Issue No: 148

Aviation Strategy

Jan/Feb 2010

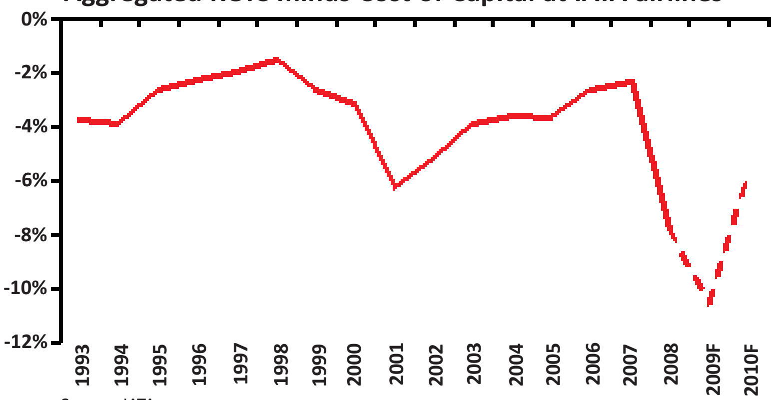
Recovery in the air?

A New Year is proverbially the time to turn over a new leaf; and with the arrival of 2010 there are at last some signs that the current deep global recession may be nearing its end.

In its WEO Update in January the IMF, encouraged by stronger than expected data for the second half of last year, raised its projections for world economic growth in 2010 by 0.75% to nearly 4%, accelerating to 4.3% growth in 2011 after an expected 0.8% drop in 2009. The UK has managed to produce initial Q4 figures showing growth after 18 months of recession and the US GDP growth figures for the same period are well above expectations, primarily as a result of an apparent turn in the inventory cycle.

The IMF expects all the major developed countries (with the exception of Spain) to return to growth in the current year from the deepest recession in recent times, noting that the extraordinary fiscal stimulus put in place may have managed to "forestall another great depression". However, in the same breath it expresses concern that the recovery is (*continued on page 2*)

AIRLINES DESTROY VALUE ...
Aggregated ROIC minus Cost of Capital at IATA airlines



Source: IATA.

CONTENTS

Analysis

Good news for airlines? **1-3**

Bankruptcy for Japan Airlines; hope at last **4-5**

Air cargo industry - leading indicator of recovery? **6-8**

Briefing

LOT up for sale - but who will buy it? **9-11**

Delta: Will the merger pay off in 2010? **12-17**

Databases **18-23**

Airbus and Boeing orders in 2009

European, US and Asian airline traffic and financials

Regional trends

Orders

Aviation Strategy
is published 10 times a year by
Aviation Economics

Publisher:
Keith McMullan
kgm@aviationeconomics.com

Editor:
Nick Moreno
nm@aviationeconomics.com

Contributing Editor:
Heini Nuutinen

Sub-editor:
Julian Longin
jil@aviationeconomics.com

Subscriptions:
info@aviationeconomics.com

Tel: +44 (0)20 7490 5215

Aviation Economics
Registered No: 2967706
(England)

Registered Office:
James House, 1st Floor
22/24 Corsham St
London N1 6DR
VAT No: 701780947

ISSN 2041-4021 (Online)

uneven. In the developed world it expects growth in 2010 of 2% rising to 2.5% in 2011, albeit expecting the recovery here to be relatively weak by historical standards; output is not anticipated to exceed the pre-crisis levels until the end of 2011 at the earliest – and later for the Eurozone, the UK and Japan.

Among the developing nations – expected to grow by 6% this year after a weak 2% in 2009 and accelerating further in 2011 - it sees key emerging economies in Asia leading the global recovery, as a result helping push up demand and prices for commodities despite high inventory levels (notably oil). There are still some major risks: that this rise in commodity prices may stall the recovery (and especially consumer demand) in the developed world; and that the fiscal stimulus – the substantial amounts of cash pushed into the banking system by the central banks – will come to a “premature and incoherent end” amid concerns about the need to repair national budgets. And, of course, the financial markets could get more jitters (such as the news earlier this month that China was restricting bank lending), which would upset confidence.

And as for airlines...

It might be assumed that a resumption of growth should make airlines much happier about the prospects for 2010. However, in its latest prognosis for the economic health of the industry (published in December), IATA does not quite think so yet. The trade organisation's respected economist Brian Pearce stated that IATA still expects the industry to show operating losses of another $3.7bn (and net losses worldwide of $11bn) for 2009 – a slight improvement on the 2008 numbers of $3.8bn at the operating level (and $16.8bn net, at least before mark-to-market losses on fuel hedging among other extraordinary items).

This is on the assumption of an industry-wide fall in passenger traffic of 4%, cargo demand of 13% and drops in yields of 12% and 15% respectively. This would mean total revenues for the industry would have fallen by a massive 15% last year - this compares with the 6% decline in revenues in 2001, the only other year in its history that the industry has suffered a loss in revenues - nearly (but not quite) matched by falls in costs in 2009.

For 2010, however, IATA has increased its estimates of industry-wide net losses to $5.6bn from $3.8bn previously (on the assumption of an operating profit of $4bn). The concern is that although the economic background seems to be improving with a resulting positive outlook for traffic demand, there is an increasing risk of even further downward pressure on yields and upward pressure on fuel prices.

Although the industry managed to cut capacity in 2009, it has continued to take delivery of new aircraft and this has been at the expense of aircraft utilisation (down by around 6% on both widebody and narrow-body fleets last year against early 2008 levels) and we are still about to enter the peak of this aircraft delivery cycle – with another 1,300 units or 5% of the worldwide fleet due to be delivered in 2010 (further delayed delivery renegotiations and cancellations notwithstanding). IATA also, points out (echoing the more recent IMF release) that world trade volumes (after a possible 15% reduction in 2009) are forecast to rise by rates lacklustre in comparison with previous cycles.

Additionally, premium traffic - the backbone of long-haul traffic and the former strength of intra-European traffic - although rebounding modestly, as evidenced by recent company statistics, is likely to take some time longer to recover to pre-crisis levels (and maybe for other reasons C-class traffic in Europe will disappear entirely).

Following two years of heavy losses and the severely difficult times at the beginning of last year the industry has been cash flow negative for most of 2009: on an industry-wide basis IATA says that operating cash flow generation had fallen to 5% of revenues - a third of the normal levels. With the banking system in disarray many of the normal sources of debt and aircraft finance disappeared and the industry tapped the capital markets deeply - raising a total of

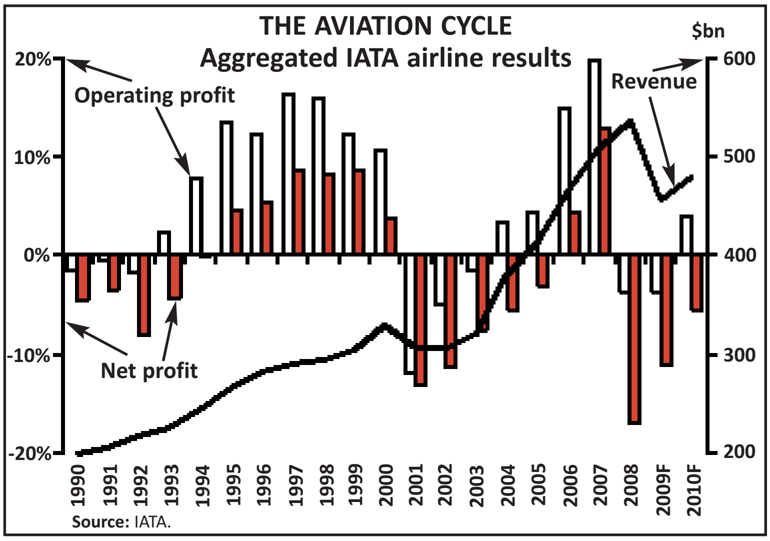
$25bn (intriguingly and irrelevantly equivalent to the total market capitalisation of the US quoted airline industry) in 2009 (20% from the equity and 80% from the debt-markets), up from $5.8bn in 2008.

However, this capital raising has at least been able to boost cash coffers to reasonable levels (at least for the European carriers) to weather the current off-season – with European and US carriers sitting respectively with 90 and 70 days' cash as a proportion of annual revenues (although the Asian carriers, with only 45 days' cash, appear more vulnerable).

If these prognoses are correct – and they appear reasonable – the global airline industry will end the first decade of the 21st century having lost more than it ever gained since its birth: the industry managed to generate net profits of $39bn between 1945 and 2000, but since then (including restructuring costs and recently mark-to-market fuel hedging profits and losses) has managed to lose $68bn – and during the "noughties" only managed to make profits in three years out of 10.

It is an old adage in the industry that the airline business is an excellent way to make a small fortune, as long as you start with a large one. On the other hand, early investors in Southwest, Ryanair, easyJet, JetBlue AirAsia, Air Arabia and, maybe, Virgin America, have done very well out of the industry.

The IATA December release highlights the record of the industry in creating value –



Source: IATA.

with a series of data showing the industry-wide return on invested capital (ROIC) compared with the estimated weighted average cost of capital (WACC) (see chart, front page). Since 1993 IATA shows that the industry has generated an average return of 4.5% below the cost of its capital, significantly destroying value. Of course this is a global total and masks significant individual performances - but few carriers have been able to be considerably profitable over the years, or at least for a reasonable length of time.

In this new year the world's economies may appear to have discovered a new leaf to turn over and provide some reasonable hope for recovery. Airlines, however, may have to wait a little longer.

By James Halstead

Bankruptcy for Japan Airlines; hope at last

The long-awaited radical restructuring of Japan Airlines finally got under way on January 19th, when JAL and two core units filed for bankruptcy protection under the Japanese Corporate Reconstruction Act. The chances are that the restructuring will be a success, enabling JAL to re-emerge as a lean and strong competitor with a healthy balance sheet.

It looks similar to a pre-packaged airline Chapter 11 case in the US, except for the government involvement. JAL's reorganisation is overseen by the state-backed ETIC (Enterprise Turnaround Initiative Corporation of Japan) in co-operation with the state-owned Development Bank of Japan (DBJ) and other major creditor banks. The court named ETIC as the trustee, in full control of the JAL companies during the reorganisation.

The funding plan had been worked out in the weeks leading up to the bankruptcy filing. JAL immediately received ¥300bn ($3.3bn) from ETIC and a ¥160bn loan from the DBJ. DIP financing is through a ¥600bn ($6.6bn) line of credit provided by ETIC and the banks.

ETIC and the government are determined to avoid any loss of confidence among JAL's passengers or suppliers. It is business as usual, with the airline continuing to meet all its day-to-day obligations, including lease payments.

ETIC indicated that the JAL companies could expect to see ¥730bn of their total ¥1,158bn debt forgiven, of which the banks' share was about ¥350bn. This is substantial, raising hopes that JAL could end up with a pretty decent balance sheet.

JAL's total liabilities were estimated at ¥2,300bn, making it one of Japan's largest-ever bankruptcies. ETIC indicated that there would be additional refinancings, the proceeds of which would help meet the benefit claims.

Of course, as is typical in bankruptcies, all of JAL's shares will be cancelled. However, ETIC said that shareholder treatment would be addressed as the case proceeds, raising modest hope that there could be something for shareholders. The Tokyo Stock Exchange will delist JAL's shares on February 20th.

Some experts have predicted a lengthy bankruptcy of at least three years, in part because the rehabilitation process in Japan tends to be much slower than Chapter 11 in the US. However, a swift restructuring was on the government's wish list, and ETIC said that its aim is to achieve a "quick and fundamental reform of the JAL companies in a short period of time".

Furthermore, the initial timetable seems quite promising. All claims are to be filed by March 19th, the court will investigate them by May 24th and the trustees are due to submit their reorganisation plan by June 30th (other parties can submit reorganisation plans through May 31st).

A "maverick" CEO?

One of the most intriguing developments is the choice of Kazuo Inamori as JAL's new CEO, to replace Haruka Nishimatsu who resigned on January 19th. The *Wall Street Journal* described the 78-year old honorary chairman of electronics maker Kyocera as "one of the country's most revered entrepreneurs and management gurus". He has turnaround experience and a reportedly "maverick style". Inamori is a complete outsider, with no ties to JAL and no aviation experience, making him potentially perfect for the job. In late January ETIC named veteran JAL executive Masaru Onishi the new president/COO.

JAL ended up in dire financial straits due to a host of factors. The basic problems included high labour costs, a bureaucratic corporate structure, militant unions and poor morale, as well as an obligation to operate many unprofitable domestic routes. A series of restructuring efforts never really went far enough. The government stepped in to help several times, but the aid provided was modest and gave only short-term relief.

In 2007/08 JAL staged a promising recovery, but that was short-lived because of the fuel price hike, economic downturn and the H1N1 scares. JAL has been devastated by the global recession because of its heavy exposure to international routes and business traffic. In last year's June quarter, it had a negative 26% operating margin and posted its largest-ever quarterly net loss, ¥99bn ($1.1bn).

But, importantly, before the global recession (which brought even the world's most successful airlines like BA to their knees) JAL's underlying performance was never that bad by global airline standards. Even with its unfavourable legacy cost structure, its losses were never that deep and its operating results were positive in many years.

So JAL is potentially a viable business. With problems such as a horrendous level of debt, expensive pension plans, high labour costs and eight militant in-house unions, the airline may be the perfect candidate for a bankruptcy restructuring.

When explaining its decision to support JAL, ETIC noted that the JAL companies were carrying "an excessive amount of debt relative to their earnings capacity". ETIC also noted that JAL had made considerable efforts to break away from its high cost structure, had thoroughly restructured international and domestic operations to improve profitability and had downsized and updated its fleet – and was then devastated by the external economic developments. But ETIC criticised JAL for not taking sufficient action in the current crisis.

So ETIC felt that the debt elimination and reduction moves will "fundamentally improve JAL's financial position" and that the measures proposed in the preliminary revitalisation plan will lead to a "considerable increase in profitability".

The preliminary revitalisation plan (which may well be revised in the course of the reorganisation) aims to resolve fully the problems of "excess aircraft and routes compared to demand" and JAL not acting decisively.

The plan calls for JAL to use smaller aircraft to improve efficiency; specifically, it would retire its 37 747-400s and 16 MD-90s and bring in 33 smaller jets and 17 RJs. JAL would axe unprofitable routes (14 international and 17 domestic by March 2012) and maintain network coverage through alliances. The cost cuts include eliminating 15,700 jobs or 30% of the workforce over three years and "fundamentally revising" flight crew pay, benefits and work rules.

ETIC had some harsh words about JAL's rigid organisational structure, delays in decision-making and outdated IT systems. Among other things, it wants to establish an organisational structure that facilitates "swift on-site decision-making".

2013 target

If these measures are implemented, the plan projects that in the FY ending March 2013 JAL could earn a ¥115.7bn ($1.3bn) operating profit on revenues of ¥1,359bn – a respectable 8.5% operating margin.

Efforts are also under way to revise JAL's pension obligations. The company is believed to have persuaded the necessary two-thirds of its retirees to accept a 30% reduction in benefits, but government approvals are still needed.

It may be possible to raise funds through asset sales. JAL still has a staggering 203 subsidiaries and 83 affiliates. Some press reports have suggested that ETIC may be looking to shed a quarter of JAL's subsidiaries.

One important decision that ETIC and the courts will leave to JAL's new management is the choice of the US airline partner and hence the global alliance. The decision is likely to be excruciatingly difficult. Should JAL avoid a messy divorce and stay with oneworld and American, its original oneworld sponsor and trusted partner which is now promising it exclusivity as its sole partner in northeast Asia? Or should JAL defect to SkyTeam and Delta, which is offering it more in potential financial benefits and a ready-made network of Asian partners?

No-one can answer that except JAL. But thankfully JAL and its minders have put a stop to the bidding frenzy. Both Delta and American indicated in their recent earnings calls that they had been informed that an up-front financial investment in JAL was no longer desired.

By Heini Nuutinen
hnuutinen@nyct.net

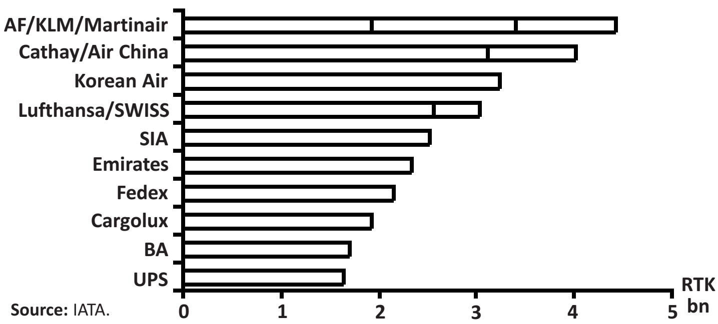
Air cargo industry - leading indicator of recovery?

It's hardly surprising that air cargo is one of the aviation sectors to suffer the most from the global recession, but the actual downturn has almost been cataclysmic - demand fell by an average 15% in RTKs in the year to September 2009, and revenues last year are estimated to have plummeted by 30%, with yields down by 20% (albeit partly affected by reductions in fuel surcharges). When – and how – can the air cargo industry recover from this severe setback?

International freight demand is very closely related to economic activity, and so it is natural to find that when the world economy stops, trade stops and so the economics of running a cargo operation disappear. The fall in demand is clear to see in all the available data - Drewry's container freight rates index fell by 45% in the first six months of last year while the Baltic Dry index fell by 90% (from its peak of more than 11,000 in 2008). Both of these indices recovered in the second half of 2009, but they remain a long way below their peaks.

The top 10 carriers account for more than 30% of the air cargo market and they are dominated by European and Asian companies. It may come as a surprise, but following the takeover of the remaining minority in Martinair last year the AF/KLM group is now the largest player, with an estimated 5% share of the market (see chart, below). Cathay/Air China comes a clear second while the only US players to appear in the list are the freight-only operators Fedex and UPS. At the same time the list neglects any mention of the ACMI operators, which provide a significant level of service under others' flight numbers. Intriguingly, excluding the US express operators (and BA for a different reason) they each have a fleet of 15-20 full freight aircraft – augmented in many cases by combi aircraft (especially at AF/KLM, due to KLM's fondness for the variant). It is notable that for the top six players' belly holds in passenger aircraft (and combis) provide the majority of capacity. All these cargo operators have been suffering badly in this recession - with revenues initially down by more than 40% and profits severely reversed – even though freighter aircraft operations tend to be relatively flexible.

TOP 10 AIR FREIGHT OPERATORS, 1st HALF 2009



Source: IATA.

Air versus sea

Overall, the air cargo business is a relatively small but important part of the air transport industry. Although it shows many of the same characteristics as the far larger passenger business, there are some essential differences. There are two ways to transport goods over long distances and between continents - sea and air, but the air cargo industry accounts for a tiny portion of the total volume of this trade. Of the estimated 7.4bn tonnes of goods transported by air and sea in 2007, air transport accounted for a mere 42m tonnes, or 0.5%. Of course air transport provides a significant enough advantage for time sensitive and high value goods sufficient to offset premium pricing (it has been estimated that commodity goods need to be worth more than $16/kg to make it worthwhile to send by air – although it should be emphasised that air freight is more characterised by volume than by weight necessarily). At the peak in 2008, air cargo generated $61bn in revenues (11% of total airline industry revenues), which was estimated to be some 14% of the total air and sea freight market. These revenues have grown by an average annual 7.3% over the previous six years, (incidentally compared with a growth in air passenger revenues of more than 9% a year), somewhat higher than the 5% annual growth in sea cargo over the same period.

Although it is dangerous to generalise, all transport operations involve sending a vehicle from point 'A' to point 'B' and back to point 'A' (even though you may go through the rest of the alphabet in between). The passenger transport business – whether bus, train or plane - has a significant advantage in that the passenger (otherwise known as SLF – or self-loading freight) whom you carry from A to B usually wants to get back home to A some time later. In contrast the cargo market essentially involves mono-directional traffic – i.e. it won't want to come back. This in turn leads to significant imbalances in trade flows by both volume and, because capacity has to go both ways, by price.

The table below highlights some of the problems. The data is taken from Air France/KLM's investor day last November, when it tried to explain how its cargo business could recover profitability. As can be seen, the largest single routes by value in 2008 were from Asia to Europe and Asia to North America: each show outbound volumes of 2m tonnes a year generating some €5.6bn in revenues on yields of around €2.8/kg, while inbound traffic was significantly lower at 0.9m and 1.3m tonnes respectively on yields 50% lower. The third major international traffic flow was on the North Atlantic – more evenly matched with 1.4m and 1.3m tonnes respectively, although with a significant difference in yields.

Another problem is the variation in distribution of goods transported on individual trade flows. Products carried are dominated by seven main industries that account for more than 90% of the total: high tech goods provided 23% of the demand weight, capital goods and spare parts some 21%, fashion 14%, pharmaceutical 12%, fresh produce 8%, automotive 7% and mail/express 7%. But there are some major inequalities on individual routes. Outbound traffic from Asia to North America and Europe is heavily dependent on high tech and fashion, which provide 60% of the total business on each sector. Unsurprisingly, outbound traffic from Europe is dominated by capital goods, high tech and pharmaceutical industries.

Structural problems

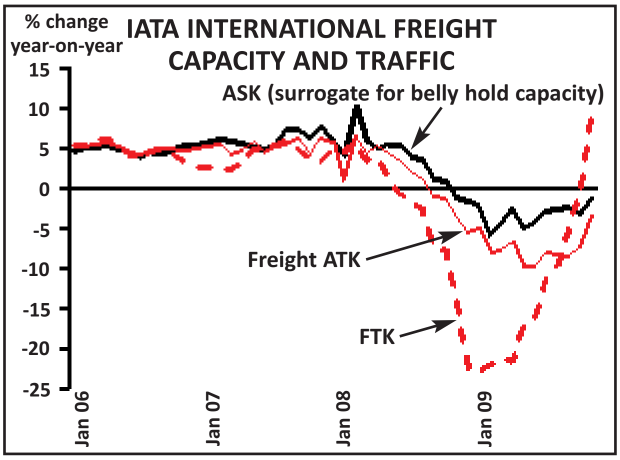
In addition to all this there is no real customer loyalty, to either choice of carrier, value of in-flight service, or hub of departure or arrival - so long as the goods actually get to their final destination roughly on time. The air freight charges may be a small part of the total end value of the goods transported – perhaps 2-3%; if a shipper shaves even a small portion of the small cost of transportation, this will flow straight to the transporter's bottom line.

The effective customer for air freight carriers is an intermediary and not usually the ultimate producer nor the customer of the goods. This market is dominated by the freight forwarders and shippers, many acting as agents and duty bound under fiduciary rules to find the best underlying contract for their clients. Here, as in many industries, the market is consolidating. In 2004, according to the AF/KLM presentation, the top 10 forwarders (including DGF, DB Schenker, K&N, Nippon, UPS and Panalpina) accounted for 38% of the market. By 2008 this had risen to 48%, with the top three accounting for 27% alone. Although the total market remains fragmented, the larger forwarders seem set to continue to gain market share and have been pursuing external

EUROPEAN AIR FREIGHT GEOGRAPHIC FLOWS, 2008

	Outbound			Inbound			Outbound/Inbound flow mismatch	
	Volume (000t)	Rates €/kg	Revenues €m	Volume (000t)	Rates €/kg	Revenues €m	Volume	Revenues
Asia-North America	2,000	2.8	5,880	900	1.4	1,260	2.2x	4.7x
Europe-North America	1,400	2.2	3,080	1,300	1.5	1,950	1.1x	1.6x
Asia-Europe	2,000	2.8	5,600	1,300	1.4	1,820	1.5x	3.1x
Europe-South America	200	2.2	440	200	1.5	300	1.0x	1.5x
Europe-Africa	300	1.9	570	300	1.6	480	1.0x	1.2x
Europe-Middle East	800	1.9	1,520	600	1.6	960	1.3x	1.6x

Source: AF/KLM.



revenue gains, partly through acquisition of smaller companies – with an average annual growth in revenues of some 18% in the five years to 2008. For air cargo operators there is the danger that the forwarders will gain even more control and be able to exercise increasing market power in pricing.

Most goods transported by sea or air do not have the departure or arrival port by that mode of transport as the ultimate origin or final destination. Consequently they usually require some onward trucking as part of the logistics chain; and where there are competing trans-shipment hubs at either end the forwarders and shipping agents will be able to play each transport provider against each other to provide the best value for their clients. In Europe, as an example, traditional intra-European air freight has been in decline (although express services have been growing strongly and account for over half of intra-European air cargo), but many airlines have used trucking (with their own flight numbers) to try to extend their networks to the ultimate consignee; in the five years to 2007 the number of weekly truck-flight frequencies offered by scheduled airlines grew from 3,870 to 11,497 per week, representing an average annual growth rate of 24%. Moreover, the distances between major airports in the core of population distribution in Europe are so relatively small that the choice to a shipper of Frankfurt, Paris, Amsterdam, Zurich or Brussels is almost irrelevant.

Uniquely, perhaps, for the air cargo business there is an inherent problem of oversupply of capacity and effectively a near zero cost of entry into the business. More than half of total air freight capacity is provided by the space in the belly-holds of passenger aircraft – and even though Boeing, in its market outlook, expects this ratio to fall over time it is not by much. The airline industry is one that is fond of marginal pricing – transportation is a very short shelf life product; once the aircraft has taken off you cannot sell a ticket for the empty seat or space in the hold, so it is worthwhile getting almost anything for a bit of capacity that would otherwise fly empty. Many airlines treat cargo as a truly marginal business.

In the final quarter of 2009 various elements pointed to a reasonable hope of recovery, even though it is very uneven. There appears to be a good economic rebound in the Asia/Pacific region and parts of South America, but demand in developed markets remains weak. In November - the first real monthly figures avoiding the direct comparison of the halt in the world economy in the previous year - IATA recorded a 9.5% growth in international freight RTKs (see chart, above), even though the level of business is still more than 5% below the levels of the same month in 2007, and it appears likely that similar strong rates of growth will be registered in coming months. Notably, Lufthansa published some very strong figures for December with a 20% jump in traffic in RTKs and a 10pt improvement in load factor on the back of a slight increase in capacity, while Air France/KLM saw an 8pt improvement in load factor for the month with capacity down by 20% and freight traffic down by 8%.

Demand and yields now appear to be moving in the right direction, although there is still a long way to go before the 2008 peak levels are regained and at least two years of traffic growth and four years of revenue growth have been lost in this exceptional downturn. However, the price increases put in place (totally independently) by Lufthansa and AF/KLM in the final quarter appear to be sticking and other shipping indices are also improving – with the Baltic Dry Index up by 200% and Container rates up by 30%.

Though the air cargo business will surely recover, it won't escape the underlying issues it faces – an imbalance of trade flows, a concentration of forwarders, low barriers to entry and intense competition.

By James Halstead

LOT up for sale – but who will buy it?

Prompted by troubles in its domestic economy, the Polish government appears determined to privatise LOT Polish Airlines in the next year or two. But will Poland's flag carrier attract any interest from other airlines given its creaking finances and the increasing attacks it is facing from LCCs?

LOT Polish Airlines was launched back in 1929 and has traditionally been a pioneer among eastern European airlines; for example, it was the first one to acquire a western aircraft, back in 1989. And in 1992 LOT became what is called a "joint stockholder" company, which was envisaged as the first step towards privatisation. But although the SAirGroup took an initial 10% stake in the airline in 1999 and increased this to 37.6% by January 2000, the shareholding was subsequently reduced to 25% and in June last year the Polish government acquired the SAir stake from its liquidators, thereby bringing the state's share in LOT back up to 93.1% (of which 68% is owned by the Polish Treasury and 25.1% by the "Finance Society Silesia", which is owned by the Treasury), with the remaining 6.9% owned by employees.

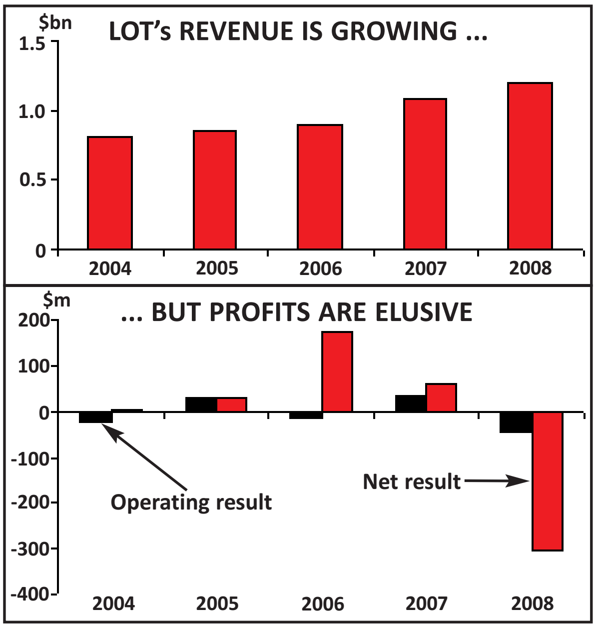
Up for sale

At the end of last year the Polish government unveiled a new two-year privatisation programme, which includes full or part-privatisation of 740 state-owned entities in an attempt to reduce public sector debt in Poland that is reaching critical levels. LOT is on that list (and it is likely that the government will initially retain a 51% stake, which will reduce down to zero over the next few years), but CEO Sebastian Mikosz has stated that the airline has "a clear preference for an industry partner ... and Lufthansa should obviously be the first partner we turn to".

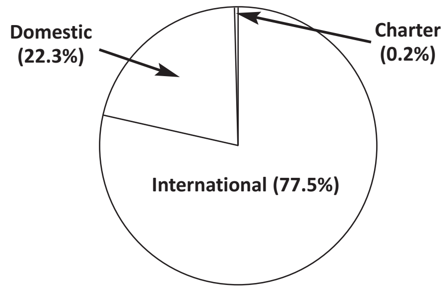
The Lufthansa group, however, will be thinking long and hard as to whether it really needs to acquire its close neighbour. Financially, LOT is going through tough times at the moment - in 2008 LOT posted a 10% rise in revenue (in $ terms) to $1.2bn, but the operating result swung from a $34m profit in 2007 to a $45m loss in 2008. At the net level however, LOT's performance in 2008 was disastrous, with a $59m net profit in 2007 becoming a $304m net loss in 2008 thanks largely to losses in fuel hedging derivatives. Cash and cash equivalents fell from $55.2m as at the end of 2007 to $17.2m as at the end of 2008, and net assets plunged from $800m at the end of 2007 to $388m at end 2008.

That huge net loss, along with the fact that current liabilities as at the end of 2008 were greater than current assets by some $32m, prompted the company's auditors, PWC, to state that "there is significant uncertainty as to the company's ability to continue as a going concern".

The airline's financial difficulties were reportedly a key factor in the resignation last March of CEO Dariusz Nowak, along with the delay in privatisation, and he was replaced in



LOT PAX. CARRIED BY TYPE, 2008



an "acting capacity" by Sebastian Mikosz, who was previously at consultancy Deloitte. He became permanent CEO in May and just a few months later, in October, management was boosted further by the hiring of Bjorn Naf, previously CEO at Gulf Air until July that year, as a strategic advisor.

Unsurprisingly much of LOT's focus through the first half of 2009 was on financial liquidity and debt restructuring, and aircraft and other assets were sold and leased back in order to raise funds. With the immediate financial danger eased LOT then began to focus on a return to operational profitability, and key to this is the implementation of a major restructuring plan, with Mikosz saying: "Simple cost restructuring is not enough – we need a fundamental reconstruction of the business model and a radically decreased cost structure".

Among a myriad of measures that have been or are being implemented are fare simplification, a restructuring of the schedule, better customer service and improved check-in facilities. And late last year LOT announced a plan to trim the 3,600-strong workforce by 400 by May 2010, following negotiations with trade unions. Those losses were agreed despite the anger of unions regarding LOT's dismissal of two union leaders for what it said was unauthorised absence from work. This led to demonstrations in Warsaw in September, but relations did cool enough for the job cuts programme to be agreed.

LOT FLEET

	Fleet	Orders	Options
Mainline			
737-400	3		
737-500	6		
767-300ER	5		
787-8		8	1
E-170	10		11
E-175LR	10	8	
ERJ-145	6		
EuroLOT			
ATR 42-500	6		
ATR 72-200	8		
TOTAL	**54**	**16**	**12**

Fleet restructuring

"Fleet optimisation" is another key component of the restructuring plan, and LOT is currently re-evaluating its narrow-body fleet in an effort to reduce aircraft types (see chart, below). Regional subsidiary EuroLOT operates to 17 domestic and regional destinations with a fleet of 14 ATR 42-500s and ATR 72-200s, but it made a net loss of $2.5m in 2008 on a turnover of $51m (and with 1m passengers carried). EuroLOT's ATR 42-500s and the six ERJ-145s at the mainline are believed the types most at risk from a fleet reshuffle. LOT is also replacing its ageing 737s with smaller capacity E-170s or E-175s, and the first aircraft in an order for 12 82-seat Embraer 175LRs arrived last year.

On long-haul, delays in LOT's order for eight 787s (originally due to be delivered in 2008) - which are earmarked to replace LOT's 767s - means the first aircraft will not arrive until 2011, which has led to warnings from the airline's management that it might instead refurbish its 767s or even switch its order over to Airbus. It's believed to be a serious threat as in October 2009 LOT won permission to operate up to 10 services a week to Japan (Tokyo, Osaka and Nagoya), but the launch of these routes will depend on the delivery of the 787s – or an alternative solution.

An increase in frequencies to North America and a new route to Dubai are also under consideration, it is believed, while in November 2009 LOT started the first direct freighter routes between Poland and North America. The weekly Katowice-Toronto service uses a 767-200ER wet leased from Canadian airline Cargojet.

Altogether Warsaw-based LOT operates to 10 domestic destinations and approximately 40 destinations throughout Europe and on long-haul to the Middle East and North America (New York, Chicago and Toronto).

Is it enough?

While this restructuring will help alleviate some of the financial pressures on the airline, others remain and, for example, LOT's ground services subsidiary was declared bankrupt last year.

There's little doubt that LOT needs more capital - but whether this will be through a trade sale remains to be seen. LOT joined Star in 2003 and fellow alliance partner Lufthansa is often mentioned as a potential investor/purchaser, with exploratory talks even taking place last year. LOT's hope is that Lufthansa would retain LOT as brand and some level of autonomy, similar to Swiss or Austrian, but the German flag carrier surely has other priorities at the moment, starting with sorting out bmi (see *Aviation Strategy,* November 2009).

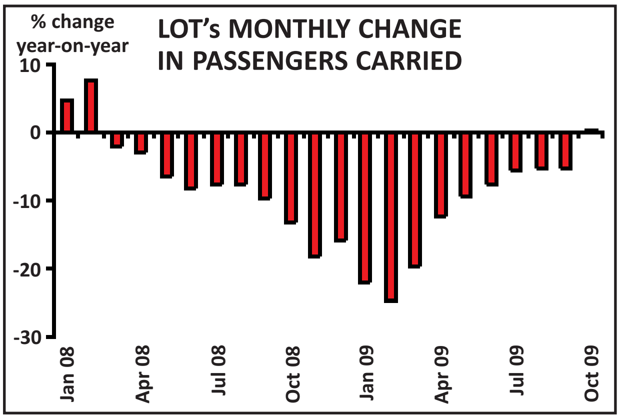
LOT appointed Morgan Stanley as financial advisor last year, but the bank will have a tough time whipping up interest from other airlines. As well as Lufthansa, Aeroflot, British Airways, Air France/KLM and even Emirates are also on LOT's wish list of potential investors, but in the present stage of the cycle few of these carriers have the finance available for such an acquisition even if the deal made strategic sense for them – and it's hard to make a case for that. LOT executives speak about developing Warsaw as a transit point, but geographically it is not ideally positioned (for example it's closer to Moscow than it is to London) and it's hard to see which passenger flows could connect through it, whether in an east-west or north-south direction.

LCCs target Poland

Also counting against LOT is the encroachment of LCCs, which started operating to Poland in 2004. That's not just Ryanair (which operates more than 80 routes to nine Polish destinations), Air Berlin (30 routes to one destination) and easyJet (nine routes to one destination), but most particularly Hungarian LCC Wizz Air, which operates a fleet of 23 A320s (and with 114 aircraft on order) on more than 80 routes to six destinations (with four bases in Poland - Katowice, Warsaw, Gdansk and Poznan).

Fierce competition from these LCCs was responsible for the demise of LOT's attempt at an LCC - Centralwings - which was closed down in May 2009. It racked up losses in every year of operation since its launch in February 2005, despite the goal of making a profit in 2007. The airline operated out of Warsaw, Krakow and Katowice with a fleet of nine 737-300s and 737-400s transferred from the mainline and around 400 staff, but it always struggled to reduce its cost base to that of a typical LCC, and after a restructuring it ceased to provide scheduled services in October 2008, instead concentrating on charter flights and wet leases. But even this didn't turn the airline's fortunes around, and after a loss of $29m in 2008 it was closed down in 2009, with charter operations being reabsorbed into LOT.

The relentless attack of the LCCs combined with the general downturn has meant that passengers carried continues to fall at LOT. LOT carried 4m passengers in 2008, compared with 4.3m in 2007, and in January-October 2009 passengers carried totalled 3.1m – some 10.6% down year-on-year – although the trend graph (below) suggests that the worst appears to be over for the airline, which is a lone bit of good news for an airline that is facing many challenges at the moment.



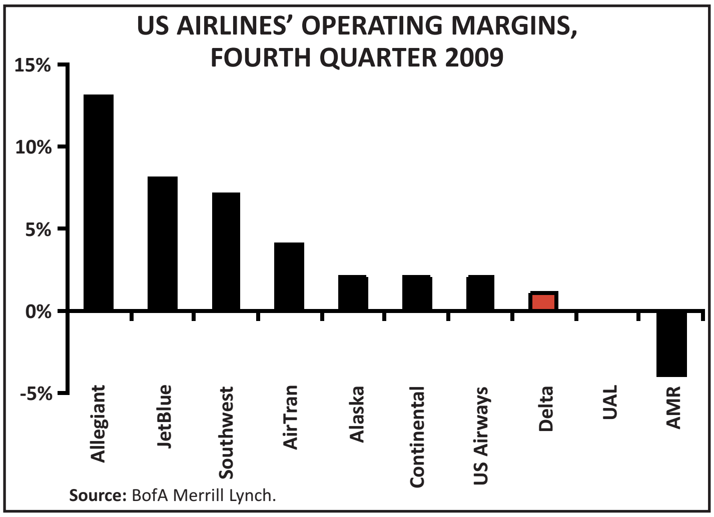
Delta: Will the merger pay off in 2010?

The Delta/Northwest merger, which was completed in October 2008, may go down in the history books as the smoothest major airline integration in modern times. But will it help Delta outperform its peers financially?

Delta has been slightly ahead of the pack in terms of financial results over the past year or so. It even had a tiny operating profit in 2009 when merger-related expenses were excluded ($83m or 0.3% of revenues), compared with the 0-3% negative margins posted by the other network carriers. But some investors have been disappointed that the gap has not been wider – after all, the combined airline enjoys a cost advantage stemming from Delta and Northwest being the last legacy carriers to restructure in Chapter 11 (both emerged in the spring of 2007).

But things may soon change. The key message that came out of Delta's annual investor day, held on December 15th in New York, was that Delta is about to start materially outperforming the industry.

The management gave four main reasons. First, given its large size and exposure to international markets and premium traffic, Delta is well positioned to take advantage of economic recovery.



Source: BofA Merrill Lynch.

Second, Delta will deliver on merger benefits in 2010. Having secured a single operating certificate from the FAA at year-end, the airline expects to complete both operational and technology integration by this spring – something that will unlock many of the revenue and cost synergies.

Third, the merger synergies, network initiatives under way and alliance development will help Delta achieve a RASM premium to the industry.

Fourth, Delta has very modest capital spending plans and expects to generate $6bn free cash flow over the next three years. The lion's share of that will be used to deleverage the balance sheet.

This is going to be another challenging year and no major airline anywhere will be adding much capacity. But Delta sent the reassuring message that even when the global economy recovers, it is not going to be flexing its muscle as the world's largest carrier (by passenger traffic) by resuming aggressive growth. Instead, it will rely on alliances and joint ventures.

Delta's CEO Richard Anderson stated at the investor day: "Ultimately, this business must evolve towards sustained profitability and a return on capital. That's what our focus is." In the longer term, Delta believes that it can earn a sustainable low double-digit (10-12%) operating margin.

But Delta also wants to be recognised as an airline that takes bold action. As Anderson put it: "The unique investment thesis at Delta is that we have been pretty aggressive and pretty creative in getting to that evolved state" (sustained profitability and a return on capital in the future). This was a reference to the merger with Northwest and the rapid implementation of the transatlantic JV with Air France/KLM.

Delta's attempt to steal JAL from the oneworld alliance and its willingness (if necessary) to invest $1bn-plus in a stake in JAL are further examples of the new aggressive

Delta. (As of the end of January, JAL was barely two weeks into its bankruptcy reorganisation and had not yet announced its choice for an alliance partner.)

Finally, the investor day shed useful light on the Delta-Northwest merger. Detailed reports from the executives overseeing the integration and from labour representatives helped explain how Delta has achieved the seemingly impossible: executing a merger between two large airlines so smoothly, without operational problems and in an employee-friendly way, in a relatively short period of time. Are there lessons that could be applied to other airline mergers?

On track to outperform

Delta reported a significant $1.1bn net loss before special items (which totalled $169m) on $28bn revenues for 2009. However, the result included $1.4bn of fuel hedge losses resulting from bad hedging decisions in 2008. At market fuel prices, Delta would have earned a $291m net profit before special items in 2009. In other words, the core business was performing.

The robust underlying performance has reflected, first of all, the "best-in-class" cost structure that resulted from Chapter 11. Industry comparisons presented by the airline for the September quarter indicated that Delta's consolidated ex-fuel CASM was 8-9% below the average for the other network carriers.

Second, Delta managed the recession well. It responded quickly, cut capacity sharply during 2009 and, most importantly, has removed the costs associated with the capacity reductions.

Third, the merger produced $700m in tangible benefits last year (though the $400m revenue benefits in particular were hard to see in the middle of the recession). The merger synergies effectively offset the unit cost pressures resulting from the 6% capacity reduction last year.

On the negative side, Delta felt the full brunt of last year's economic challenges, especially because of its significant transpacific exposure and heavy reliance on the Japan point-of-sale. Those markets were hit by the double-whammy of recession and H1N1 scares (for some reason Asia-originating travel is always the hardest hit during global crises or pandemics).

But the upside is that Delta is well-positioned to benefit from economic recovery. When reporting the 4Q results on January 26th, Delta executives echoed their counterparts at other airlines by saying that they had seen clear evidence that a recovery was under way (led by the domestic and transatlantic markets) and that the trends were strengthening into the March quarter. After months of sequential improvement, PRASM turned positive in January (partly reflecting easier year-on-year comparisons). Among the growing evidence that business travellers were returning, corporate account bookings were up by 10% in January.

In mid-December Delta was rather conservatively assuming only 7% growth in passenger revenues in 2010. But the airline expects to generate a healthy RASM premium to the industry, thanks to the merger synergies, a strong rebound on the transatlantic (where Delta's capacity is down 20%), increased flow traffic from the transatlantic JV and new network initiatives in New York. Delta is also looking to grow its ancillary revenues by $500m or 14% this year.

Delta is currently projecting flat ASMs in 2010, both domestically and internationally. The plan is to offset cost pressures by productivity improvements and cost savings from the merger, keeping ex-fuel unit costs flat this year.

As a result of outperforming on RASM while maintaining its cost advantage, Delta believes that it will be able to grow its profit margin lead over the other US legacy carriers in 2010.

Delivering on merger benefits

The Delta-Northwest integration is now on the home stretch. A quick status report on the three original priorities:

• Consistent customer experience: Most of what the passenger saw onboard had been harmonised by April 2009. Aircraft painting continues through 2010. Airport and station integration was 80% completed by June

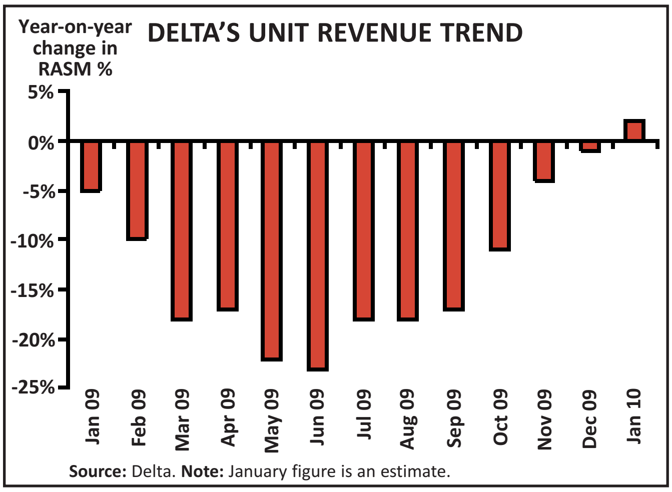
2009; work on the most complex facilities continued until mid-January.

• Single operating certificate: Obtained on December 31st (exactly on schedule). This will facilitate full operational integration by the spring. Delta will have the first co-mingled cockpits in the coming weeks and a single dispatch system by the end of March. Different Northwest aircraft types will transition to the Delta dispatch system in March-May.

• Technology integration: Delta is on schedule to complete this by the end of March. The loyalty programme cutover was in October 2009. The "crew cutover" (single bidding and tracking system for pilots) was accomplished by year-end. The single reservations and ticketing platform was complete in terms of development work by October, was tested in November-December and will be phased in this quarter.

It will take about two years to get to the full level of the revenue synergies. The merger is projected to produce $2bn in annual run-rate synergies by 2012, while the transition costs will be a relatively modest $600m spread over three years (2009-2011).

The revenue benefits derived so far have come from widebody fleet reallocations in international markets, an expanded JV with Air France/KLM, a new co-branded credit card agreement and renegotiated corporate sales contracts. The cost savings have so far come from the elimination of freighter flying, overhead reductions and scale efficiencies.



Source: Delta. **Note:** January figure is an estimate.

This year's target is $600m in new synergies ($350m on the revenue side and $250m cost savings). The revenue benefits will largely result from "unlocking the code" and operating as a single airline in the marketplace. There will be more widebody fleet movements internationally, domestic fleet reallocations, s-curve benefits, the first fully coordinated schedule with Air France/KLM and improved cargo technology. Many of the synergies will be facilitated by a single, upgraded revenue management system, which was in use by mid-December.

On the cost side, the current year will see the full impact of the discontinued freighter flying and new cost savings from single carrier operations, elimination of duplicate IT platforms, improved maintenance programs and renegotiated regional carrier contracts. There will be continued cost savings from airport and station integration and improved vendor terms.

The economic climate drove Delta to eliminate all of Northwest's dedicated freighter flying (another reason was the advanced age of the 747Fs). All 14 747Fs in the combined fleet had been retired by year-end 2009. This has been one of the key cost-saving moves, as Northwest's freighter business lost $150m in 2008. Delta believes that it will be able to reaccommodate the bulk of the revenue opportunities while getting the costs out of its system, so the result should be a $150m boost to the bottom line this year.

On the revenue side, Delta will benefit from being able to free-flow the fleet, starting with the April 1st schedule. Until now only limited fleet reallocations were possible because of the constraints of dual technology systems, but the markets in which it was done saw 5% margin improvement. This spring Delta will start moving its domestic fleet around: the A320s will go to the St. Louis hub (for the longer-haul routes to the East Coast) and the MD-90s will go to Minneapolis/St. Paul (for shorter haul missions).

The merger gave Delta an unwieldy fleet of 1,400 aircraft and numerous types, which the airline was basically stuck with because the Chapter 11 processes had already rationalised the fleets and locked aircraft into new lease or financing contracts. So earning more revenue by reallocating the aircraft more effectively across the combined network is important.

Delta began "cross-fleeting" in early 2009 internationally, which basically meant upsizing aircraft in key markets linking hubs with cities such as London, Paris, Rome and Tokyo. This year will see increased international cross-fleeting, which will boost service in markets such as Atlanta-Paris, Detroit-Frankfurt, JFK-Athens, JFK-Tel Aviv and Memphis-Amsterdam.

Delta executives expect the combined airline to unlock significant s-curve benefits this year. In other words, Delta hopes to gain market share - especially premium traffic and corporate contracts - as a result of having a broader domestic network, more frequencies, strengthened global network and what is now the world's largest FFP.

The airline expects to gain significant market share in cities such as Indianapolis, where the East Coast/South/Europe/Latin America-focused Delta network meshes well with Northwest's Midwest/Canada/Asia-focused network to create "360 schedule strength". In such cities the combined airline can offer a great value proposition to local businesses, which previously had to use many different airlines. To maximise those benefits, Delta has focused its initial efforts on the top 20 markets where it believes combining the airlines can lead to the greatest increase in market share.

S-curve benefits have lessened with the growth of LCCs, but they can still be important in respect to corporate travel. Renegotiation of corporate contracts has proved very lucrative for Delta: about $100m new future revenue had been generated when the airline was two-thirds of the way through the corporate negotiations.

Of course, the revenue benefits associated with mergers are not necessarily sustainable in the long run because demand is a zero-sum game. But Delta and Northwest have a significant advantage in the initial stages of their union, because there have been no follow-up mergers in the US and because competitors' alliances will take a while to get into higher gear.

Why the successful integration?

If there are lessons from the Delta/Northwest integration that could be applied to future mergers elsewhere, they include at least the following points.

First and foremost, sort out the key issues in advance. The Delta/Northwest plan was unique to the industry in that the joint pilot deal, including agreement on seniority integration, was in place prior to the closing of the merger. It removed one of the biggest hurdles, as pilot seniority has been a difficult issue in previous airline mergers (still unresolved at US Airways/America West, which merged in 2005).

The joint pilot deal, Delta's mostly non-union workforce and relatively good labour relations and strong support among Northwest pilots for the contract all contributed to a peaceful integration process.

Another positive was that Delta and Northwest already had some connectivity between their reservations systems through SkyTeam. Labour and reservations systems have in the past accounted for the bulk of merger-related problems.

Another smart move at Delta/Northwest was to sort out the post-merger organisational structure and name the entire executive team well in advance. This enabled the combined airline to retain talent and start capturing merger synergies early.

Airline mergers typically see mainly costs in the initial year or two and revenue benefits kicking in later. The Delta/Northwest plan was designed so that revenue benefits dominated right from the start and the overall merger-related expenses were kept modest. (This design partly reflected the timing of the merger in a weakening economy.)

The Delta/Northwest operational integration has gone smoothly (and operational performance has remained excellent) in part because everything (pilot training, switching to a single dispatch system, etc.) has been done in phases.

With the notoriously challenging IT integration, Delta has had a four-pronged approach. First, it focused on the most critical synergies, particularly the commercial revenue cutovers (call centres, alliances, Delta.com, FFP, revenue management).

Second, in most areas Delta decided that speed was more important than differentiation in driving synergies. It was more important to do things fast than to upgrade systems. One exception was revenue management, where it was felt that upgrading the system at this point would give Delta a major advantage.

Third, Delta focused on simple, disaggregated solutions (where possible) and a phased cutover process, with multiple steps and full-scale "dress rehearsals", to achieve expedited results and minimise risk. The idea was to avoid the "big bang" type of cutovers, with lots of things changing all at once, that have produced variable results in past airline mergers.

New York and Pacific opportunities

Delta has two major network initiatives planned for 2010. One aims to revamp and greatly strengthen the airline's New York position to "take away any reason not to fly Delta" there. The other is to optimise the value of the Pacific network.

Delta sees New York as one of its biggest opportunities. Having developed a strong international hub operation at JFK over the past decade, the airline now wants to enhance that and build a domestic hub at LaGuardia (the high-yield, preferred airport for New York City travellers). Growth opportunities at the congested LGA are rare, but in August Delta managed to acquire 125 pairs of slots there from US Airways (in a swap that gave US Airways Washington National slots and some route rights).

If approved by the regulators (decisions from the DOT and DOJ are expected in early February), Delta hopes to implement the LGA schedules in June. The deal would double Delta's size at LGA, making it the airport's biggest carrier. Delta also claims that it would surpass Continental as the leading airline in terms of ASMs in the New York metropolitan area. Delta would invest $40m at LGA and add service to 30-plus small and medium-sized markets.

The dual-hub New York strategy would work as follows. JFK would focus on international and transcontinental flights. It would retain the feeder markets for international service (in the feeder market channels) and flights longer than 1,400 miles (which are not permitted at LGA). Other flights would be shifted from JFK to LGA, thus freeing slots and facilities for new transcon and international flying at JFK. LGA would focus on New York City O&D traffic and flow traffic between the Northeast and most other US regions; it would have most of the major markets inside the 1,400-mile perimeter that represent about 70% of the US population centres.

After the revamp, Delta's JFK hub would offer more than 130 destinations, with new services to Stockholm, Copenhagen, Abuja (Nigeria) and Monrovia (Liberia) planned for summer 2010. Delta is also trying to close the gap in terms of the product offering at JFK; it has upgraded its Heathrow service to 767-400s, with flat-bed seats and other amenities, and has introduced its international first class product on the key transcon routes. But Delta still needs to address the issue of its ageing JFK terminal, which compares very unfavourably with the modern state-of-the-art facilities of competitors.

The Pacific network, which includes a hub at Tokyo Narita and valuable beyond-Tokyo fifth freedom rights, is one of Delta's biggest assets. The markets have really suffered, but the longer-term potential is enormous because of the increased feed that the combined airline can offer from almost every major US business centre. To tap that potential, Delta is looking to add new nonstop service to Asia from Detroit and Seattle, expand existing service to resort markets, adjust aircraft gauge to better match capacity with demand and forge alliances.

Balance sheet strengthening

The Chapter 11 restructurings gave Delta and Northwest relatively strong balance sheets, and the merger provided additional cash-raising opportunities. But Delta still had heavy debt maturities looming in 2010-2011, so its ability to raise $2.1bn when the US capital markets opened to airlines in September 2009 was critical. Those refinancings reduced Delta's 2010 debt maturities from $3.4bn to $1.5bn. Delta ended 2009 with an ample $5.4bn in unrestricted cash (19% of revenues).

Delta has adopted conservative spending and balance sheet management policies by US legacy carrier standards. Even though it has a relatively old fleet, a much smaller orderbook than its peers and expects to generate $9-10bn operating cash flow in 2010-2012, it plans only $3-4bn capital spending in that period. The intention is to use most of the resulting $6bn free cash flow to deleverage the balance sheet. Adjusted net debt is projected to decline from $16.3bn at the end of 2009 to $9.5bn at year-end 2012.

Delta has only four new aircraft deliveries scheduled for 2010 (two 777-200LRs and two 737-800s). With a fleet totalling 1,400 aircraft, the airline feels that it does not need additional new aircraft at this stage (also the fate of Northwest's order for 18 787s remains uncertain). However, Delta recently agreed to acquire nine MD-90s for delivery during 2010, calling it a "very cost-effective aircraft for fleet replacement". The MD-90 is a highly flexible aircraft and its economics are apparently still good at $90 oil.

This will mean only $300m new aircraft capital spending in 2010, compared to the $2.8bn annual average spending in aircraft by Delta and Northwest collectively over the last decade.

But Delta will continue to invest in customer products and productivity-enhancing tools, as well as in airports and clubs. Such non-aircraft investments are expected to add up $1.1bn this year.

There will also be funds available for strategic investments. The $1bn-plus investment in JAL will probably now not happen (see pages 4-5), but back in December Delta executives said that the funds were certainly available because of the $5bn-plus cash balance, strong free cash flow and low aircraft spending needs.

The future: alliances rule

Delta is an enthusiastic proponent of alliances. In his opening comments at the investor day, Anderson argued that, as well as being a solution to international cross-border consolidation issues, immunised JVs will "help this business model evolve to a return on capital".

Spearheading Delta's efforts in this area is the transatlantic JV with Air France/KLM, which was signed in May 2009 (after securing antitrust immunity a year earlier) and is now being developed aggressively. The partnership will be deeply integrated, along the principles of the hugely successful Northwest/KLM alliance. This year will see fully coordinated schedules, fully leveraged hubs and beyond networks, single pricing and inventory management, a single offering approach to all corporate and trade accounts (taking advantage of each partner's point-of-sale presence) and joint revenue management. The partners are working to add Alitalia to the JV. When fully developed, Delta expects the transatlantic JV to boost its bottom line by $200m annually.

Delta has just launched a very interesting codeshare and marketing alliance with V Australia and Virgin Blue to complement its new Australia services. But otherwise the future thrust of its alliance-building will be to develop SkyTeam around the world, particularly in Asia. Vietnam Airlines is the latest addition to the Asian portfolio, which also includes Korean Air, China Southern and China Airlines. But the biggest prize would be JAL, which will be deciding in the coming months whether to remain with American/oneworld or switch to Delta/SkyTeam.

By Heini Nuutinen
hnuutinen@nyct.net

A mixed year for Airbus and Boeing

2009 was a varied year for the two manufacturers. Unsuprisingly cancellations accelerated throughout the year and, as many carriers re-evaluated their near- and medium-term fleet requirements in the wake of the global recession and the drop in passenger demand, the orderbooks dried up.

AIRBUS ORDERS 2009

	A318	A319	A320	A321	A330	A340	A350	A380	Total
Aircraft Purchase Fleet			10						**10**
Aigle Azur		1							**1**
Comlux Aviation		1							**1**
Finnair					2				**2**
MNG Airlines					2				**2**
Turkish Airlines		20		4	12				**36**
Virgin Atlantic					6				**6**
Wizz Air			50						**50**
EUROPE TOTAL	**0**	**22**	**60**	**4**	**22**	**0**	**0**	**0**	**108**
CIT Leasing					1				**1**
ILFC					3				**3**
METCO					2				**2**
NORTH AMERICA TOTAL	**0**	**0**	**0**	**0**	**6**	**0**	**0**	**0**	**6**
LAN Airlines		13	17						**30**
LATIN AMERICA TOTAL	**0**	**13**	**17**	**0**	**0**	**0**	**0**	**0**	**30**
AirAsia X							10		**10**
Air New Zealand			10						**10**
Cebu Pacific Air			5						**5**
China Eastern					16				**16**
Kingfisher Airlines							5		**5**
Korean Air					6			2	**8**
Vietnam Airlines				16					**16**
Zest Airways			2						**2**
ASIA/PACIFIC TOTAL	**0**	**0**	**17**	**16**	**22**	**0**	**15**	**2**	**72**
Air Austral								2	**2**
Ethiopian Airlines							12		**12**
Middle East Airlines		1							**1**
Qatar Airways			20	4					**24**
AFRICA/MIDDLE EAST TOTAL	**0**	**1**	**20**	**4**	**0**	**0**	**12**	**2**	**39**
Unidentified customers			52						**52**
Private customers	1		1			1			**3**
Total gross orders	**1**	**36**	**167**	**24**	**50**	**1**	**27**	**4**	**310**
Cancellations	-4	-4	-8	-5	-5	-8	-5	0	**-39**
TOTAL NET ORDERS	**-3**	**32**	**159**	**19**	**45**	**-7**	**22**	**4**	**271**

Airbus, with 271 net orders (a 65% reduction from 2008) recorded almost double Boeing's 142 net orders (which represented an 80% year-on-year drop).

On the other hand, Boeing and Airbus slightly underestimated commercial aircraft deliveries for 2009, recording an impressive total of 979 deliveries. And the good new for Airbus was that it was the manufacturer's best year yet, with 498 units delivered.

However, both manufacturers agree that the recovery in orders isn't likely to come before 2012. Indeed, it is difficult to see where substantial orders are going to come from in 2010 now that Ryanair has pushed Boeing to the limit and reached an apparent impasse. But it is just possible that a new series of cancellations at Boeing will result in a return to the negotiating table by the manufacturer.

BOEING ORDERS 2009

	737	747	767	777	787	Total
Norwegian Air Shuttle	6					6
Ryanair	13					13
SunExpress	6					6
Turkish Airlines				12		12
EUROPE TOTAL	**25**	**0**	**0**	**12**	**0**	**37**
Alaska Airlines	5					5
American Airlines	8					8
Southwest Airlines	5					5
US Navy	1					1
US Air Force	1					1
WestJet	14					14
NORTH AMERICA TOTAL	**34**	**0**	**0**	**0**	**0**	**34**
Aerolineas Argentinas	2					2
COPA Airlines	15					15
LATIN AMERICA TOTAL	**17**	**0**	**0**	**0**	**0**	**17**
Air New Zealand				1		1
All Nippon Airways			5	5	5	15
Indian Navy	8					8
Korean Air		5				5
MC Aviation Partners	2					2
Turkmenistan Airlines	3					3
Virgin Blue Airlines	5					5
ASIA/PACIFIC TOTAL	**18**	**5**	**5**	**6**	**5**	**39**
Air Algerie	7					7
Air Austral	2					2
Egyptair	8					8
Ethiopian Airlines				5		5
Gulf Air					8	8
Tassili Airlines	4					4
AFRICA/MIDDLE EAST TOTAL	**21**	**0**	**0**	**5**	**8**	**34**
Unidentified customers	81		2	6	11	**100**
Business jet/VIP customers	1			1		**2**
Total gross orders	**197**	**5**	**7**	**30**	**24**	**263**
Changes/Cancellations	-19	-3	-5	-11	-83	**-121**
TOTAL NET ORDERS	**178**	**2**	**2**	**19**	**-59**	**142**

		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	**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	6,560	7,310	-751	-661	-11.4%	-10.1%	61,235	46,214	75.5%	15,727	106,895
	Year 2008/09	**34,152**	**34,335**	**-184**	**-1,160**	**-0.5%**	**-3.4%**	**262,359**	**209,060**	**79.7%**	**73,844**	**106,933**
	Apr-Jun 09	7,042	7,717	-676	-580	-9.6%	-8.2%	63,578	50,467	79.4%	18,703	106,800
	Jul-Sep 09	8,015	8,082	-67	-210	-0.8%	-2.6%	66,862	56,141	84.0%	19,668	105,444
	Oct-Dec 09											
British Airways YE 31/03	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	2,689	3,257	-568	-402	-21.1%	-14.9%	35,478	25,774	72.6%	7,124	
	Year 2008/09	**15,481**	**15,860**	**-379**	**-616**	**-2.4%**	**-4.0%**	**148,504**	**114,346**	**77.0%**	**33,117**	**41,473**
	Apr-Jun 09	3,070	3,216	-146	-164	-4.7%	-5.3%	36,645	28,446	77.6%	8,446	
	Jul-Sep 09	3,479	3,507	-28	-167	-0.8%	-4.8%	37,767	31,552	83.5%	9,297	38,704
	Oct-Dec 09											
Iberia YE 31/12	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
	Apr-Jun 09	1,455	1,632	-177	-99	-12.1%	-6.8%	15,668	12,733	81.3%		20,760
	Jul-Sep 09	1,667	1,744	-77	-23	-4.6%	-1.4%	16,275	13,369	82.1%		21,113
	Oct-Dec 09											
	Year 2009											
Lufthansa YE 31/12	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
	Apr-Jun 09	7,098	7,027	71	54	1.0%	0.8%	49,939	38,076	76.2%	18,142	105,499
	Jul-Sep 09	8,484	8,061	423	272	5.0%	3.2%	56,756	46,780	82.4%	22,164	118,945
	Oct-Dec 09											
	Year 2009											
SAS YE 31/12	Jan-Mar 08	1,969	2,089	-120	-185	-6.1%	-9.4%	9,696	6,700	69.1%	6,803	25,477
	Apr-Jun 08	2,409	2,384	25	-71	1.0%	-2.9%	11,564	8,479	73.3%	8,260	26,916
	Jul-Sep 08	2,114	2,085	30	-316	1.4%	-14.9%	10,984	8,180	74.5%	7,325	24,298
	Oct-Dec 08	1,652	1,689	-36	-359	-2.2%	-21.7%	9,750	6,559	67.3%	6,612	23,082
	Year 2008	**8,120**	**8,277**	**-107**	**-977**	**-1.3%**	**-12.0%**	**41,994**	**29,928**	**71.3%**	**29,000**	**24,635**
	Jan-Mar 09	1,352	1,469	-118	-90	-8.7%	-6.6%	8,870	5,541	62.5%	5,748	22,133
	Apr-Jun 09	1,546	1,665	-119	-132	-7.7%	-8.6%	9,584	7,055	73.6%	6,850	18,676
	Jul-Sep 09	1,522	1,486	36	21	2.3%	1.4%	8,958	6,868	76.7%	6,245	17,825
	Oct-Dec 09											
	Year 2009											
Ryanair YE 31/03	Jan-Mar 08	859	792	67	-85	7.8%	-9.9%					
	Year 2007/08	**3,846**	**3,070**	**777**	**554**	**20.2%**	**14.4%**			**82.0%**	**50,900**	
	Apr-Jun 08	1,215	1,202	13	-141	1.0%	-11.6%			81.0%	14,953	
	Jul-Sep 08	1,555	1,250	305	280	19.6%	18.0%			88.0%	16,675	
	Oct-Dec 08	798	942	-144	-157	-18.0%	-19.7%			71.3%	14,029	6,298
	Jan-Mar 09	623	592	31	-223	5.0%	-35.8%			74.6%	12,902	
	Year 2008/09	**4,191**	**3,986**	**205**	**-241**	**4.9%**	**-5.7%**			**81.0%**	**58,559**	
	Apr-Jun 09	1,055	844	211	168	20.0%	15.9%			83.0%	16,600	
	Jul-Sep 09	1,418	992	426	358	30.0%	25.2%			88.0%	19,800	
	Oct-Dec 09	904	902	2	-16	0.2%	-1.8%			82.0%	16,021	
easyJet YE 30/09	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	
	Year 2007/08	**4,662**	**4,483**	**180**	**164**	**3.9%**	**3.5%**	**55,687**	**47,690**	**85.6%**	**43,700**	**6,107**
	Oct 08-Mar 09	1,557	1,731	-174	-130	-11.2%	-8.3%	24,754	21,017	84.9%	19,400	
	Apr-Sep 09	2,607	2,063	280	251	10.7%	9.6%	33,411	29,549	88.4%	25,800	
	Year 2008/09	**4,138**	**3,789**	**93**	**110**	**2.3%**	**2.7%**	**58,165**	**50,566**	**86.9%**	**45,200**	

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	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
	Apr-Jun 09	844	777	67	29	7.9%	3.4%	9,418	7,428	78.9%	3,983	8,937
	Jul-Sep 09	967	807	160	88	16.5%	9.1%	9,812	8,079	82.3%	4,240	9,002
	Oct-Dec 09	846	793	53	24	6.3%	2.8%	9,133	7,322	80.2%	3,765	8,701
	Year 2009	**3,399**	**3,132**	**267**	**122**	**7.9%**	**3.6%**	**37,246**	**29,550**	**79.3%**	**15,561**	**8,915**
American	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	-347	-3.6%	-6.3%	62,370	48,846	78.3%	21,444	81,100
	Year 2008	**23,766**	**25,655**	**-1,889**	**-2,118**	**-7.9%**	**-8.9%**	**263,106**	**211,993**	**80.6%**	**92,772**	**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
	Apr-Jun 09	4,889	5,115	-226	-390	-4.6%	-8.0%	62,064	50,796	81.8%	22,092	79,200
	Jul-Sep 09	5,126	5,320	-194	-359	-3.8%	-7.0%	62,026	52,064	83.9%	22,403	78,700
	Oct-Dec 09	5,063	5,453	-390	-344	-7.7%	-6.8%	59,356	48,131	81.1%	20,893	78,000
	Year 2009	**19,917**	**20,921**	**-1,004**	**-1,468**	**-5.0%**	**-7.4%**	**244,250**	**197,007**	**80.7%**	**85,719**	**78,900**
Continental	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	-269	-0.7%	-7.7%	42,563	33,514	78.7%	15,183	
	Year 2008	**15,241**	**15,555**	**-314**	**-586**	**-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
	Apr-Jun 09	3,126	3,280	-154	-213	-4.9%	-6.8%	45,072	37,281	82.7%	16,348	43,000
	Jul-Sep 09	3,317	3,256	61	-18	1.8%	-0.5%	46,562	39,616	85.1%	16,795	41,000
	Oct-Dec 09	3,182	3,181	1	85	0.0%	2.7%	42,308	34,700	82.0%	15,258	41,000
	Year 2009	**12,586**	**12,732**	**-146**	**-282**	**-1.2%**	**-2.2%**	**176,305**	**143,447**	**81.4%**	**62,809**	**41,000**
Delta	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
	Apr-Jun 09	7,000	6,999	1	-257	0.0%	-3.7%	94,995	78,941	83.1%	42,050	82,968
	Jul-Sep 09	7,574	7,370	204	-161	2.7%	-2.1%	100,115	85,904	85.8%	43,742	81,740
	Oct-Dec 09	6,805	6,851	-46	-25	-0.7%	-0.4%	85,814	70,099	81.7%	37,947	81,106
	Year 2009	**28,063**	**28,387**	**-324**	**-1,237**	**-1.2%**	**-4.4%**	**370,672**	**304,066**	**82.0%**	**161,049**	**81,106**
Southwest	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	35,506
	Year 2008	**11,023**	**10,574**	**449**	**178**	**4.1%**	**1.6%**	**166,194**	**118,271**	**71.2%**	**101,921**	**35,506**
	Jan-Mar 09	2,357	2,407	-50	-91	-2.1%	-3.9%	38,899	27,184	69.9%	23,050	35,512
	Apr-Jun 09	2,616	2,493	123	54	4.7%	2.1%	41,122	31,676	77.0%	26,505	35,296
	Jul-Sep 09	2,666	2,644	22	-16	0.8%	-0.6%	39,864	31,714	79.6%	26,396	34,806
	Oct-Dec 09	2,712	2,545	167	116	6.2%	4.3%	37,828	29,249	77.3%	25,386	34,726
	Year 2009	**10,350**	**10,088**	**262**	**99**	**2.5%**	**1.0%**	**157,714**	**119,823**	**76.0%**	**101,338**	**34,726**
United	Jul-Sep 08	5,565	6,056	-491	-779	-8.8%	-14.0%	63,213	52,108	82.4%	22,850	49,000
	Oct-Dec 08	4,547	5,359	-812	-1,315	-17.9%	-28.9%	56,029	44,288	79.0%	19,871	45,900
	Year 2008	**20,194**	**24,632**	**-4,438**	**-5,396**	**-22.0%**	**-26.7%**	**244,654**	**196,682**	**80.4%**	**86,427**	**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
	Apr-Jun 09	4,018	3,911	107	28	2.7%	0.7%	57,901	47,476	82.0%	21,064	43,800
	Jul-Sep 09	4,433	4,345	88	-57	2.0%	-1.3%	59,599	50,572	84.9%	22,076	43,600
	Oct-Dec 09	4,193	4,267	-74	-240	-1.8%	-5.7%	54,121	44,273	81.8%	19,618	42,700
	Year 2009	**16,335**	**16,496**	**-161**	**-651**	**-1.0%**	**-4.0%**	**226,454**	**183,854**	**81.2%**	**81,246**	**43,600**
US Airways Group	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	-543	-13.7%	-19.7%	33,065	25,974	78.6%	19,156	32,671
	Year 2008	**12,118**	**13,918**	**-1,800**	**-2,215**	**-14.9%**	**-18.3%**	**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
	Apr-Jun 09	2,658	2,536	122	58	4.6%	2.2%	35,382	29,507	83.4%	20,491	32,393
	Jul-Sep 09	2,719	2,713	6	-80	0.2%	-2.9%	36,214	29,920	82.6%	20,284	31,592
	Oct-Dec 09	2,626	2,612	14	-79	0.5%	-3.0%	32,456	25,509	78.6%	18,801	31,333
	Year 2009	**10,458**	**10.340**	**118**	**-205**	**1.1%**	**-2.0%**	**136,939**	**110,171**	**80.5%**	**77,965**	**31,333**
JetBlue	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	-58	6.0%	-7.2%	12,086	9,501	78.6%	5,108	9,895
	Year 2008	**3,388**	**3,279**	**109**	**-85**	**3.2%**	**-2.5%**	**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
	Apr-Jun 09	807	731	76	20	9.4%	2.5%	13,256	10,533	79.5%	5,691	10,235
	Jul-Sep 09	854	788	66	15	7.7%	1.8%	13,504	11,309	83.7%	6,011	10,246
	Oct-Dec 09	832	768	64	11	7.7%	1.3%	12,855	10,208	79.4%	5,457	10,704
	Year 2009	**3,286**	**3,007**	**279**	**58**	**8.5%**	**1.8%**	**52,396**	**41,769**	**79.7%**	**22,450**	**10,704**

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 2006**	**7,824**	**7,274**	**550**	**526**	**7.0%**	**6.7%**	**89,117**	**71,171**	**79.9%**	**16,730**	
YE 31/12	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**
	Jan-Jun 09	3,988	3,725	263	119	6.6%	3.0%	55,750	43,758	78.5%	11,938	18,800
	Year 2009											
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 2005**	**7,439**	**7,016**	**423**	**198**	**5.7%**	**2.7%**	**66,658**	**49,046**	**71.4%**	**21,710**	**17,573**
YE 31/12	**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**	**55,054**	**72.7%**		
	Year 2009											
Malaysian	**Year 2004/05**	**3,141**	**3,555**	**-414**	**-421**	**-13.2%**	**-13.4%**	**64,115**	**44,226**	**69.0%**		**22,513**
YE 31/03	Apr-Dec 05	2,428	2,760	-332	-331	-13.7%	-13.6%	49,786	35,597	71.5%		22,835
YE 31/12	**Year2006**	**3,696**	**3,751**	**-55**	**-37**	**-1.5%**	**-1.0%**	**58,924**	**41,129**	**69.8%**	**15,466**	**19,596**
	Year 2007	**4,464**	**4,208**	**256**	**248**	**5.7%**	**5.6%**	**56,104**	**40,096**	**71.5%**	**13,962**	
	Year2008	**4,671**	**4,579**	**92**	**74**	**2.0%**	**1.6%**					
	Year 2009											
Qantas	Jul-Dec 06	6,099	5,588	511	283	8.4%	4.6%	61,272	49,160	80.2%	18,538	33,725
YE 30/6	**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
	Year 2008/09	**10,855**	**10,733**	**152**	**92**	**1.4%**	**0.8%**	**124,595**	**99,176**	**79.6%**	**38,348**	**33,966**
	Jul-Dec 09											
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 2005**	**4,681**	**4,232**	**449**	**294**	**9.6%**	**6.3%**	**70,670**	**52,453**	**74.2%**	**27,690**	**18,447**
YE 31/12	**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**	
	Year 2009											
China Southern	**Year 2005**	**4,682**	**4,842**	**-160**	**-226**	**-3.4%**	**-4.8%**	**88,361**	**61,923**	**70.1%**	**44,120**	**34,417**
YE 31/12	**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**	
	Year 2009											
China Eastern	**Year 2005**	**3,356**	**3,372**	**-16**	**-57**	**-0.5%**	**-1.7%**	**52,428**	**36,381**	**69.4%**	**24,290**	**29,301**
YE 31/12	**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**
	Year 2009											
Air Asia	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	198	84	114	56	57.6%	28.4%	5,207	3,487	67.0%	3,147	
	Apr-Jun 09	186	94	91	39	49.1%	21.1%	5,520	4,056	73.5%	3,519	
	Jul-Sep 09	211	145	66	37	31.1%	17.6%	5,449	3,769	69.2%	3,591	
	Oct-Dec 09											
	Year 2009											

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
Oct 09	27.4	19.5	71.2	19.1	16.8	87.9	15.2	13.0	85.2	50.4	42.7	84.7	76.8	61.8	80.4
Ann. change	-6.9%	-2.7%	3.0	-9.1%	-1.9%	6.4	-7.8%	-4.3%	3.1	-6.3%	-2.3%	3.5	-5.4%	-1.8%	2.9
Jan-Oct 09	273.9	188.3	68.8	195.2	160.8	82.4	152.3	122.2	80.3	508.9	411.4	80.8	771.1	593.4	77.0
Ann. change	-6.0%	-6.3%	-0.2	-6.9%	-6.0%	0.8	-5.3%	-6.5%	-1.0	-4.8%	-5.3%	-0.4	-4.2%	-4.9%	-0.6

Source: AEA.

JET ORDERS

	Date	Buyer	Order	Delivery/other information
Boeing	21 Dec	All Nippon Airways	5 x 767-300ERs, 5 x 777-200ERs	
	15 Dec	Air Austral	2 x 737-800s	
	7 Dec	Korean Air	5 x 747-8s	
Airbus	31 Dec	Finnair	2 x A330-300s	
	30 Dec	Turkish Airlines	20 x A319s	
	30 Dec	Virgin Atlantic Airways	6 x A330-300s	
	28 Dec	China Eastern	16 x A330-200s	
	23 Dec	LAN Airlines	13 x A319s, 17 x A320s	
	18 Dec	Air New Zealand	10 x A320s	
	8 Dec	Zest Airways	1 x A320	

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