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The United/Continental deal

The announcement on May 3rd was big news indeed: United and Continental, the third and fourth largest US carriers, had agreed to merge in a $3.2bn all-stock transaction that would create the world's largest airline, overtaking the Delta/Northwest combine.

Two things are clear. One, this is potentially a great merger – as good as they come in terms of compatibility, lack of antitrust issues, synergies and profit potential. Two, the industry implications are likely to be relatively minor, meaning that the deal will not be a panacea to the overcapacity problems. It is hard to picture follow-up mergers in the near-term.

From a broader US industry perspective, currently the most important developments are that economic recovery is gathering pace, international and business travel bookings are picking up, oil prices are behaving (mostly) and capacity growth continues to be minimal. As a result, the legacy sector is poised to return to profitability in 2010.

The merger was a surprise in light of the Continental management's long-stated preference for independence and the fact that United and Continental were already poised to reap major benefits from domestic codesharing and planned international JVs within the Star alliance. But the two had been in merger talks in the spring of 2008; at that time Continental walked away due to concerns about the economy and United's balance sheet, though soon after it forged an alliance with United and switched from SkyTeam to Star.

Since then a lot of things have changed. Continental is now under a different CEO – Jeff Smisek, who is seen as more bold and decisive than his predecessor. United and Continental have become closer through Star cooperation. They have been able to observe the smooth integration at Delta/Northwest. The economy is on the upswing and the capital markets are open. And United is now in better financial shape, having downsized, cut costs and strengthened its balance sheet. UAL achieved an operating profit in the March quarter for the first time since 2000.

It was United's merger talks with US Airways that prompted Continental to enter into discussions with United. With much of the ground work having been done in 2008, the deal *(continued on page 2)*

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By Heini Nuutinen
hnuutinen@nyct.net

took only three weeks to negotiate. Under the agreement, Continental shareholders will get 1.05 shares of UAL common stock for each Continental share they own. United shareholders will get 55% and Continental shareholders 45% of the combined company.

There had been a lot of disagreement about the calculation of the stock-swap price, but the issue was eventually resolved in part because of a decline in UAL's share price. Nevertheless, many Continental shareholders are unhappy and have hired law firms in various states to investigate possible breaches of fiduciary duty and other violations related to the approval of the deal by Continental's board of directors.

Continental's management team has long been regarded as the best in the industry. It is therefore promising that Smisek (who has been CEO only since January but was involved in top-level decision-making at Continental for 15 years before that) will be the CEO of the combined company. He will also become chairman when United's chief Glenn Tilton retires after about two years. The combine will draw management in roughly equal numbers from each airline. The 16-member board will include six independent directors from each airline, plus two union directors (as required by United's charter).

The corporate and operational headquarters of what will be known as United Continental Holdings, Inc. will be in Chicago, though the company will maintain a significant presence and its largest hub in Houston. The CEO will maintain offices in both Chicago and Houston.

One of the most controversial aspects of the plans announced so far is that Continental will essentially be giving up its brand. The combine will be named United (arguably a snappier name) but will have Continental's logo and livery. This is odd because Continental has a stronger brand and is much better liked by the travelling public.

Aside from the brand concerns, the deal makes great strategic sense. In terms of networks, the two airlines are a natural fit, with United being particularly strong on the Pacific and Continental in transatlantic and Latin American markets. The airlines say they overlap on only 14 domestic and no international routes.

It would add up to a powerful global network with 10 hubs, including hubs in the four largest cities in the US. The combined carrier would be in a strong position to attract larger business traffic shares – and perhaps even more importantly, more corporate contracts.

The combined airline would have annual revenues of around $29bn (pro forma, based on 2009 results) and unrestricted cash of $7.4bn (as of March 31st, including United's recent financings).

The merger is projected to produce net annual synergies of $1-1.2bn by 2013. This would include $800-900m in incremental annual revenues, in large part from expanded customer options and new international services. These synergies would be in addition to the significant benefits from alliances and future JVs.

As with Delta/Northwest, cost synergies are likely to be very modest, amounting to $200-300m annually on a run-rate basis by 2013. One-time costs are estimated at $1.2bn, spread over three years.

Currently, no hub closures are planned, but the situation could change in the future; analysts see Cleveland as the most likely target. The airlines have not yet estimated their likely capacity cuts, but analysts have suggested 8-10% as a ballpark figure. That would be up to 2% of industry capacity and therefore potentially helpful in maintaining a rational pricing environment.

The existing alliance partnership bodes well for a smooth integration process. United and Continental would also seem to have a reasonable chance of clearing labour and antitrust hurdles.

ALPA, which represents pilots at both airlines, has indicated tentative support for the deal. However, the challenge will be to attain the support at a reasonable price. The lesson learned from Delta/Northwest is that the single pilot contract must be obtained before the closing of the merger.

DOJ approval will be the big wildcard. On the one hand, there would appear to be no material antitrust issues. On the other hand, the Obama administration's DOJ has been surprisingly strict (most recently in the Delta/US Airways slot swap ruling). Given the proposed combination's size, at least a lengthy and thorough review can be expected.

Of course, United and Continental have a long and difficult path ahead anyway. If the deal is cleared by the DOJ and shareholders, the airlines hope to complete it in the 4th quarter, but complete integration would take at least until 2013.

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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

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The long-haul low cost business model

The next wave in aviation business models appears to be long-haul "low cost" operations. As usual there are proponents who claim that these will create traffic, rather than divert traffic from other networks, and thus provide a viable business model - and detractors who state that they can never work.

Of course the concept is not new. The oft-quoted example is that of Freddy Laker's Skytrain of the late 70s/early 80s, with point-to-point low fare services on the Atlantic. (His operation failed in the tail-end of the 1981 recession not merely because of intense price pressure from the established IATA carriers but also because his debts were in Dollars and revenue and demand in Sterling when the pound revalued from \$2.40 to \$1.80).

However, even now such low cost operations are currently provided on leisure oriented routes by many (primarily European) charter carriers in their attempts to escape the LCC pressure within Europe. Notably, however, charter carriers have sources of demand and freedom of operational flexibility not usually available to scheduled operators.

Meanwhile, in the Asia/Pacific region there are three recent new entrants into scheduled "long-haul low cost" operations: AirAsia X (linked to AirAsia - see pages 6-11), Jetstar (as a tag-on to its domestic Australian LCC operation and owned by Qantas), and VAustralia (owned by Virgin Blue). There were others – notably Oasis Hong Kong, which failed in 2008, and Viva Macau, whose AOC was withdrawn last month.

All seemed to adhere to many of the low cost principles of the Southwest short-haul LCC model:

- Start with a clean sheet of paper
- KISS principle (Keep It Simple – Stupid!)
- Single aircraft family
- High utilisation
- Point-to-point services only
- In-flight frills only at extra cost
- Operate to secondary airports where feasible
- Internet or call-centre reservations only (no GDS)
- Unpackaged fares, bag charges.

However, long-haul air transport is significantly different from short-haul. It may be disingenuous to state the obvious, but:

- The distances and the time taken up in cruise is substantially longer. The aircraft therefore naturally stays in the air for a far longer period of time, while turnaround times at the destination airports can be defined by time zone changes and curfews/local timings. As a result there is by default less of a differential against established carriers on utilisation than available on a short-haul operation.
- Second, whereas the typical short-haul low cost operation will try to ensure that flight and cabin crews return home at night, on long-haul, with the flight and cabin crew reaching operational hour limits on a single flight, this is impossible and generates the need for hotac expenses, which further erode any potential operational advantage.
- Third, because of the length of time in the air you have to keep the passengers occupied and relatively comfortable – and the concept of comfort is important to the passenger when choosing a flight of more than six hours.
- Mathematically, in the absence of substantially lower aircraft ownership costs it will be exceedingly difficult to attain unit

FLEETS

	Fleet	Orders	Options
Jetstar			
A330	7		
787		15	50
AirAsia X			
A330	6	20	
A340	2		
A350		10	5
VAustralia			
777	4	3?	

cost advantages over established legacy carriers anything near what is possible on short-haul operations.

• Even on short-haul operations as a start-up it can be difficult to promulgate the "brand" and the market offering at the end of a route. On long-haul the marketing at the other end starts to become very expensive.

• On point-to-point short-haul services you are normally competing with other forms of transport as well as established carriers. For long-haul services there will always be some network airline that will try to extract the marginal dollar through offering a seat through a hub.

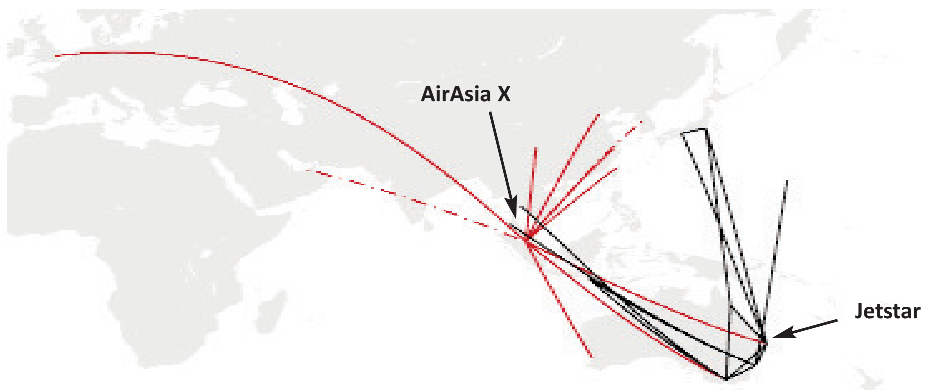
• Long-haul fares by their nature will be higher and unlike short-haul ultra low cost flights are unlikely to be "impulse" purchases.

• Possibly most importantly, there are very few good purely O&D point-to-point long-haul markets sufficient to support reasonable frequencies on widebodied aircraft, meaning that whatever type of long-haul operation you operate you have to generate feed at both ends of the route. This naturally would be an anathema to the KISS principle as it creates complication.

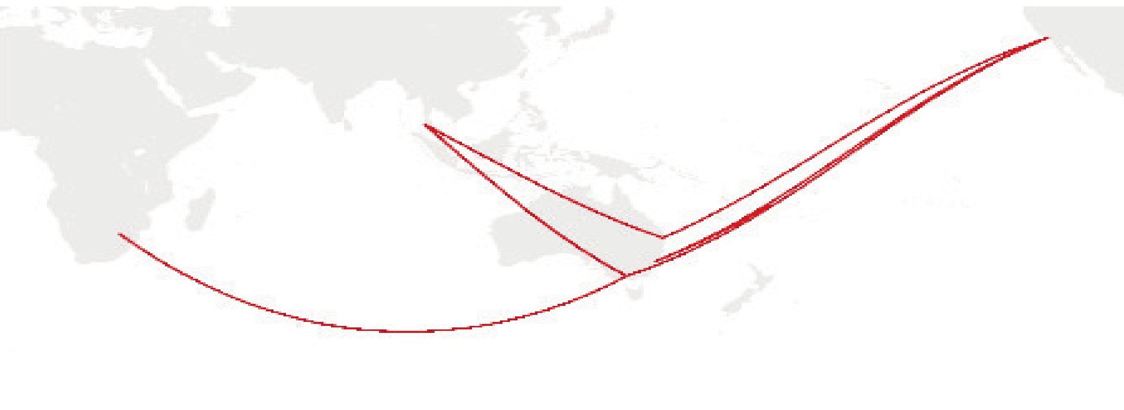
Having tried to lump these three Asia/Pacific widebody operators together as a single business model type, there are significant differences.

VAustralia is the long-haul offshoot of Virgin Blue, set up to take advantage of the open skies agreement between the US and Australia. It started operations at the beginning of last year and has four 777s, with possibly three more on order. It appears to be more of a traditional long-haul airline – redolent of Virgin Atlantic, on which it is undoubtedly modelled – operating a three class configuration of economy, premium economy and "business", including lie-flat beds.

AIRASIA X AND JETSTAR ROUTE MAP



VAUSTRALIA ROUTE MAP



Initial routes involved the three main eastern Australian cities (Sydney, Brisbane and Melbourne) to Los Angeles, and it has tacked on Phuket, Fiji and Johannesburg. It has built interline agreements with a bundle of carriers in the US (including Delta, Continental, Alaskan, and of course Virgin America), naturally links its booking engine with Virgin Blue and Pacific Blue, and hardly surprisingly has interline links with Virgin Atlantic. (Intriguingly it even offers one-stop connections to London via Johannesburg, linking on to Virgin Atlantic services). In-flight services are traditional rather than unbundled low cost.

Jetstar's international A330 operations are an integral part of the Qantas subsidiary rather than a separately branded standalone operation – adding perhaps some complexity to the traditional LCC model. Here Qantas is able to use its daughter company to operate the outbound leisure oriented point-to-point services from the main Australian conurbations and also attack point-to-point services to the main inbound leisure destinations (such as Japan-Gold Coast) that Qantas itself is unable to operate profitably.

It currently has a fleet of seven A330s in operation – but 15 787s on firm order with another 50 on option. It operates a two class configuration – economy and a premium economy "Star Class" (with a modest 38" seat pitch). In-flight services (including entertainment) can be bought in standard economy – following the normal LCC concepts – but it does allow intraline (and interline) booking for connecting flights on its and Qantas's networks. There are some suggestions that Jetstar Asia (its affiliate in Singapore) would like to get its hands on some of these widebodies in order to start longer haul operations itself.

In contrast AirAsia X tries to follow the classic LCC model. Based at Kuala Lumpur's LCC terminal it can naturally link in to its own short-haul network, but doesn't: it leaves the passengers to try to work it out for themselves.

Operations started at the back end of 2007 with a leased A330 (on a two class configuration) operating between Kuala Lumpur and the Australian Gold Coast. By 2009 it had built a fleet of eight A330/340s with a route network encompassing London Stansted, Abu Dhabi, Chengdu, Tianjin and Hangzhou in China, Taipei and Melbourne, Perth and the Gold Coast in Australia. It has a further 20 A330s and 10 A350s on order.

The on-board offering follows the unbundling inherent in the short-haul operation. Premium passengers get a meal and 15kg free luggage allowance, but economy passengers have to pay for all extras. True to form it has no alliance links or interline agreements, although anecdotally the route into Stansted gains and provides feed onto the Ryanair network.

The others ...

Others have tried and many have failed. Oasis Hong Kong had the ambition to run a low cost long-haul operation – citing the potential of stimulating outbound travel from China in particular. Its initial route structure was Hong Kong to London Gatwick using a couple of ex-SIA 747s. It had ambitious plans to develop routes to Vancouver, Chicago, Oakland, Berlin, Cologne, Milan and linking to others' low cost short-haul bases. Zoom also had a reasonable operation on both sides of the Atlantic (thanks to the owner's dual nationality). But both these failed during the upswing in fuel prices.

Viva Macau also had ambitious plans. Operating under a concession agreement from Air Macau it operated 767s on routes to Ho Chi Minh City, Jakarta, Melbourne, Sydney and Tokyo Narita. It failed last month, having run out of cash.

These three however did not have the backbone of a successful, profitable and cash generative short-haul low cost model to support the more fickle demands of long-haul operations.

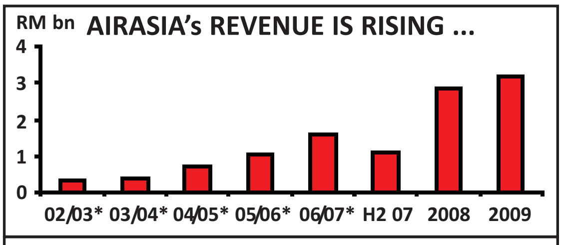
Are these viable business models? In the end they may well represent the next stage in development of the new model airlines. It could well be that passengers will learn to create their own inter- and intra-line connections and spell the potential demise of the traditional network hub operation. It may well be that such offerings will substantially stimulate the market: after all, all that is being emphasised is that the airline industry is a commodity.

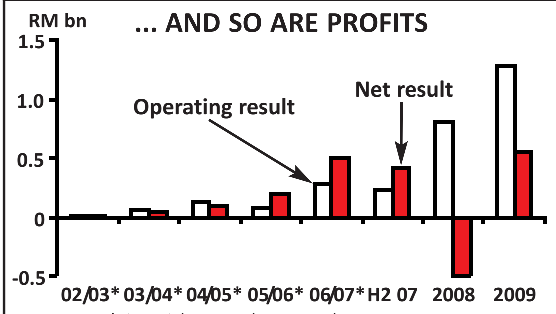
By James Halstead

AirAsia leads the Asian LCC charge

Asian LCCs are taking an ever-increasing share of traffic to/from and within the Asia/Pacific region, and so far this year AirAsia and Jetstar have signed a strategic alliance while Tiger Airways has undergone an IPO. In the first of a series on Asian LCCs, *Aviation Strategy* looks at the prospects for the largest LCC in the region - AirAsia.

The AirAsia family (including AirAsia X) currently operates 136 routes to 18 countries in the Asia/Pacific region and Europe, and employs almost 7,000. The AirAsia group (which excludes AirAsia X) posted its best-ever set of financial results in 2009 (see charts, below). Last year the core AirAsia operation (based in Malaysia) posted an 11.5% rise in revenue, to RM3.2bn (US$905m), based on a 21% rise in passengers carried to 14.2m in 2009. Operating profit rose to RM1.3bn (US$366m) in 2009 (compared with RM807m in 2008), and a RM497m net loss in 2008 turned into a RM549m (US$156m) net profit last year – giving the airline impressive operating and net margins of 40.4% and 17.3% respectively in 2009.





Note: *Financial year ends June 30th.

However, it is not all good news for AirAsia. At the Malaysian operation unit revenue fell 14% in the fourth quarter of 2009 compared with Q408 - faster than a 10% fall in unit costs over the same period. The key problem is fares; on average they fell 23% from 4Q08 to 4Q09, although ancillary revenue per passenger rose by 11% over the period, thus reducing the fall in unit passenger revenue a little (it dropped 20% year-on-year, to RM200.8, or US$57.2). The push for ancillary revenue is also continuing, and in March AirAsia launched a ticketing service for music concerts and various other entertainment events.

This is all relative of course, since AirAsia's unit costs are among the lowest in the global aviation industry – if not the lowest (which is AirAsia's claim). There is an ever-continuing effort to cut costs (for example, AirAsia aims to eliminate airport check-in by the end of this year, with all passengers then having to check-in online) and as can be seen in the graph, right, although unit costs rose through 2009 (thanks largely to fuel prices), they are still extremely low.

Yield the 2010 priority

Given the fall in average fares through the end of last year, the focus for 2010 is on improving yields rather than maximising growth, with Tony Fernandes, AirAsia group CEO, saying this year is about "fine tuning the current route network to extract higher yields". Fernandes (with Conor McCarthy) has a major stake in the airline through controlling Tune Air, the holding company that owns 30.9% of AirAsia.

In 2009 the Kuala Lumpur-based Malaysian operation accounted for more than 50% of the domestic market and 21% of international traffic to/from Malaysia, but the new focus on yield means that some underperforming routes are likely to be closed this year. Of course there will still be growth in some areas, first via increasing services between AirAsia's main bases in Malaysia, Thailand and Indonesia, and second though new routes to India.

After concentrating on building routes into China for the last few years AirAsia is now turning to India, where Indians have been flying to Indonesia and Thailand in order to connect to the AirAsia network. AirAsia is targeting to carry 2m passengers a year to India by 2011 (it carried 0.6m in 2009), building upon the success of existing routes to Tiruchirapplalli, Kolkata, Kochi and Thiruvananthapuram that average more than 80% load factors.

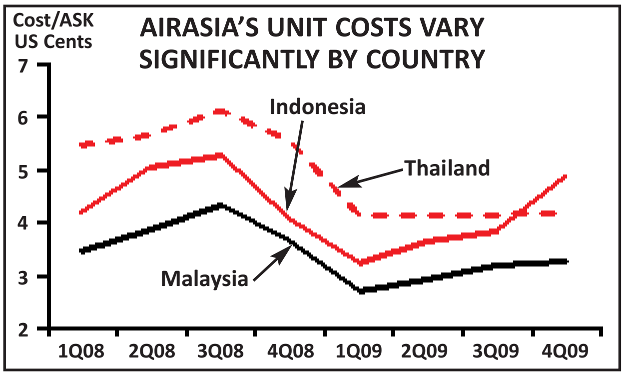
Routes being launched this year include five from Kuala Lumpur (to Mumbai, New Delhi, Chennai, Bangalore and Hyderabad) as well as Penang-Chennai. The first three routes are to be served by AirAsia with A320s, but the latter two are operated by AirAsia X, using A330s, and once all these are launched AirAsia will offer 150 flights a week between Malaysia and India.

Altogether the AirAsia group added 12 routes in 2009 and four new bases (Penang, Bandung, Phuket and Surabaya), and there was a 24% rise in passengers carried across the group, to 22.7m. In 2010 overall group capacity will grow by up to 14%, with increases in frequency on the existing network and through the launch of up to 12 new routes.

AirAsia is also targeting a 40% rise in cargo revenue in 2010, which it is encouraging through signing more deals with cargo agents and direct with large import/export companies within Asia (and in particular southern Asia), as well as via Special Prorate Agreements (SPAs) with other airlines into destinations where AirAsia does not currently operate.

Subsidiary cheer

For the first time AirAsia has released detailed figures for its subsidiaries - probably because at long last there seems to be signs of a turnaround at the airlines in Indonesia and Thailand (each of which AirAsia owns 49% of).



AirAsia Thailand had seen the domestic and tourist market in Thailand recover, leading to higher yields in 2009. Thai revenue rose 5% to THB 9.3bn (US$273m) in 2009, with a core operating profit of THB 148.4m (US$4.4m), compared with a THB 735.4m loss in 2008. At the net level however the Thai operation made a THB 809m (US$23.8m) loss in 2008, thanks partly to foreign exchange translations.

The immediate focus in Thailand was to be expansion of international routes – currently its routes are split 50:50 between domestic and international, and the plan is to change this to 30:70 by 2014 since the domestic market is believed to be "saturated", according to the airline. But how the airline's plans will be affected by the current political turmoil in Thailand is unknown - though the tourism market will inevitably collapse.

AirAsia Thailand was due to launch its first four routes into India this year, from Bangkok to Mumbai, New Delhi, Kolkata and Hyderabad, and these were to be followed by further destinations. The airline was also increasing routes to/from Phuket, its second Thai hub that was launched last year.

The airline has 19 aircraft, and this year eight new A320s are arriving, seven of which will replace the remaining 737s in the Thai fleet, thus completing the overhaul of the fleet in the country. Prior to the domestic unrest, AirAsia Thailand expected capacity to increase by 25% this year (largely thanks to the A320s, which

AIRASIA (MALAYSIA) COST BREAKDOWN, 2009					
Cost/ASK - US Cents	**Q1**	**Q2**	**Q3**	**Q4**	**2009**
Employees	0.34	0.38	0.36	0.38	**0.35**
Fuel	1.04	1.30	1.37	1.39	1.21
User charges/ Station expenses	0.26	0.25	0.29	0.33	**0.26**
Maintenance	0.17	0.11	0.15	0.13	**0.16**
Aircraft-related costs	0.15	0.13	0.15	0.09	**0.14**
Depreciation/Amort.	0.41	0.41	0.43	0.44	**0.42**
Other	0.24	0.25	0.30	0.37	**0.29**
Sales & marketing	0.11	0.11	0.17	0.14	**0.14**
Total cost/ASK	**2.71**	**2.93**	**3.21**	**3.27**	**2.95**
Finance costs	0.51	0.51	0.46	0.46	**0.47**
Cost/ASK incl. finance	**3.22**	**3.44**	**3.67**	**3.73**	**3.42**

have 20% more capacity than the 737s they are replacing) with a 16% rise in passengers carried to 5.8m.

AirAsia Indonesia had revenue of IDR 2,017bn (US$202m) in 2009, some 32% up on 2008. However it still could not make a core operating profit, reporting a loss of IDR 79.3bn (US$7.9m), although lower than the IDR 140.9m operating loss for 2008.

The Indonesian operation made a net loss of IDR 189.3bn (US$18.90m) in 2009, as opposed to an IDR 140.9m net loss the year before. Its routes to Australia and Singapore out of Indonesia are believed to have high load factors and be high yielding, but many other routes are still not breaking even yet.

Efficiency boost

Fernandes says that as A320s come into the Indonesian fleet and replace the remaining 737-300s this "will replicate the cost advantages in Malaysia and [Indonesia] is on course to deliver sustainable profits for the full year 2010". That boost from more efficient aircraft is needed; the chart on page seven shows that AirAsia Indonesia now has the highest unit costs of the three AirAsia group airlines.

The turnaround of these subsidiaries is critical not just for the sake of those airlines, but because the aircraft operated by these subsidiaries are carried on the main AirAsia balance sheet. Once the performance of the subsidiaries improves enough then ownership of the aircraft can formally be transferred to them, which will result in a much improved balance sheet for the AirAsia group. If all aircraft operated by the subsidiaries are transferred, the group's net gearing would fall from 2.6 times (as at the end of 2009) to under 2 times, according to the estimates of one analyst.

The subsidiaries also owed the AirAsia group RM852.8m (US$242.9m) at the end of 2009, although the group says that "the platform has been established for associates to repay to the parent company beginning 2010 and expected to be fully paid by 2013".

As well as Thailand and Indonesia, AirAsia wants to be in every major ASEAN market, and there is now a race between AirAsia, Jetstar and Tiger Airways to set up directly-owned or franchise airlines in as many key Asian markets as possible.

Vietnam and beyond

AirAsia has wanted to enter the Vietnamese market for several years, and in 2007 partnered with the state's Vietnam Shipbuilding Industry Corp in order to start an LCC there. But these plans had to be abandoned due to problems getting approval from the Vietnamese government, reportedly due to pressure to protect Vietnam Airlines.

However, this February AirAsia paid a reported RM33.3m (US$9.5m) for 30% of VietJet, a Hanoi-based start-up and the country's first private airline, which will be renamed VietJet AirAsia.

VietJet was formed back in 2007, with Sovico Holdings, a conglomerate, now owning 51% and its chairman Nguyen Thanh Hung owning 19%. But VietJet has not been able to commence operations so far, and so presumably AirAsia will transfer over some of its aircraft to enable its Vietnamese operation to launch domestic and international flights later this year (May is the target date for services).

Vietnam has a population of approximately 80m and AirAsia already operates to Hanoi and Ho Chi Minh City. The country is considered a key location to base an

AirAsia airline in as it links ASEAN countries with China and the south, north and east of Asia.

Beyond Vietnam, east Asia is the next priority for AirAsia, as it has few routes there and has huge potential for low cost routes. But AirAsia's expansion options throughout Asia now appear greater than ever, thanks to the new partnership with rival Jetstar.

Jetstar potential

In January AirAsia agreed an unexpected partnership with Australian-based LCC Jetstar Airways, which is owned by Qantas and as the second largest LCC in Asia is (or was) AirAsia's biggest rival. AirAsia and Jetstar say they have identified "many hundreds of millions of dollars of cost-saving opportunities", thought to be in the region of A$200m to A$300m (US$184m-US$276m) annually (to be split between the two airlines) – although these are not expected to fully flow through until 2011, with around US$57m of savings expected to be shared between the two airlines this year.

The two airlines operate to more than 20 common destinations, but although they may co-operate in everything from ground handling and future fleet specification and purchasing, it is believed the vast majority of savings in the short-term will come from the joint buying of aircraft maintenance services and supplies.

The potential co-operation in fleet specification may be the most interesting part of this deal, as with a joint fleet (including affiliates) of 152 and with 205 aircraft on order, a combined voice on these airlines' requirements would have to be taken into account by Boeing and Airbus as they plan replacements/ renewed versions for the 737s and A320 series. AirAsia and Jetstar are particularly keen to persuade manufacturers to build aircraft with two models - one for full-service airlines and one designed specifically for the needs of LCCs.

The partnership between AirAsia and Jetstar was certainly a surprise to Tony Davis - CEO of rival Singaporean LCC Tiger Airways – who called the alliance "hilarious" and a "publicity stunt" designed to take attention away from Tiger's IPO. Davis says that the two airlines appear to be at "complete loggerheads" and he cites the example of Jetstar in January ordering IAE V2500 engines for the 55 Airbus A320s it will receive - whereas AirAsia uses CFM engines. Furthermore the VietJet move (see page eight) is a direct challenge to Jetstar's own affiliate LCC in Vietnam – Jetstar Pacific.

Certainly the two airlines had been fierce competitors previously, and there will be many areas where co-operation will be difficult, if not impossible, in the short-term. But Davis's comments may reveal concern from Tiger about the longer-term potential for collaboration between the two.

Already AirAsia and Jetstar are talking about extending co-operation into a joint leasing company for the older A320s they own, and if they eventually expand beyond cost-cutting and into revenue sharing this may open up the tantalising possibility of an equity tie-up or even merger in the long-term.

AirAsia X

AirAsia X is not part of the AirAsia group, although AirAsia owns a 16% stake in the long-haul LCC, with 48% controlled by Aero Ventures (owned by AirAsia CEO Tony Fernandes and others). The other shareholders include the Virgin Group (16%), Bahrain-based Manara Consortium (10%) and Japanese lessor Orix (10%).

Kuala Lumpur-based AirAsia X "produced profits" in 2009, the group claims, with revenue for 2009 of RM757.4bn (US$215.7m) and 1m passengers carried. Load factor rose steadily through 2009, reaching 83% in the October-December period.

However, the general aviation recession has also affected AirAsia X's plans, with Azran Osman-Rani, CEO of AirAsia X, saying: "We started the year with many plans, but what 2009 taught us was we really needed to be nimble and flexible - which is why we now have not only plan A, but also B and C."

That means that the airline will instead focus its immediate future on consolidating its existing network to India (two routes are being added this year), China (where one more route will start in 2009), Seoul (where it has just obtained rights) and Australia (where it is fighting to operate to Sydney), while halting expansion to Europe.

In February AirAsia X unexpectedly suspended its Kuala Lumpur-Abu Dhabi route after just three months of operation due to poor demand, and forcing the airline into what it calls a "rethink" of its Middle East route strategy, which until then had envisaged Abu Dhabi as a "virtual hub", with aircraft from Asia flying on to Europe, Africa and other destinations in the Middle East.

Part of the failure is believed to be due to the fact that this was the airline's only route into the Middle East (and served with just one A340), and management believes that a country/region needs to be served with a variety of routes in order to be sustainable.

But a key factor surely must have been the competition on the route from Emirates, which offered six flights a day on Dubai-Kuala Lumpur compared with AirAsia X's five flights per week). If/when AirAsia does return to the Middle East AirAsia is likely to look at other less competitive destinations (i.e. anywhere but Dubai), and Jeddah is believed to be under consideration.

Treading water in Europe

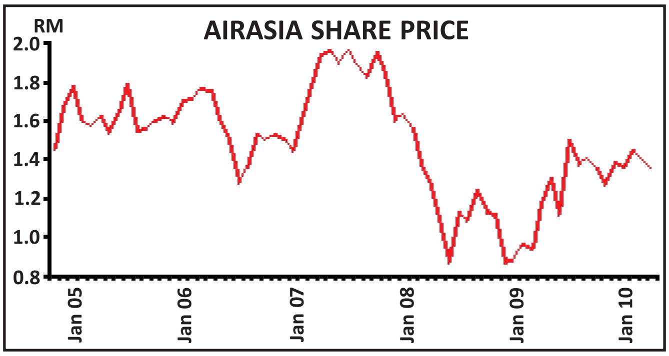
The withdrawal from the Middle East also has implications for AirAsia's X's ambitions for Europe, where currently the airline operates only direct to London Stansted. The airline had been looking at new destinations, ideally one in central Europe and one in the east, served via a stopover in the Middle East. Nice was under consideration, but unsurprisingly Paris Orly was seen as a better option, and AirAsia X secured the rights to serve Orly in late 2009.

However, given the Middle East retreat this is now not going to happen this year, and further direct services to London Stansted are the only possibility for European expansion in the short-term.

AirAsia X had also been analysing North America destinations, with one on the east coast (flown onwards from London Stansted) and one on the west coast (direct from Asia) being the preference. New York and Californian airports are being looked at, and in the latter category Oakland may be one unusual destination under consideration as AirAsia X now sponsors the Oakland Raiders American football team and – importantly – the airport is a base for Southwest, which would ensure considerable feed traffic. AirAsia X points out that AirAsia sponsored the Manchester United football team in the UK from 2005-2008, which was a great help in raising the airline's profile prior to the launch of its first UK route in 2009.

AirAsia X currently operates six A330s and two A340s, but four A330s are being delivered this year (starting in June). Last summer AirAsia X ordered 10 A350-900s, with options for another five aircraft. The aircraft will have 400 seats in a two-class configuration, and the first will be delivered in 2016. The airline had been evaluating the A350 against the 787, but eventually went with Airbus. The A350s will replace A340s on longer routes to Europe and the US.

AirAsia X has just started a refurbishment of all economy and business class seats on its aircraft, which is targeted to be completed by June. It is adding lie-flat beds to all aircraft, which necessitates the elimination of premium economy seats, as



well as refurbishing all economy seats and increasing their pitch. By the summer all A340s will have 18 lie-flat business seats (a reduction from the 30 regular business seats previously offered) and A330s will have 12 lie-flat seats (down from 28).

This will also allow an increase in economy of capacity from 256 to 309 on A340s, although just one extra economy seat on A330s (up to 365). AirAsia X is also taking out the existing in-flight entertainment system (which will save 1.5t of weight per aircraft) and instead will offer passengers portable (and paid-for) entertainment sets.

Other than ground handling, AirAsia and AirAsia X are operated independently of each other, although intriguingly last year Tony Fernandes hinted at a merger between the two airlines, saying that it would be a “logical” thing for them to do. That seems highly unlikely, and more probable is that AirAsia X may raise funds this year or in 2011 in order to help finance aircraft orders.

Fleet plan

For the AirAsia group (excluding AirAsia X), the fleet will grow from 84 at present to 173 by 2014, after which it’s due to grow by just two aircraft in 2015. The group has deferred the delivery of eight A320s due this year and eight due in 2011, which it says is due to constraints in the infrastructure at its main base, the low-cost carrier terminal (LCCT) at Kuala Lumpur airport.

The government says a new LCCT will be built by March 2012, but there is considerable doubt locally as to whether this timeline is feasible.

The average fleet age is now just over two years and the group will now receive 16 A320s this year (six in 2Q, six in 3Q - when it will then become an all-Airbus operator - and four in 4Q), four of which will go to Malaysia, eight to Thailand and four to Indonesia.

Altogether the AirAsia group will receive more than 100 aircraft worth US$6bn over the next four years, and some analysts are worried about how these will be paid for given the debt situation. In September last year AirAsia raised RM505m (US$144m) through a share issue, with the proceeds going to reduce the airline’s debt, but long-term debt stood at RM7.1bn (US$2bn) as at the end of 2009, a 17% rise compared with December 31st 2008 - and one analyst forecasts that this may rise to more than RM11bn (US$3.1bn) by the end of 2012. Cash and cash equivalents were RM747.6m (US$213m) at the end of the year (RM153.8m a year earlier), helped by the share issue.

However, in March OSK Research issued a note saying that “the huge amounts owed by its Thailand and Indonesian operations, together with significant unrecognised shares of operating losses also worry us”.

There is also concern about the introduction of the accounting standard FRS 139 at the start of this year, which requires AirAsia (and all companies) to report more financial assets/liabilities within its balance sheets rather than off-balance sheet.

So despite the good results in 2009, there are still challenges ahead for the AirAsia group. There are tentative plans to list the Thai and Indonesian airlines, with Thai AirAsia expected to be tried first, either later this year or, more likely, in 2011 – providing that the “consolidation” strategy of this year goes to plan.

AIRASIA FLEET

	Fleet	Orders	Options
AirAsia (Malaysia)			
A320-200	48	105	50
Thai AirAsia			
A320-200	12		
737-300	7		
Indonesia AirAsia			
A320-200	10		
737-300	7		
AirAsia group	**84**	**105**	**50**
AirAsiaX			
A330-300	6	20	
A340-300	2		
A350-900		10	5
Total AirAsia family	**92**	**135**	**55**

ANA: From JAL's shadow to Asia's number one by 2012?

While Japan's All Nippon Airways (ANA), the world's tenth largest airline in terms of passengers, is battling recession and faces much uncertainty due to JAL's bankruptcy restructuring, it can also look forward to new business opportunities starting in late 2010. The Haneda "big bang" in October, start of 787 deliveries at year-end, a new open skies regime with the US, antitrust immunity (ATI) on the Pacific and JAL's expected sharp contraction make up a unique set of developments that could help make ANA one of Asia's leading carriers by 2012.

As a sobering reminder of the financial challenges still faced by global airlines, ANA reported a steep ¥57.3bn (US$609m) net loss for its fiscal year ended March 31st. This contrasted with a small ¥4.3bn ($45m) net loss in FY 2008, which had been the airline's first annual loss in six years. On an operating basis, ANA lost ¥54.2bn ($576m) on revenues of ¥1,228bn ($13bn) in FY 2009.

$1bn of cuts

The losses came despite over ¥100bn ($1bn) of cost cuts and earnings-boosting measures. ANA eliminated many unprofitable domestic routes, reduced frequencies or switched to smaller aircraft both domestically and internationally, cut labour expenses through increased unpaid leave, and slashed sales and contract costs. ANA was also very aggressive in trying to stimulate demand with new types of discount fares, and it tried to boost revenues with "pay for value" services, such as offering business class meals in economy class for a fee.

While ANA succeeded in creating some demand in the leisure segment, business travel and unit revenues remained extremely depressed throughout the year. Operating revenues fell by 11.8% last year or by 17.4% from the 2007 level.

The main culprit was international passenger service, which saw revenues plummet by 26.4% last year. ANA kept its planes full (passenger numbers were up by 5.3% and load factor rose by 6.3 points to 75.7%), but its average fare in international service fell by 30%.

The more stable domestic passenger segment saw continued weak demand (ANA's passenger numbers were down by 6.7%) and sluggish unit revenues (down 3.3%). The domestic revenue decline was 9.8%. ANA is still primarily a domestic operator. Domestic passenger service accounted for 58% of its total air transportation revenues, while international passengers' share was only 19.7% (down four points); the rest came from cargo (8.7%) and "other" revenues, including charters (13.6%).

Of course, JAL's FY 2009 results will be much worse, given its higher cost structure and greater international exposure, as well as the passenger book-away in the months leading up to the January 19th bankruptcy filing. In late April JAL was expected to report an operating loss of around ¥170bn ($1.8bn) for the fiscal year ended March 31st.

ANA's balance sheet is in relatively good financial shape, with total assets of ¥1,859bn ($19.8bn), shareholders' equity of ¥473.5bn ($5bn), interest-bearing debt of ¥941.6bn ($10bn) and a lease-adjusted debt/equity ratio of 2.4 at the end of March.

Notably, ANA has been able to tap the capital markets for funds despite the tough industry environment. Last summer, when JAL had no choice but to seek an emergency loan from the government, ANA sold stock for the first time in three years, raising almost ¥150bn ($1.6bn) to fund new aircraft. And last month (April) ANA sold bonds for the first time since 2008; the offering was doubled in size to ¥20bn ($213m) due to strong investor demand.

Return to profitability in 2010?

ANA is already forecasting a return to modest profitability this year. Its latest two-year (2010-2011) business plan, released on March 19th and affirmed on April 30th, projects 11.5% revenue growth, a 3% operating margin and a small ¥5bn ($53m) net profit in FY 2010. If there is a profit, ANA will recommence dividend payments.

In FY 2011 the business plan anticipates a return to essentially pre-2008 type results. Revenues would have virtually recovered to the 2006-2007 peak level. The 7% operating margin would be slightly better than the 6-6.5% margins ANA was earning in 2004-2007. There would be a ¥37bn ($393m) net profit (2.5% of revenues).

This would be a swifter financial recovery. ANA hopes to achieve it by significantly growing its international passenger revenues, cutting costs further and streamlining the group structure.

In the current year ANA is relying primarily on a new ¥86bn ($915m) package of cost cuts and productivity improvements, though it is also targeting ¥32bn ($340m) of revenue improvements through "greater competitive ability" (including initial positive impact from stronger codeshare alliances).

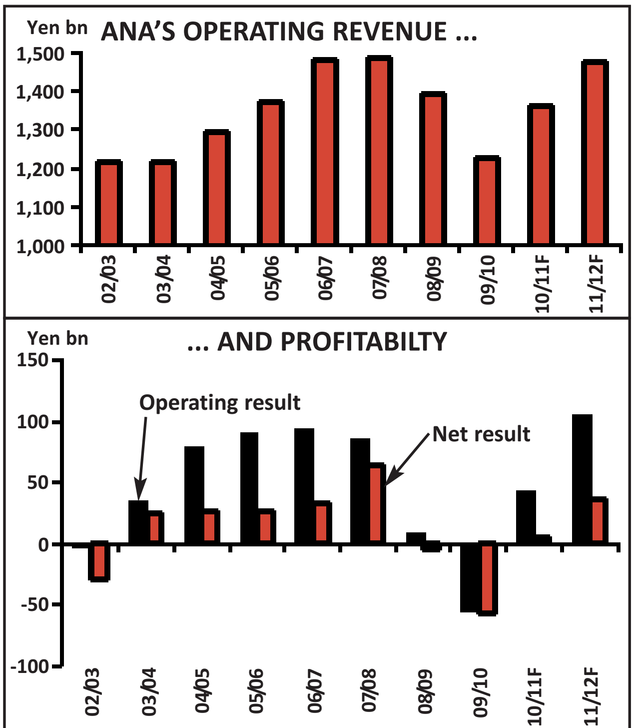
The new cost-cutting programme aims to shave ¥19bn from sales and distribution expenses and ¥20bn from labour costs and achieve ¥47bn savings from restructuring and other measures. On the labour front, ANA is looking to reduce back-office staff numbers by 1,000, offer an early retirement programme, extend working hours and cut management salaries.

ANA has launched a two-year corporate streamlining effort aimed at improving efficiency and flexibility. This year will see the number of companies in the airline group reduced from seven to four. First, the cargo operation, ANA & JP Express, will be merged into another subsidiary, Air Japan, by July. Both units are Tokyo-based and operate 767-300s. Air Japan will be the surviving entity.

Second, by October ANA will combine its three smallest passenger airline units - Air Nippon Network (A-Net), Air Central and Air Next. A-Net is a Dash 8 operator feeding to ANA at Tokyo and Sapporo. Air Central is a Nagoya-based turboprop operator. Air Next is a lower-cost airline launched by ANA in 2005 to operate 737-500s on domestic routes.

Subsequently, in FY 2011, the intention is to consolidate the four airlines into three. This will probably mean formally merging Air Nippon into ANA. Air Nippon is an old-established Tokyo-based unit that operates 30 of ANA's 737-500/700/800s mainly in domestic short-haul markets.

But the main thrust of ANA's new business plan is to grow international passenger revenues. In fact, achieving



Note: Fiscal year ends March 31st. *10/11 and 11/12 are ANA's forecasts.

ANA'S 2010-2011 AIR TRANSPORT REVENUE FORECASTS				
Yen bn	07/08	08/09	09/10F	10/11F
Other	129	148	174	172
Cargo & mail	110	94	117	131
International pax.	291	214	273	357
Domestic pax.	699	631	655	676
Total revenue	**1,230**	**1,088**	**1,219**	**1,336**

the FY 2011 goal of operating income in excess of ¥100bn ($1.1bn) relies heavily on international routes.

The business plan projects that international passenger revenues will surge from last year's ¥214bn ($2.3bn) to ¥357bn ($3.8bn) in FY 2011 – a 67% increase. In the same two-year period, domestic passenger revenues are forecast to rise by only 7%, from ¥631bn ($6.7bn) to ¥676bn ($7.2bn).

ANA believes that the international passenger revenue targets are achievable, first, because of demand growth on China and other Asian routes (even as Japan's domestic market stagnates). The Asia-Pacific region is leading the global economic recovery, which will help Japan-based carriers even though Japan's economic recovery remains fragile.

Second, ANA is uniquely well positioned to tap recovering Asian demand because of the significant increase in airport capacity in the Tokyo metropolitan area this year. In particular, the opening of Haneda Airport to more international flights in October 2010 will be a major business opportunity for the carrier.

Third, closer cooperation with Star partners United and Continental, assuming that ATI is granted later this year, can be expected to boost ANA's international passenger revenues from FY 2011.

ANA has seen accelerating demand trends in recent months, particularly internationally. As of late April, there had been no sign of recovery in unit revenues, but the airline expects half of the ¥60bn increase in international passenger revenues this year to come from RASK improvement (though almost half of that relates to fuel surcharges).

The business plan forecasts do not assume any growth opportunities resulting from JAL's restructuring or quantitative effects of ATI. The forecasts are based on an exchange rate of ¥95 to the US dollar, a market price of Dubai crude oil of US$75 per barrel in FY 2010 and US$80 in FY 2011, and a price for Singapore kerosene of US$85 in FY 2010 and US$90 in FY 2011.

On the balance sheet front, ANA is looking to modestly improve its shareholders' equity ratio (to 28% of assets), maintain interest-bearing debt at current levels and improve its debt/equity ratio from the current 2 to 1.8 times by FY 2011.

In summary, the 2010-2011 business plan aims to achieve a quick recovery in earnings this year and stable profits thereafter. The next two years will be an "evolve and survive" period, to be followed by a growth phase from FY 2012, when the next phase of Haneda international route allocations and other airport issues will hopefully have been settled.

For some years now, ANA has had the goal of becoming "the number one airline group in Asia" in terms of quality, customer satisfaction and value creation. The next few years could also make it the leading airline in Asia in terms of size.

Implications of JAL's restructuring

But ANA's fortunes are intrinsically linked to what happens at JAL, the other half of Japan's airline duopoly that filed for bankruptcy protection on January 19th and is currently being restructured with the help of ¥900bn ($9.6bn) in cash injections and loans from the state-backed ETIC (Enterprise Turnaround Initiative Corporation of Japan), the state-owned Development Bank of Japan and other major creditor banks.

JAL's restructuring poses both risks and opportunities for ANA. But JAL's plans are still far from clear; if anything, things have become increasingly complicated. JAL's trustee warned recently that the company could miss the end-of-June deadline for submitting its rehabilitation plan by as much as two months.

From ANA's point of view, the main risk is that the state support for JAL will distort competition. ANA's leadership has voiced its concerns in testimony to the government, arguing that JAL must not use public funds to undercut fares or fund new investment. Concern about the JAL impact prompted Moody's to downgrade ANA's credit ratings in November, and in part due to such concerns analysts' consensus recommendation on ANA's stock has remained at "hold".

Then there is the long-term negative impact. The restructuring will significantly reduce JAL's total ¥2,300bn ($24.5bn) liabilities. A revitalised, leaner JAL could eventually become a formidable threat to ANA.

The Japanese government has a difficult balancing act on its hands. However, based on comments by various ministers, the government seems to have taken onboard ANA's concerns and is also determined to try to even out things. ANA has secured a bigger proportion of international landing slots in Tokyo than it would normally be entitled to, and it may also get preferential treatment in future slot allocations.

Of course, ANA has already seen market share gains resulting from passengers booking away from JAL. Even United noted in its fourth-quarter call that JAL book-away may have contributed to its significant recent RASM gains on the Pacific.

JAL's contraction is obviously good news for ANA. In particular, it should provide opportunities for ANA to grow its international operations by adding frequencies or new routes. Most or all of the domestic routes that JAL is abandoning are between regional cities and of no value to ANA.

JAL's preliminary revitalisation plan in January called for the axing of 14 international and 17 domestic routes by March 2012. As a result of worsening losses and pressure from creditor banks, in late April JAL unveiled accelerated, deeper cuts for the current year: 15 international routes (86 weekly flights) and 30 domestic routes (58 daily flights) will now go by March 2011, starting on September 30th. This will bring the total number of route eliminations since March 2009 to 28 international and 50 domestic, representing 40% and 30% reductions in capacity over the 2008 level.

The international cuts include elimination of service to Rome, Milan, Amsterdam, Sao Paulo (which contains the largest ethnic Japanese population outside Japan) and Bali. ANA has not yet commented on whether it might be interested in moving into any of those markets.

Disagreement on cuts

These cuts will be part of the rehabilitation plan that JAL will be submitting to the bankruptcy court. The problem is that JAL, ETIC and the creditor banks cannot agree on the measures. The banks are demanding deeper cuts in international operations, which have been generating huge losses, while local governments are vigorously protesting the domestic cuts that could lead to local airport closures.

So the final contents of the rehabilitation plan are far from clear. It is not yet even possible to totally rule out the extreme scenario of JAL pulling out of all international service or limiting such service to the growing Asian market, which some of the banks have been calling for because they fear that the current cuts will not ensure JAL's survival. Such scenarios would obviously have fundamental impact on ANA, potentially making it Japan's sole flag carrier.

However, those scenarios are unlikely. JAL's management has stood firm on keeping international routes. JAL and

ANA are part of separate transpacific ATI applications and can look forward to profitable cooperation with their global partners.

Over the past month, ANA's share price has been inching up as several analysts have upgraded their recommendations on the stock, noting that ANA is well-positioned to grow as JAL contracts (the upgrades also reflect perceptions that demand recovery is gathering pace).

ANA's growth plans

ANA's international growth strategy focuses on three things: expanding its network and service from Tokyo taking advantage of this year's major capacity increases at Haneda and Narita airports; improving connections especially between North America and China/Asia using a Haneda/Narita "dual hub" strategy; and taking advantage of alliances and ATI to extend its global reach and grow revenues.

The increase in Narita slots took effect at the end of March when the airport's extended 2,500-metre runway B became operational. ANA is using the slots to boost frequencies on many of its Asia routes this year and to launch a new Narita-Munich route in July (Lufthansa's second hub will allow it to tap demand in southern and eastern Europe). ANA is also striving to improve China-North America and China-other Asia flight connections (also with other Star members) and will be utilising a new yield management system to help capture connecting traffic.

Tokyo's Haneda Airport will be opened up to more international flights when a fourth runway opens there in October. The runway will boost maximum annual aircraft movements by 43%, but the total slots will be increased in stages. Initially, there will be 60,000 slots available annually for international flights (half of those during the day, half late night or early morning) or 80 departure slots per day, which will be evenly divided between Japanese and non-Japanese airlines. An advisory panel has recommended that another 30,000 be added to the daytime slots by 2013, to boost international departures to 120 per day – about 30% of those at Narita Airport.

ANA's initial Haneda plans feature a new route to Taipei (its fifth international destination from that airport) and frequency increases in the four existing markets (Seoul, Beijing, Shanghai and Hong Kong) in October. The airline is also restarting a domestic route to Tokushima and boosting frequencies to Okinawa.

In addition, ANA is exploring the possibility of offering long-haul flights to the US West Coast and Southeast Asia from Haneda in the late night and early morning periods when Narita is closed. Star members United and Continental are among five US carriers competing for four daily slot pairs at Haneda from October; United wants to serve it from San Francisco and Continental from Newark and Guam.

The new Narita and Haneda opportunities mean that ANA's international passenger flights out of Tokyo are set to increase by 54% in the next two years, from 236 per week in FY 2009 to 364 in FY 2011. In contrast, ANA will be contracting at Osaka's Kansai Airport, suspending several Asian routes to reduce costs and regain profitability.

In the domestic passenger market and in cargo operations ANA is in the consolidation or damage-limitation mode. Domestically, ANA has a strong brand and competitive position, but the market is maturing and the goal is to establish a demand-supply balance and to try to improve profitability through network restructuring and efficiency measures. ANA will shift more capacity to Haneda and strengthen ties with feeder partners.

With cargo, the plan is to try to "stabilise" the operation of the Okinawa cargo hub and network, which ANA has been developing since 2006 but which was hit hard by recession. ANA has postponed the utilisation of widebody freighters (instead deploying nine medium-size freighters) and will be introducing a new cargo revenue management system and new freight charges in an effort to grow revenues.

After the Haneda "big bang" in October, ANA can hopefully turn its attention to an assortment of exciting developments affecting its long-haul operations: ATI on the Pacific, closer cooperation with United and Continental, Japan-US open skies and Boeing delivering its first 787s by year-end.

US and Japan open skies

The US and Japan reached a tentative open skies agreement in December 2009, which will for the first time allow immunised alliances; however, the US must grant ATI to alliances involving both JAL and ANA before the open skies pact can take effect. It was specifically ANA's interest in ATI that led to the Japanese government being willing to consider open skies with the US, despite its concerns about US dominance in the transpacific market.

ANA, United and Continental immediately applied to the DOT for ATI and a JV on the transpacific. JAL and American followed suit with their own ATI application in February. The DOT is expected to look at the two applications in concert. Approval seems highly likely, given that the proposals would ensure roughly equal US-Japan market shares for the three global alliances. ANA expects the authorisations by around October and is targeting the summer 2011 flight schedule for implementation.

While waiting for ATI, ANA has begun codesharing with Continental, which joined Star last year. Continental's network has offered new options for ANA customers especially in Micronesia, southern US and Latin America.

ANA is poised to benefit if UAL and Continental complete their planned merger, because it would result in a more powerful US partner and probably streamline the transpacific JV-building process. The downside would be potential integration problems and a volatile transition period, during which the US managements might have less time to focus on the JV.

The start of the 787 deliveries (still officially by year-end) will open up new long-haul expansion possibilities for ANA. The airline is believed to be considering at least two new US cities; the possibilities include Houston (Continental's hub), Boston and Miami.

ANA has 55 787s on firm order, following a top-up order for five last summer, and expects to receive eight of those in the current fiscal year. Like JAL, ANA has converted its 28 orders for the 787-3 short-range version to the longer-range 787-8. Nine 767-300ERs are acting as interim aircraft because of the 787 delays.

This year's total of 25 new deliveries will also include four 777-300ERs - the type that together with the 787 will form the backbone of the future long-haul fleet. ANA will complete its 747-400 and A320-200 retirements in FY 2010.

In December 2008 ANA shelved its long-awaited large aircraft decision; the choice had been between the A380, the 747-8 or not acquiring a new fleet at all. But, interestingly, press reports in late April quoted a senior ANA executive saying that the airline was now "more interested" in the A380 because of its positive passenger reception and because of the possibility of a Japan-Singapore open skies pact, which would allow SIA to pick up passengers from Japan to the US.

One of the challenges that ANA faces as it strives to become "Asia's number one" and strengthen Tokyo as a hub linking North America/Europe and Asia is the high level of airport charges in Japan. ANA's president Shinichiro Ito has also frequently noted that for that same reason it would be hard to launch a low-cost subsidiary in Japan.

By Heini Nuutinen
hnuutinen@nyct.net

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 rather 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	26.3	17.7		
A319 (IGW)		26.1	20.0	
A320-200 (IGW)		31.2	23.9	9.4
A321-200 (LGW)		34.9	25.8	

	NEW	5 years old	10 years old	20 years old
717-200		10.3	7.7	
737-300 (LGW A)				4.0
737-400 (LGW A)				4.1
737-500 (LGW A)				3.0
737-600 (LGW)		18.2	12.1	
737-700 (LGW)		26.5	20.6	
737-800 (LGW)		33.8	25.8	
737-900		26.3	19.2	
757-200 (RB 211)			16.4	9.9
757-200ER (PW 2040)			16.3	9.9
757-300 (LGW)			18.8	
MD-82				1.7
MD-83				2.2
MD-87				1.7
MD-88				2.4

WIDEBODY VALUES (US$m)

	NEW	5 years old	10 years old	20 years old
A300B4-600				4.3
A300B4-600R (HGW)				8.3
A310-300 (IGW)				6.0
A330-200			52.2	
A330-300 (IGW)			42.7	
A340-300 (LGW)			37.9	
A340-300 (HGW)			42.1	
A340-300ER			45.8	
A340-500 (IGW)		71.2		
A340-600 (IGW)		71.9		
A380-800 (LGW)	193.6			

	NEW	5 years old	10 years old	20 years old
747-400 (PW 4000)			42.5	18.1
767-200 (CF6)				4.1
767-300 (CF6)			18.3	9.0
767-300ER (LGW CF6)			28.3	14.5
777-200 (PW 4000)			39.3	
777-200ER	111.0	88.8	66.6	
777-300		76.4	53.4	
787-8	103.6			
MD-11P				15.9

Source: AVAC.
Note: As assessed at end-April 2010; mid-range values for all types.

NARROWBODY LEASE RATES (US$000s per month)

	NEW	5 years old	10 years old	20 years old
A318	231	168		
A319 (IGW)		245	200	
A320-200 (IGW)		270	233	131
A321-200 (LGW)		307	250	

	NEW	5 years old	10 years old	20 years old
717-200		133	107	
737-300 (LGW A)				78
737-400 (LGW A)				73
737-500 (LGW A)				62
737-600 (LGW)		152	118	
737-700 (LGW)		244	200	
737-800 (LGW)		283	244	
737-900		218	172	
757-200 (RB 211)			161	140
757-200ER (PW 2040)			164	143
757-300 (LGW)			180	
MD-82				59
MD-83				59
MD-87				48
MD-88				68

WIDEBODY LEASE RATES (US$000s per month)

	NEW	5 years old	10 years old	20 years old
A300B4-600				108
A300B4-600R (HGW)				116
A310-300 (IGW)				122
A330-200			536	
A330-300 (IGW)			451	
A340-300 (LGW)			481	
A340-300 (HGW)			506	
A340-300ER			539	
A340-500 (IGW)		769		
A340-600 (IGW)		726		
A380-800 (LGW)	1,631			

	NEW	5 years old	10 years old	20 years old
747-400 (PW 4000)			422	265
767-200 (CF6)				105
767-300 (CF6)			178	132
767-300ER (LGW CF6)			315	246
777-200 (PW 4000)			416	
777-200ER	878	751	635	
777-300		740	589	
787-8	808			
MD-11P				211

Source: AVAC.
Note: As assessed at end-April 2010; mid-range values for all types.

		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/	**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**
KLM Group	Apr-Jun 08	9,830	9,464	366	266	3.7%	2.7%	66,610	53,472	80.3%	19,744	106,700
YE 31/03	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	7,679	8,041	-362	-436	-4.7%	-5.7%	61,407	49,220	80.2%	17,264	105,925
British Airways	Jan-Mar 08	4,049	3,824	225	133	5.6%	3.3%	36,745	26,149	71.2%	7,394	
YE 31/03	**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	3,328	3,287	41	-60	1.2%	-1.8%	34,248	26,667	77.9%	7,502	
Iberia	Apr-Jun 08	2,142	2,148	-6	33	-0.3%	1.5%	16,771	13,372	79.7%		21,793
YE 31/12	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	1,589	1,784	-195	-134	-12.3%	-8.5%	14,846	11,759	79.2%		20,096
	Year 2009	**6,149**	**6,796**	**-647**	**-381**	**-10.5%**	**-6.2%**	**62,158**	**49,612**	**79.8%**		**20,671**
Lufthansa	Jan-Mar 08	8,368	8,086	282	85	3.4%	1.0%	45,131	34,828	77.2%	15,992	106,307
YE 31/12	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	8,237	7,715	522	-5	6.3%	-0.1%	47,075	36,632	77.8%	17,150	108,711
	Year 2008	**36,551**	**34,625**	**1,926**	**812**	**5.3%**	**2.2%**	**195,431**	**154,155**	**78.9%**	**70,543**	**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	9,041	9,090	-49	-109	-0.5%	-1.2%	55,395	43,110	77.8%	21,204	117,521
	Year 2009	**31,077**	**30,699**	**378**	**-139**	**1.2%**	**-0.4%**	**206,269**	**160,647**	**77.9%**	**76,543**	**112,320**
SAS	Jan-Mar 08	1,969	2,089	-120	-185	-6.1%	-9.4%	9,696	6,700	69.1%	6,803	25,477
YE 31/12	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%**	**41,993**	**29,916**	**71.2%**	**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	1,474	1,676	-202	-186	-13.7%	-12.6%	8,160	5,764	70.6%	6,055	16,510
	Year 2009	**5,914**	**6,320**	**-406**	**-388**	**-6.9%**	**-6.6%**	**35,571**	**25,228**	**70.9%**	**24,898**	**18,786**
Ryanair	Jan-Mar 08	859	792	67	-85	7.8%	-9.9%					
YE 31/03	**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	Oct 06-Mar 07	1,411	1,333	-47	-25	-3.3%	-1.8%	19,108	15,790	81.2%	16,400	
YE 30/09	**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	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**
	Jan-Mar 10	830	804	26	5	3.1%	0.6%	8,917	7,197	80.7%	3,641	8,537
American	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**
	Jan-Mar 10	5,068	5,366	-298	-505	-5.9%	-10.0%	59,296	46,187	77.9%	20,168	77,800
Continental	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**
	Jan-Mar 10	3,169	3,220	-51	-146	-1.6%	-4.6%	42,350	33,665	79.5%	14,535	39,365
Delta	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**
	Jan-Mar 10	6,848	6,780	68	-256	1.0%	-3.7%	85,777	68,181	79.5%	36,553	81,096
Southwest	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**
	Jan-Mar 10	2,630	2,576	54	11	2.1%	0.4%	36,401	27,618	75.9%	23,694	34,637
United	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**
	Jan-Mar 10	4,241	4,172	69	-82	1.6%	-1.9%	53,023	42,614	80.4%	18,818	42,800
US Airways Group	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**
	Jan-Mar 10	2,651	2,661	-10	-45	-0.4%	-1.7%	31,957	24,659	77.2%	17,931	30,439
JetBlue	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**
	Jan-Mar 10	870	828	42	-1	4.8%	-0.1%	13,557	10,412	76.8%	5,528	11,084

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	18,992
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	8,640	7,901	740	627	8.6%	7.3%	111,167	96,382	86.7%	24,558	18,511
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	73.6%	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	-1,806	-1.0%	-19.0%	77,139	55,054	71.4%	21,960	18,600
	Year 2009	7,421	7,316	105	-49	1.4%	-0.7%	80,139	55,138	68.8%	20,750	
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	19,423
	Year2008	4,671	4,579	92	74	2.0%	1.6%	52,868	35,868	67.8%	12,630	19,094
	Year 2009	3,296	3,475	-179	140	-5.4%	4.3%				12,000	
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	6,014	5,889	124	52	2.1%	0.9%	62,476	51,494	82.4%	21,038	32,386
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%	88,078	66,013	74.9%	34,250	19,972
	Year 2009							95,489	73,374	76.8%	39,840	
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	45,474
	Year 2008	7,970	8,912	-942	-690	-11.8%	-8.7%	112,767	83,184	73.8%	58,240	46,209
	Year 2009							123,440	93,000	75.3%	66,280	
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%	37,220	44,153
	Year 2009							84,422	60,918	72.2%	44,030	
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	263	169	95	23	35.9%	8.6%	5,863	4,410	75.2%	3,995	
	Year 2009	905	539	366	156	40.4%	17.3%	21,977	15,432	70.2%	14,253	

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	72.0
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
2009	322.1	219.3	68.1	227.8	187.7	82.4	181.2	145.8	80.5	603.8	488.7	80.9	912.7	701.1	76.8
Dec 09	23.6	15.3	64.6	16.5	13.8	83.8	14.5	11.8	81.1	48.1	39.5	82.1	71.2	54.7	76.8
Ann. change	-2.1%	0.6%	1.7	-5.6%	-3.0%	2.3	-4.8%	-1.0%	3.2	-4.0%	-0.9%	2.6	-2.9%	-0.2%	2.1
Jan-Dec 09	322.1	219.3	68.1	227.8	187.7	82.4	181.2	145.8	80.5	603.8	488.7	80.9	912.7	701.1	76.8
Ann. change	-5.4%	-5.5%	0.0	-6.7%	-5.6%	1.0	-5.5%	-5.9%	-0.4	-4.7%	-4.8%	0.0	-4.0%	-4.4%	-0.3

Source: AEA.

JET ORDERS

	Date	Buyer	Order	Delivery/other information
Boeing		No orders in April		
Airbus	20 Apr	Cebu Pacific	7 x A320s	

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