08	1,065	1,185	-120	-87	-11.3%	-8.2%	10,148	8,066	79.5%	4,532	9,594
	Oct-Dec 08	827	934	-107	-75	-12.9%	-9.1%	8,996	6,923	77.0%	3,772	9,156
	Year 2008	**3,663**	**3,835**	**-172**	**-136**	**-4.7%**	**-3.7%**	**38,974**	**30,113**	**77.3%**	**16,809**	**9,628**
	Jan-Mar 09	742	754	-12	-19	-1.6%	-2.6%	8,883	6,725	75.7%	3,573	9,021
American	**Year 2007**	**22,935**	**21,970**	**965**	**504**	**4.2%**	**2.2%**	**273,307**	**222,719**	**81.5%**	**98,160**	**85,800**
	Jan-Mar 08	5,697	5,884	-187	-341	-3.3%	-6.0%	66,065	52,283	79.1%	23,051	85,500
	Apr-Jun 08	6,179	7,469	-1,290	-1,448	-20.9%	-23.4%	67,137	55,358	82.5%	24,278	85,700
	Jul-Sep 08	6,421	6,637	-216	45	-3.4%	0.7%	67,534	55,506	82.2%	24,001	84,100
	Oct-Dec 08	5,469	5,665	-196	-340	-3.6%	-6.2%	62,370	48,846	78.3%	21,444	81,100
	Year 2008	**23,766**	**25,655**	**-1,889**	**-2,071**	**-7.9%**	**-8.7%**	**263,106**	**211,993**	**80.6%**	**92,771**	**84,100**
	Jan-Mar 09	4,839	5,033	-194	-375	-4.0%	-7.7%	60,804	46,015	75.7%	20,331	79,500
Continental	**Year 2007**	**14,232**	**13,545**	**687**	**459**	**4.8%**	**3.2%**	**165,951**	**135,655**	**81.7%**	**50,960**	**45,000**
	Jan-Mar 08	3,570	3,636	-66	-82	-1.8%	-2.3%	45,665	35,855	78.5%	16,440	
	Apr-Jun 08	4,044	4,115	-71	-3	-1.8%	-0.1%	48,895	39,824	81.4%	17,962	46,000
	Jul-Sep 08	4,156	4,308	-152	-236	-3.7%	-5.7%	48,768	39,969	82.0%	17,108	43,000
	Oct-Dec 08	3,471	3,496	-25	-266	-0.7%	-7.7%	42,563	33,514	78.7%	15,183	
	Year 2008	**15,241**	**15,555**	**-314**	**-585**	**-2.1%**	**-3.8%**	**185,892**	**149,160**	**80.2%**	**66,692**	**42,000**
	Jan-Mar 09	2,962	3,017	-55	-136	-1.9%	-4.6%	42,362	31,848	75.2%	14,408	43,000
Delta	**Year 2007**	**19,154**	**18,058**	**1,096**	**1,612**	**5.7%**	**8.4%**	**244,187**	**196,403**	**80.4%**	**109,180**	**54,467**
	Jan-Mar 08	4,766	11,027	-6,261	-6,390	-131.4%	-134.1%	58,083	45,390	78.1%	25,586	55,382
	Apr-Jun 08	5,499	6,586	-1,087	-1,044	-19.8%	-19.0%	62,338	51,931	83.3%	27,459	55,397
	Jul-Sep 08	5,719	5,588	131	-50	2.3%	-0.9%	64,969	54,702	84.2%	27,716	52,386
	Oct-Dec 08	6,713	7,810	-1,097	-1,438	-16.3%	-21.4%	93,487	75,392	80.6%	40,376	75,000
	Year 2008	**22,697**	**31,011**	**-8,314**	**-8,922**	**-36.6%**	**-39.3%**	**396,152**	**326,247**	**82.4%**	**171,572**	**75,000**
	Jan-Mar 09	6,684	7,167	-483	-794	-7.2%	-11.9%	89,702	69,136	77.1%	37,310	83,822
Northwest	**Year 2007**	**12,528**	**11,424**	**1104**	**2,093**	**8.8%**	**16.7%**	**138,603**	**117,335**	**84.7%**	**53,680**	**29,871**
	Jan-Mar 08	3,127	7,180	-4,053	-4,139	-129.6%	-132.4%	37,592	30,921	82.3%	15,874	30,053
	Apr-Jun 08	3,576	3,876	-300	-377	-8.4%	-10.5%	39,458	33,557	85.0%	17,500	29,295
	Jul-Sep 08	3,798	4,014	-216	-317	-5.7%	-8.3%	39,568	33,858	85.6%	17,100	25,057
	Oct-Dec 08	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	Year 2008	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
	Jan-Mar 09	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Southwest	**Year 2007**	**9,861**	**9,070**	**791**	**645**	**8.0%**	**6.5%**	**160,314**	**116,361**	**72.6%**	**101,911**	**33,655**
	Jan-Mar 08	2,530	2,442	88	34	3.5%	1.3%	40,454	28,311	69.8%	24,709	34,793
	Apr-Jun 08	2,869	2,664	205	321	7.1%	11.2%	42,381	31,882	75.2%	27,551	34,027
	Jul-Sep 08	2,891	2,805	86	-120	3.0%	-4.2%	42,304	30,292	71.6%	25,686	34,545
	Oct-Dec 08	2,734	2,664	70	-56	2.6%	-2.0%	40,966	27,785	67.8%	23,975	35,499
	Year 2008	**11,023**	**10,574**	**449**	**178**	**4.1%**	**1.6%**	**166,194**	**118,271**	**71.2%**	**101,921**	**35,499**
	Jan-Mar 09	2,357	2,407	-50	-91	-2.1%	-3.9%	38,899	27,184	69.9%	23,050	35,512
United	**Year 2007**	**20,143**	**19,106**	**1,037**	**403**	**5.1%**	**2.0%**	**228,200**	**188,857**	**82.8%**	**68,630**	**55,000**
	Jan-Mar 08	4,711	5,152	-441	-537	-9.4%	-11.4%	61,812	47,854	77.4%	20,981	52,500
	Apr-Jun 08	5,371	8,065	-2,694	-2,729	-50.2%	-50.8%	63,600	52,433	82.4%	16,994	51,100
	Jul-Sep 08	5,565	6,056	-491	-779	-8.8%	-14.0%	63,213	52,108	82.4%	16,758	49,000
	Oct-Dec 08	4,547	5,359	-812	-1,303	-17.9%	-28.7%	56,029	44,288	79.0%	14,147	45,900
	Year 2008	**20,194**	**24,632**	**-4,438**	**-5,358**	**-22.0%**	**-26.5%**	**244,654**	**196,682**	**80.4%**	**63,149**	**49,600**
	Jan-Mar 09	3,691	3,973	-282	-382	-7.6%	-10.3%	54,834	41,533	75.7%	18,668	44,800
US Airways Group	**Year 2007**	**11,700**	**11,167**	**533**	**427**	**4.6%**	**3.6%**	**127,344**	**102,248**	**80.3%**	**83,619**	**34,437**
	Jan-Mar 08	2,840	3,036	-196	-236	-6.9%	-8.3%	35,298	27,316	77.4%	19,731	34,684
	Apr-Jun 08	3,257	3,793	-536	-567	-16.5%	-17.4%	37,465	30,736	82.0%	21,481	34,359
	Jul-Sep 08	3,261	3,950	-689	-865	-21.1%	-26.5%	37,569	30,918	82.3%	21,185	32,779
	Oct-Dec 08	2,761	3,139	-378	-541	-13.7%	-19.6%	33,065	25,974	78.6%	19,156	32,671
	Year 2008	**12,118**	**13,918**	**-1,800**	**-2,210**	**-14.9%**	**-18.2%**	**143,395**	**114,944**	**80.2%**	**81,552**	**32,671**
	Jan-Mar 09	2,455	2,480	-25	-103	-1.0%	-4.2%	32,884	25,239	76.7%	18,387	32,245
JetBlue	**Year 2007**	**2,842**	**2,673**	**169**	**18**	**5.9%**	**0.6%**	**51,334**	**41,411**	**80.7%**	**21,390**	**9,473**
	Jan-Mar 08	816	799	17	-10	2.1%	-1.2%	13,510	10,562	78.2%	5,518	10,165
	Apr-Jun 08	859	838	21	-7	2.4%	-0.8%	13,491	10,872	80.6%	5,637	9,547
	Jul-Sep 08	902	880	22	-4	2.4%	-0.4%	13,122	11,020	84.0%	5,657	8,482
	Oct-Dec 08	811	762	49	-57	6.0%	-7.0%	12,086	9,501	78.6%	5,108	9,895
	Year 2008	**3,388**	**3,279**	**109**	**-76**	**3.2%**	**-2.2%**	**52,209**	**41,956**	**80.4%**	**21,920**	**9,895**
	Jan-Mar 09	793	720	73	12	9.2%	1.5%	12,781	9,720	76.0%	5,291	10,047

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 December 31st.

		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 emp.
ANA	Year 2004/05	12,024	11,301	723	251	6.0%	2.1%	85,838	55,807	65.0%	48,860	29,098
YE 31/03	Year 2005/06	12,040	11,259	781	235	6.5%	2.0%	86,933	58,949	67.8%	49,920	30,322
	Year 2006/07	12,763	11,973	790	280	6.2%	2.2%	85,728	58,456	68.2%	49,500	32,460
	Year 2007/08	13,063	12,322	740	563	5.7%	4.3%	90,936	61,219	67.3%	50,384	
	Year 2008/09	13,925	13,849	75	-42	0.5%	-0.3%	87,127	56,957	65.4%	47,185	
Cathay Pacific	Year 2005	6,548	6,015	533	424	8.1%	6.5%	82,766	65,110	78.7%	15,440	15,447
YE 31/12	Jan-Jun 06	3,473	3,201	272	225	7.8%	6.5%	43,814	34,657	79.1%	8,144	
	Year 2006	7,824	7,274	550	526	7.0%	6.7%	89,117	71,171	79.9%	16,730	
	Jan-Jun 07	4,440	4,031	409	341	9.2%	7.7%	49,836	38,938	79.6%	8,474	19,207
	Year 2007	9,661	8,670	991	900	10.3%	9.3%	102,462	81,101	79.8%	23,250	19,840
	Jan-Jun 08	5,443	5,461	-18	-71	-0.3%	-1.3%	56,949	45,559	80.0%	12,463	
	Year 2008	11,119	12,138	-1,018	-1,070	-9.2%	-9.6%	115,478	90,975	78.8%	24,959	18,718
JAL	Year 2004/05	19,905	19,381	524	281	2.6%	1.4%	151,902	102,354	67.4%	59,448	53,962
YE 31/03	Year 2005/06	19,346	19,582	-236	-416	-1.2%	-2.2%	148,591	100,345	67.5%	58,040	53,010
	Year 2006/07	19,723	19,527	196	-139	1.0%	-0.7%	139,851	95,786	68.5%	57,510	
	Year 2007/08	19,583	18,793	790	148	4.0%	0.8%	134,214	92,173	68.7%	55,273	
	Year 2008/09	19,512	20,020	-508	-632	-2.6%	-3.2%	128,744	83,487	64.8%	52,858	
Korean Air	Year 2004	6,332	5,994	338	414	5.3%	6.5%	64,533	45,879	71.1%	21,280	14,994
YE 31/12	Year 2005	7,439	7,016	423	198	5.7%	2.7%	66,658	49,046	71.4%	21,710	17,573
	Year 2006	8,498	7,975	523	363	6.2%	4.3%	71,895	52,178	72.6%	22,140	16,623
	Year 2007	9,496	8,809	687	12	7.2%	0.1%	76,181	55,354	72.7%	22,830	16,825
	Year 2008	9,498	9,590	-92	-1,821	-1.0%	-19.2%	77,139	55054	72.7%		
Malaysian	Year 2003/04	3,061	3,012	49	86	1.6%	2.8%	55,692	37,659	67.6%		20,789
YE 31/03	Year 2004/05	3,141	3,555	-414	-421	-13.2%	-13.4%	64,115	44,226	69.0%		22,513
	Apr-Dec 05	2,428	2,760	-332	-331	-13.7%	-13.6%	49,786	35,597	71.5%		22,835
YE 31/12	2006	3,696	3,751	-55	-37	-1.5%	-1.0%	58,924	41,129	69.8%	15,466	19,596
	2007	4,464	4,208	256	248	5.7%	5.6%	56,104	40,096	71.5%	13,962	
	2008	4,671	4,579	92	74	2.0%	1.6%					
Qantas	Jul-Dec 05	4,999	4,626	373	258	7.5%	5.2%	59,074	45,794	77.5%	17,260	35,158
YE 30/6	Year 2005/06	10,186	8,711	1,475	542	14.5%	5.3%	118,070	90,899	77.0%	34,080	34,832
	Jul-Dec 06	6,099	5,588	511	283	8.4%	4.6%	61,272	49,160	80.2%	18,538	33,725
	Year 2006/07	11,975	11,106	869	568	7.3%	4.7%	122,119	97,622	79.9%	36,450	34,267
	Jul-Dec 07	7,061	6,323	738	537	10.5%	7.6%	63,627	52,261	82.1%	19,783	33,342
	Year 2007/08	14,515	13,283	1,232	869	8.5%	6.0%	127,019	102,466	80.7%	38,621	33,670
	Jul-Dec 08	6,755	6,521	234	184	3.5%	2.7%	63,853	50,889	79.7%	19,639	34,110
Singapore	Year 2004/05	7,276	6,455	821	841	11.3%	11.6%	104,662	77,594	74.1%	15,944	13,572
YE 31/03	Year 2005/06	6,201	5,809	392	449	6.3%	7.2%	109,484	82,742	75.6%	17,000	13,729
	Year 2006/07	9,555	8,688	866	1,403	9.1%	14.7%	112,544	89,149	79.2%	18,346	13,847
	Year 2007/08	10,831	9,390	1,441	1,449	13.3%	13.4%	113,919	91,485	80.3%	19,120	14,071
	Year 2008/09	11,135	10,506	629	798	5.6%	7.2%	117,789	90,128	76.5%	18,293	14,343
Air China	Year 2004	4,050	3,508	542	288	13.4%	7.1%	64,894	46,644	71.9%	24,500	29,133
YE 31/12	Year 2005	4,681	4,232	449	294	9.6%	6.3%	70,670	52,453	74.2%	27,690	18,447
	Year 2006	5,647	5,331	316	338	5.6%	6.0%	79,383	60,276	75.9%	31,490	18,872
	Year 2007	6,770	6,264	506	558	7.5%	8.2%	85,257	66,986	78.6%	34,830	19,334
	Year 2008	7,627	7,902	-275	-1,350	-3.6%	-17.7%	91,810	68,747	74.9%	34,249	
China Southern	Year 2004	2,897	2,787	110	19	3.8%	0.7%	53,769	37,196	69.2%	28,210	18,221
YE 31/12	Year 2005	4,682	4,842	-160	-226	-3.4%	-4.8%	88,361	61,923	70.1%	44,120	34,417
	Year 2006	5,808	5,769	39	26	0.7%	0.4%	97,044	69,575	71.7%	49,200	45,575
	Year 2007	7,188	6,974	214	272	3.0%	3.8%	109,733	81,172	74.0%	56,910	45,000
	Year 2008	7,970	8,912	-942	-690	-11.8%	-8.7%	112,767	83,184	73.8%	58,237	
China Eastern	Year 2004	2,584	2,524	60	39	2.3%	1.5%	41,599	27,581	66.3%	17,710	20,817
YE 31/12	Year 2005	3,356	3,372	-16	-57	-0.5%	-1.7%	52,428	36,381	69.4%	24,290	29,301
	Year 2006	3,825	4,201	-376	-416	-9.8%	-10.9%	70,428	50,243	71.3%	35,020	38,392
	Year 2007	5,608	5,603	5	32	0.1%	0.6%	77,713	57,180	73.6%	39,160	40,477
	Year 2008	6,018	8,192	-2,174	-2,201	-36.1%	-36.6%	75,919	53,754	70.8%	27,220	44,153
Air Asia	Oct-Dec 07	189	122	67	73	35.4%	38.9%	4,274	3,223	75.4%	2,758	
	Jan-Mar 08	166	126	40	50	24.1%	30.1%	4,364	2,970	68.1%	2,612	
	Apr-Jun 08	190	142	48	3	25.3%	1.5%	4,514	3,286	72.8%	2,823	
	Jul-Sep 08	196	168	27	-139	14.0%	-70.8%	4,833	3,429	70.9%	3,018	
	Oct-Dec 08	237	152	84	-50	35.7%	-21.1%	5,006	3,800	75.9%	3,342	
YE 31/12	Year 2008	796	592	203	-142	25.5%	-17.9%	18,717	13,485	72.0%	11,795	
	Jan-Mar 09											

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

EUROPEAN SCHEDULED TRAFFIC

	Intra-Europe			North Atlantic			Europe-Far East			Total long-haul			Total International		
	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 %
1990	113.4	70.9	62.5	128.8	89.7	69.6	80.5	57.6	71.6	272.6	191.7	70.3	405.8	274.9	67.7
1991	114.8	65.2	56.8	120.9	84.3	69.7	80.0	53.1	66.4	267.6	182.0	68.0	397.8	257.9	64.7
1992	129.6	73.5	56.7	134.5	95.0	70.6	89.4	61.6	68.9	296.8	207.1	69.8	445.8	293.4	65.8
1993	137.8	79.8	57.9	145.1	102.0	70.3	96.3	68.1	70.7	319.1	223.7	70.1	479.7	318.0	66.3
1994	144.7	87.7	60.6	150.3	108.8	72.4	102.8	76.1	74.0	334.0	243.6	72.9	503.7	346.7	68.8
1995	154.8	94.9	61.3	154.1	117.6	76.3	111.1	81.1	73.0	362.6	269.5	74.3	532.8	373.7	70.1
1996	165.1	100.8	61.1	163.9	126.4	77.1	121.1	88.8	73.3	391.9	292.8	74.7	583.5	410.9	70.4
1997	174.8	110.9	63.4	176.5	138.2	78.3	130.4	96.9	74.3	419.0	320.5	76.5	621.9	450.2	72.4
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
2006	329.9	226.6	68.7	230.5	188.0	81.5	182.7	147.5	80.7	588.2	478.4	81.3	874.6	677.3	77.4
2007	346.6	239.9	69.2	241.4	196.1	81.2	184.2	152.1	82.6	610.6	500.4	81.9	915.2	713.9	78.0
2008	354.8	241.5	68.1	244.8	199.2	81.4	191.1	153.8	80.5	634.7	512.4	80.7	955.7	735.0	76.9
Mar 09	25.0	15.8	63.1	17.2	13.0	75.5	15.3	11.9	78.0	48.9	37.5	76.8	73.1	53.1	72.6
Ann. change	-1.8%	-9.9%	-5.7	-3.7%	-12.6%	-7.8	-3.0%	-8.7%	-4.8	-3.0%	-9.4%	-5.4	-2.1%	-9.1%	-5.6
Jan-Mar 09	69.5	42.2	60.7	48.3	35.5	73.5	44.2	34.7	78.6	141.1	108.7	77.1	208.6	150.3	72.0
Ann. change	-4.9%	-9.7%	-3.2	-5.8%	-9.7%	-3.1	-3.4%	-6.9%	-3.0	-3.7%	-6.8%	-2.6	-3.4%	-7.0%	-2.7

Source: AEA.

JET ORDERS

	Date	Buyer	Order	Delivery/other information
Boeing	30 Apr	Turkish Airlines	5 x 777-300ERs	
	21 Apr	Alaska Airlines	4 x 737-800s	
	12 Apr	Gulf Air	8 x 787-8s	
	26 Mar	Virgin Blue Airlines	5 x 737-800s	
Airbus	28 Apr	ILFC	1 x A330-200	
	8 Apr	METCO	2 x A330-200s	
	1 Apr	Kingfisher Airlines	5 x A350-800s	
	31 Mar	Aircraft Purchase Fleet	10 x A320s	

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

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