Aviation Strategy

Issue No: 176 June 2012

Squaring the circle

Dublin-based stockbroker Davy Securities this month held their transport investor conference in London in June. Hardly surprisingly, the airline speakers were relatively down-beat for the short term.

All expressed concerns of underlying demand weakness and the strength of the fuel price. Although oil has dipped in recent weeks to $90/bbl, dollar strength against the euro has mitigated this decline, and the outlook is as uncertain as ever. Although yields have been improving strongly in the first part of the year, this has not been enough to recover the increased cost of fuel.

Lufthansa Group

Lufthansa highlighted that it has been cutting capacity plans and was now looking at a 1% growth in overall capacity for 2012, with a 4% ceiling on capacity expansion in 2013. It concentrated on some details of its latest restructuring plans - which go under the soubriquet of SCORE.

Primarily Lufthansa is looking to improve earnings by €1.5bn over the next three years, partly through savings from better coordination within the Group itself, implementing common purchasing and a 25% cut in administrative costs. Most of the benefits are expected to come from Lufthansa Passenger Airlines, with a target of reduction on costs of some €600m and an improvement in revenues of €300m. In part this comes from plans for much reduced capacity growth and no increase in the size of the fleet before 2014. The aim is to reduce long-haul unit costs by 10% over three years and by 20% in the longer run. Overall one third of the cost savings are expected to come from staff cost reductions - with over 3,500 administrative posts to be cut worldwide.

In short-haul operations it is attacking intra-group competition, using its “low cost” subsidiary, Germanwings, as a complement to its own Lufthansa operations, particularly for non-hub flying.

It has managed to offload British Midland, expensively, to BA, but retains a problem with loss-making Austrian. Its attempts to negotiate with the unions there for a sustainable working package failed and it took the unusually aggressive stance of transferring all flight operations to the Tyrolean AOC (Austrian's regional subsidiary), which had the most

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Aviation Strategy
is published 10 times a year by
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ISSN 2041-4021 (Online)

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International Airlines Group

IAG re-emphasised the severe pressure from the weak Spanish economy and its industrial dispute with the Iberia pilots. BA operations at Heathrow were performing well - particularly on the Atlantic and particularly for premium traffic. IAG's presentation concentrated on the long term potential and emphasised the opportunities for further developing long-haul to long-haul connections through its double hub system of Heathrow and Barajas.

Intriguingly, it mentioned that the acquisition of British Midland from Lufthansa was providing multiple benefits. It has not just enabled it to recover an extra 10% of slots at the constrained Heathrow in order to reinstate some of the short- and long-haul routes it had been forced to give up over the years because of capacity limitations, but also has seemingly brought it a closer relationship with airport operator BAA. The two will be trying to promote Heathrow as the European hub of choice.

IAG is still in the early stages of integrating the merger of BA and Iberia. With potential synergistic benefits the target is to achieve a trebling of underlying operating profits by 2015 - a €1.1bn improvement to come roughly equally from revenue improvements and cost savings.

Ryanair

Ryanair also reflected the relatively weak sentiment, pointing to a weak first quarter figure for profitability (to end June 2012) and confirming current guidance for a dip in profitability for the full year to March 2013 to between €400 and €440m, down from €503m in FY 2012. With capital spending declining, as its order backlog with Boeing reaches its end (the last 11 737-800s are due to be delivered next winter), it is still on course to provide shareholders with a return of €1.5bn over a five year period through a mixture of share buy-backs and special dividends while maintaining strong cash balances (it ended its financial year in March with €3.5bn in cash and net debt of only €109m).

Perhaps significantly it suggested the possibility of a “blood-bath” arising out of competition against Wizz; both carriers moved in to fill the gap in Budapest created by the demise of Malev and have been pursuing aggressive fare wars in that market. Ryanair's opening of a base in Wroclaw in Poland is further attacking Wizz's natural strengths.

This no doubt leads to its conservative guidance of a mere 3% increase in average fares in the current year (after a 16% growth in the year to March 2012). It maintains its aim is to increase total traffic by 5% in the current financial year to 79 million passengers - while once again weighting the increase more to the summer season.

Under stockmarket rules, Ryanair is forbidden from saying too much about its recently renewed bid for Aer Lingus. However, it did give some pointers as to its decision to renew the bid. The Irish government is required to sell various state assets under the terms of the bailout agreement with the EC, and its holding in Aer Lingus is one such asset that should be sold in 2013. In order for Ryanair to be in the running to be considered to acquire the government stake, it states it would have to ensure pre-clearance from the competition authorities. It appears to believe that the recent approval of the BA/bmi deal suggests a change of opinion in Brussels, and a structural increase in Aer Lingus's free float (and reduction in the union shareholding) gives it the greater potential for general shareholder acceptance.

Vueling

The presentation from Vueling was somewhat a contrast. This is an airline that is becoming the national airline for Catalonia, and is an unusual hybrid of low cost and business oriented carrier - it has introduced assigned seating, provides a

business club/lounge product, a guaranteed middle-seat-free premium class and free newspapers. Taking advantage of the demise of Spanair, it has increased its leadership in Barcelona: with a one-third increase in passenger traffic in the first five months of this year it now has a near 30% share of the market at the airport.

While it had been used as a low cost feed for Iberia in Barajas, this experiment has stopped following Iberia's establishment of Iberia Express (all due to the Iberia scope clauses with its pilot unions limiting use of other carriers but not mentioning limitations from Iberia's own subsidiaries). Vueling highlighted the plans by the Spanish Government to increase airport passenger charges from July this year - a near doubling of the per passenger fee at both Madrid and Barcelona and a 25% increase at other AENA airports. Although this will undoubtedly affect passenger demand, it may ironically improve Vueling's relative competitive position: easyJet has already announced its plan to withdraw from Madrid as a base, and Ryanair may well follow suit at both Madrid and Barcelona.

The establishment of Iberia Express has effectively given Iberia a one off chance to change the operating economics of its short-haul feed into Barajas - with crew pay rates closer to market reality than its legacy operations - despite the resulting destruction of relations with its main pilots' union. Lufthansa also is eager to get its non-hub direct flying into positive contribution - uniquely among the European network carriers, because of the nature of the decentralised German market, it has to offer short-haul services for its major corporate clients that do not provide feed to its long-haul operations. For both IAG and Lufthansa there is the dilemma of attempting to square the circle between providing effective feed to long-haul services and making short-haul operations profitable.

One point absent from the presentations by the two major network players was any mention of the benefits of consolidation on the North Atlantic; the common theme, if any, was the wish to return short-haul operations to some semblance of profitable contribution.

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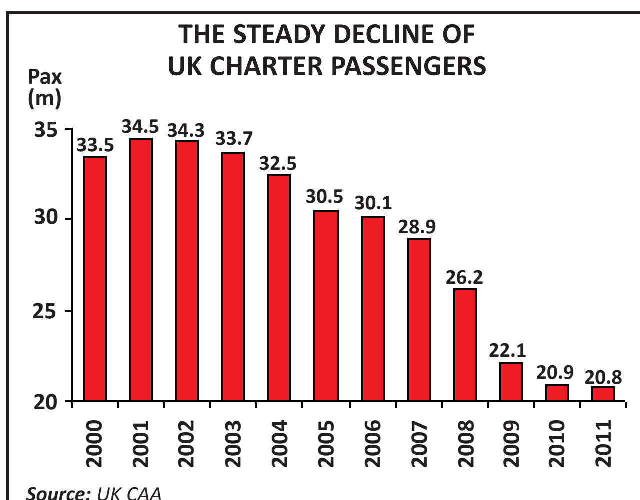
Europe's charter industry: where now?

Europe's last "Big Two" tour operators - TUI Travel and the Thomas Cook Group - have just posted massive losses for the first-half of their financial years. Can these travel giants recover in the face of the continuing decline in the charter industry, or are we close to seeing the collapse of the All Inclusive Tour (AIT) market in its current form?

In our last look at the charter industry (see *Aviation Strategy*, July/August 2010), we reported on the optimism of the Big Two in the face of continuing evidence of the structural decline of the AIT market.

That structural decline has continued. As can be seen in the chart (below), UK charter passengers have continued to fall, although it must be noted that last year's total was only slightly down on the 2010 figure. But looking at the split of scheduled versus non-scheduled capacity offered by UK airlines (see chart, page 5), non-scheduled ASKs fell to 19% in 2011 – the first time it has ever fallen below the 20% level.

Of course the current double-dip UK recession is forcing people to spend less on foreign holidays in general and more on "staycations", and the European Travel Commission says in its Q1 2012 report that "the growth trend for UK outbound appears to be softening".



Source: *UK CAA*

Regardless of the UK economy at present, the fundamental reasons for the continued decline in the AIT market are not going away - LCCs, the internet and the disintermediation of the travel agent, whose role any competent computer user can replicate with ease.

The effects of those trends are all too obvious when looking at the financial results of what survives of the European charter industry (consolidated into two giants – TUI Travel and the Thomas Cook Group). While western tour operators traditionally post a loss in the cost-heavy first-half of the year, with most profit coming in the second half-year - coinciding with the summer holiday season - in the October 2011 to March 2012 period the "Big Two" reported stunning pre-tax losses of £1.2bn – almost double the combined losses they made in the 2010/11 half-year.

The Big Two say they are changing their strategies and business models away from mainstream AITs to higher margin specialist holidays, but this about-turn just might be be a case of "too little too late", given that the structural changes in the AIT market have been clear to all for at least five years.

TUI Travel

In the first half of the 2011/12 financial year (the six months ending March 31st 2012), TUI Travel reported a 5% rise in revenue to £5.4bn, but the operating loss worsened to £407m (compared with a £303m loss in H1 2010/11) and the pre-tax loss reached £457m (25% worse than the £366m gross loss in the comparable period a year ago).

In addition, TUI is still struggling to improve its debt position. Long-term debt rose 17% year-on-year to £2.5bn as at March 31st 2012, and net debt was £1.2bn as of March 31st – £2m higher than a year earlier.

Based in Crawley in the UK, TUI Travel

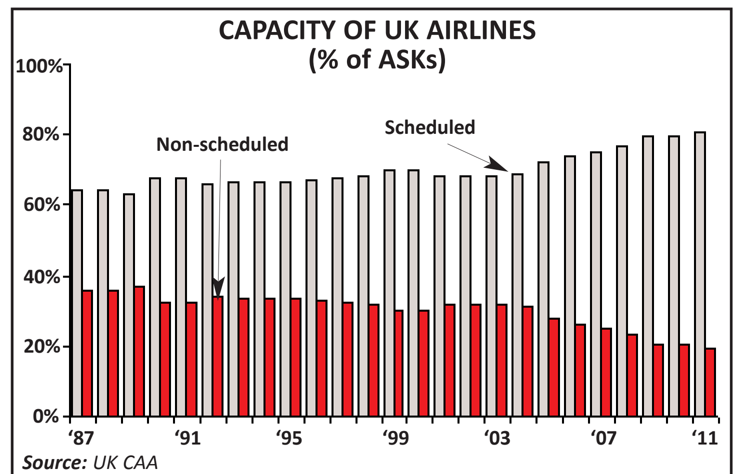
undoubtedly has been embracing the structural changes in the AIT industry, although perhaps too slowly. When TUI Travel emerged from the merger of First Choice Holidays and the tour operating division of TUI AG in 2007, it had no less than 997 travel agency shops in the UK, but by 2011 this had eased back only to 853 outlets – a reduction over four years of just 14%, or an average annual reduction of 3.8%.

Over the same four year period the proportion of sales TUI makes online has risen from 29% to 39% - and surely that figure would have been far higher if the company had prioritised online distribution more. TUI says that its "flexible retail estate network is adaptable according to demand", but with 70% of leases on its travel agencies expiring within five years, and with 35% expiring within two years, the refocus on online distribution must surely quicken. For the crucial summer 2012 season, 41% of all UK outbound holidays booked with TUI Travel have been made online (5% up on the previous year), and it's possible that online bookings could become the majority in 2013 if TUI Travel is aggressive with pruning back its high street presence.

From commodity to exclusive

As well as overhauling distribution, TUI Travel's other key strategic focus is on differentiated and exclusive products, and it's keen to stress that the group is moving away from "commodity" holiday packaging – which "is a crowded market with no differentiation" and available from multiple intermediaries, to product-driven, holiday concepts that are "designed to give the customer what he/she wants".

For what TUI terms the modern mainstream, the company is attempting to move from providing low margin, price driven commodity packages to a differentiated/all-inclusive product that offers customers "unique and innovative concepts and products" – i.e. packages that are better able to hold a decent margin. TUI argues that it's the only supplier that has the capability to offer such differentiated, higher margin product. The strategy can clearly be seen in its summer



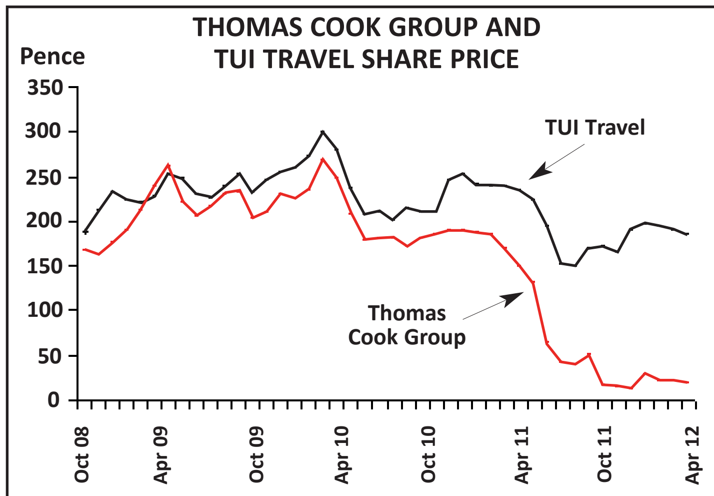
Source: *UK CAA*

2012 brochures for the Thomson brand, while by the summer of 2013 its holidays will have "in excess of 90% exclusive product".

Another strategic push is the development of an accommodation wholesale business. TUI believes the global market for accommodation wholeselling is "large and growing", in particular for the Asia-Pacific region and the Americas. TUI's businesses in this market (under the brands Hotelbeds, Bedsonline and Hotelopia) connect around 50,000 hotels globally (of which 75% are independent and 25% part of hotel chains) with 27,500 tour operators and travel agencies. The business is scalable and low risk, TUI believes, and it has built up total transaction value (TTV) in its wholesale accommodation business from £518m in the 2006/07 financial year to £1.3bn in FY 2010/11- which it says makes it the leader globally in the market and well ahead of its nearest competitor Kuoni/GTA, which has a TTV of £0.95bn.

Separate to this is TUI's online accommodation business, which sells hotels direct to consumers under the LateRooms.com and AsiaRooms brands. For the coming summer season average selling prices in this business are up 11% year-on-year and customers are up by 17%, resulting in a hefty 28% increase in revenue.

Peter Long, the chief executive of TUI Travel, says that: "The UK delivered a strong winter performance which attests to our focus on differentiated and exclusive product and being online driven – key elements of



our modern mainstream strategy". That can be seen in the table, (see page 8), where although customer bookings for the summer of 2012 are down 6% year-on-year, a substantial 9% rise in average selling prices has resulted in a 3% rise in revenue at that stage of the year (early May) compared with last year. In other markets, however, average selling prices have risen only slightly year on year, while in western Europe (defined as TUI tour operations in the French, Belgian and Dutch outbound markets) - despite flat prices - customers and revenue have fallen each by 3% (driven largely by sluggish demand for traditional French holiday destinations such as Egypt, Tunisia and Morocco).

TUI insists that "summer 2012 trading overall remains in line with expectations, with continued outperformance of the market in the UK". In absolute figures, as at May, TUI has 6.7m customer bookings for the first half of FY 2011/12, some 58,000 more than a year earlier. Those increased bookings give some hope to the group, which says that challenging economic conditions mean that it remains cautious. The group's share price has fallen sharply since the summer of 2007 (see graph, on left), although there has been a small recovery through the early part of 2012.

TUI TRAVEL FLEET

	Thomson Airways	TUIfly	Jetairfly	Corsairfly	TUIfly Nordic	ArkeFly	Total
A320	1						1
A321	2						2
A330				2 (2)			2 (2)
737-3/4/500			2				2
737-700		10	4				14
737-800	26	28	12		6	5	77
747-400				5	1		6
757-200	20						20
767-300	10		2		2	5	19
787-8	(8)						(8)
Total	**59 (8)**	**38**	**20**	**7 (2)**	**9**	**10**	**143 (10)**

Note: TUI Travel also has 20 x 737NG on order

The TUI fleet

TUI Travel's fleet comprises 143 aircraft, split between six different airlines – Thomson Airways (59 aircraft), Corsairfly (seven), TUIfly Nordic (nine), ArkeFly (10), Jetairfly (20) and TUIfly (38). More than 130 of these are on operating leases, which allows the group considerable flexibility in fleet planning – which given the underlying structural trends in the AIT market, means medium-term fleet reduction.

The group has 30 aircraft on order – eight 787s, two A330-300s and 20 737NGs (the latter of which are unallocated as yet to any of the group's airlines), which are being delivered from this year to FY13/14. However, over the next three years no less than 65 aircraft leases will expire, so after planned disposals and a handful of new leases the fleet will ease back by more than 30 aircraft by the 2013/14 financial year, where it will be around the 112 aircraft mark.

Based in Luton, Thomson Airways carried 10.6m passengers in 2011 – well down on the 12.2m it carried back in 2008. The airline operates a fleet of 59 aircraft with five different models, and has eight 787s on order, which will start arriving in the summer of 2013 (making Thomson the first UK airline to operate the model) and which will be used initially on routes to Mexico and Florida. Thomson's charter network out of the UK currently covers more than 80 holiday destinations, more than 60 of which are in Europe.

Outside the UK the group's largest airline is TUIfly, the Langenhagen-based charter carrier that operates 737s to more than 80 destinations in Europe, North Africa and the Middle East. In Belgium Zaventem-based Jetairfly operates 737s and 767s for local tour operator Jetair, and carried 2.2m passengers

last year, while ArkeFly is based at Schiphol and operates 737s and 767s for TUI's Dutch tour operator subsidiary. And based in Stockholm with 737s, 747s and 767s is TUIfly Nordic, which provides charter capacity for the group out of the Norwegian, Finnish and Swedish markets.

French airline Corsairfly operates A330-200s and 747-400s on charter and scheduled routes around the globe, but is being repositioned by TUI Travel as a specialist long-haul scheduled airline. The group had been struggling with an effective strategy for Corsairfly for several years, as the 580-seat capacity of its five ageing 747-400s were too big for the AIT market, often leading to flights that had load factors well below those needed for charter operations. Over the last two years 25% of the workforce has been made redundant and plans made for two A330-300s on order to replace 747s (which will arrive in the 2012/13 financial year). In the first half of the 2011/11 financial year (the six months to the end of March 2012), Corsairfly made an underlying operating loss of £16m, but the group is hopeful it can break even soon as a scheduled airline, under a new brand that will be called Corsair International.

Jet4you is a Moroccan LCC based in Casablanca that TUI Travel fully acquired in 2008 and which formerly operated 737s, carrying 0.9m passengers in 2011. However it didn't fit in with the group's overall strategy and was put up for sale in 2011, though an expected deal with Royal Air Maroc failed to materialise. The airline is now being integrated into Belgium's Jetairfly, and this process is expected to be completed by the end of the year.

TUI Travel also owns 6.9% of German LCC Air Berlin, which operates a fleet of 118 aircraft but which is not analysed as part of this article as it provides no charter capacity to TUI Travel's AIT operations.

With such a large fleet, fuel accounts for approximately 10% of all of TUI group costs, and as at early summer TUI had hedged 88% of its fuel needs for the summer season.

Thomas Cook

The Thomas Cook Group (the company that was created from the merger of Thomas Cook AG and the UK-based MyTravel Group in 2007) is perhaps facing the greater challenge.

Back in 2010, Manny Fontenla-Novoa - the CEO of the Thomas Cook Group (TCG) at that time - insisted his company was adapting well to change in demand, and that its performance "demonstrates the resilience of the package holiday".

That optimism has clearly turned out to be wrong. In the six month period to the end of March 2012, the TCG saw revenue rise 2.5% year-on-year to £3.5bn, but the operating loss worsened from £198m the same period in 2010/11 to £643m in H1 of the 2011/12 financial year. The pre-tax loss similarly rose from £269m a year ago to £713m in the six months to March 2012. To underline the challenges facing TCG, net debt rose from £1.1bn as at March 2011 to £1.4bn at March 31st 2012.

As a result of these troubled set of results, TCG - based in Peterborough in the UK - has had to undertake drastic action. In late May TCG sold Spanish hotel business HCV and sold and leased back a number of aircraft, in deals that raised £293m, but which – ominously – were recommended for shareholder approval with a plea that if rejected that would "result in the company seeking the appointment of administrators". Earlier in May TCG had already sold Thomas Cook India for gross proceeds of £94m.

Also in May this year the group agreed a new financing deal with its banks, with existing facilities for £1.4bn extended until May of 2015, with all but £200m of that being at a rate of 3.5% over LIBOR.

Those deals are crucial to the ongoing survival of the group, but equally as important will be two key management changes - Harriet Green (currently at Premier Farnell, an electronic parts distributor) will become group CEO from July 30th (taking over from Sam Weihagen), while a new group CFO, Michael Healy, starts work from July 1st.

Strategic review

This new management team will have to consider a strategic review held by the group earlier this year, out of which the following key priorities for the business arose:

• Continue to drive the turnaround of UK business;
• Build on "solid performances" in Northern Europe and German businesses;
• Address underperforming businesses, particularly in North America, France and Russia;
• Stabilise the capital structure through the agreement of longer dated, more flexible financing facilities; and
• Reduce debt and "improve the resilience of our financing and capital structure" through asset disposals.

In the UK, TCG has a target of a £140m increase in profitability by the 2013/14 financial year, and the group says that in the current FY it will reduce annual costs or improve revenue by around £60m, which will "help mitigate the difficult trading environment".

That total £140m target will come via from a variety of measures, but in terms of the fleet TCG has already reduced UK-based aircraft by six over the 2011/12 winter season, with 300 associated employees (pilots and cabin crew) leaving by the end of the financial year. Long-haul flights will be cut back and seat-only sales will be increased and these measures will increase the bottom line by £10m a year, the group says - which still leaves £130m a year cost-savings or revenue improvement to come from other areas.

These will include better yield management with, for example, cutting the average "discount level" in retail shops from 5% to 3%; and reducing the number of retail travel agencies (100 closed since October 2011 and another 15 going by the end of the current FY), which will result in a reduction in headcount of approximately 850. More than 500 "under-performing" hotels - around 22% of all former TCG properties - have also been axed from the group's summer 2012 brochures and replaced by 150 new hotels that are focussed on "differentiation and exclusivity". Finally, other measures being introduced include paperless ticketing and a 20% reduction in the number of holiday brochures.

Separate to these actions, in May TCG sold 19 and leased-back 19 aircraft for total proceeds of around £183m – this comprised 11 757s and two 767s sold to Guggenheim Aviation Partners (which realised $203m) and six 767s sold to Aircastle Advisor (which generated $92m). These 19 aircraft were originally delivered between 1992 and 2000, and 17 of them are operated by Condor and the remaining two are in the UK fleet.

Overall, total UK bookings for the summer of this year are 1% down as at the same period last year, but as the table (on left) shows, there is a significant difference between mainstream bookings - where a reduction in capacity and a higher average selling price has resulted in an 8% fall in bookings year-on-year - and specialist and independent holidays, where bookings are up 10% (though no capacity and average selling price data has been released by TCG).

While the UK business is the most troubled part of the TCG empire (and the largest part, accounting for 28% of entire group revenue and 66% of total underlying losses), similar - but less drastic - measures are being taken in other territories, such as signing a contract with WestJet to supply flexible capacity in the North American market. TCG's most troubled outbound market outside of the UK is western Europe, and specifically France, where unrest in north Africa is hitting summer bookings.

Overall TCG argues that its UK turnaround programme is making good progress and that "underperforming businesses are being addressed", but the new management team

SUMMER 2012 BOOKINGS
(Change on summer 2011)

	Capacity	Average selling price	Customers	Revenue
TUI TRAVEL				
Mainstream holidays				
UK		9%	-6%	3%
Nordic Europe		1%	3%	3%
Central Europe		1%	3%	4%
Western Europe		0%	-3%	-3%
Specialist/activity holidays		N/A	N/A	5%
Online accommodation		11%	17%	28%
THOMAS COOK GROUP				
UK mainstream	-12%	4%	-8%	
UK specialist/independent	N/A	N/A	10%	
Central Europe	0%	1%	1%	
West Europe	-13%	4%	-10%	
Northern Europe	-3%	4%	-6%	
Airlines Germany	7%	5%	4%	

Note: As at early May 2012 for TUI and late May 2012 for TCG, compared with figures at the same date a year earlier.

	Thomas Cook Airlines	Thomas Cook A/L Scandinavia	Thomas Cook A/L Belgium	Condor	Condor Berlin	Total
A319			1			**1**
A320	7	2	5		12	**26**
A321	4 (6)	6 (12)		1		**11 (18)**
A330	4	4				**8**
737-800				1		**1**
757-200	17					**17**
757-300	2			13		**15**
767-300	3			11		**14**
Total	**37(6)**	**12 (12)**	**6**	**26**	**12**	**93 (18)**

THOMAS COOK GROUP FLEET

will have a very tough job to turn the group around and maintain a future for the group in anything resembling its current scale. Since early 2010 the TCG share price has plummeted (see graph, page 6), and it will take a superhuman effort from the company to recover.

The TCG fleet

In terms of its fleet, TCG operates 93 aircraft, split between the UK-based Thomas Cook Airlines (37 aircraft), Thomas Cook Airlines Scandinavia (12), Thomas Cook Airlines Belgium (6), Condor (26) and Condor Berlin (12).

Manchester-based Thomas Cook Airlines carried 7.5m passengers in 2011 from more than 20 UK airports to around 80 holiday destinations, but this passenger figure was 7.6% down on the total for 2010. Its mixed fleet includes A320s, A321s, A330s, 737s, 757s and 767s, and TCG appears tortuously slow in slimming down its range of models. It also has six A321s on order. Thomas Cook Airlines Scandinavia operates out of Copenhagen with A320s, A321s and A330s, and has 12 A321s on order, while Thomas Cook Airlines Belgium operates six A320 family aircraft.

Based in Frankfurt, Condor operates from multiple German airports to 57 charter destinations around the world, including Africa, the Asia/Pacific region and the Americas, with a fleet of A321s, 737-800s, 757s and 767s. In May Condor received its first A321, on lease from BOC Aviation, and this is the start of a complete fleet overhaul, with all its 757s being replaced by A320 family aircraft over the next five years. In 2011 Condor carried 6.2m passengers, 7.7% up on 2010, and had an impressive load factor of 89.6%. Sister airline Condor Berlin is based out of Schoenefeld airport with A320s, and it too is undergoing a medium-term fleet renewal programme.

The Condor airlines are reported separately in the Thomas Cook Group as the "Airlines Germany" business unit, and in the six months to the end of March 2012 it saw revenue rise by 11% to £506m, though it made an underlying operating loss of £3m (compared with a £12.3m profit in the previous half-year period), thanks to higher fuel costs and lower yield.

Fuel accounted for 10% of the Thomas Cook Group's entire costs in H1 2012 (compared with 9% a year ago), As at the end of May TCG had hedged 86% of its summer 2012 fuel needs and 37% of its winter 2012/13 needs, though no details of what prices they were hedged at have been released.

Monarch Airlines

The largest of the remaining independent charter airlines is Monarch Airlines. The carrier is part of Monarch Holdings, which is owned by travel group Globus that in turn is controlled by the wealthy Swiss-based Mantegazza family, which started its first travel company back in the 1920s. The Monarch group employs 3,125, of which 355 are in tour operations, 700 in aircraft engineering and 2,070 in Monarch Airlines (with the latter including 400 pilots and 1,260 cabin crew). Its brands include tour operators Cosmos Holidays and Archers Direct, as well as charter flight-only specialist Avro.

Monarch has gone through a torrid time in recent years. In the 12 month period ending October 2011 Monarch reported an operating loss of £45m (compared to a £1.4m profit in 2009/10) thanks partly to rising fuel prices (which took £50m off the bottom line) and the Arab Spring (which knocked another £25m away).

As a result, in October 2011 the Mantegazza family put a reported £75m cash injection into the group – just two years after

similarly putting £45m into the company following losses in that year. Incidentally, just a month after this injection Monarch - which is reticent to release any financial information other than the minimum required by law (and which makes analysis of its finances almost impossible) - switched its legal status in the UK from a public limited company to private limited company.

That £75m is being used partly to fund the group's current strategy to expand its scheduled services significantly, with the AIT business taking a relative backseat in favour of seat-only flight sales, as part of a major turnaround plan aimed at returning it to profit by 2013 after a small loss in 2012.

However, the shift from charter to scheduled was signalled at Monarch as long back as a decade ago, but the group has found it difficult to wean itself away from charter flights. Now, however, given the structural changes ravaging the AIT market, it has little choice but to try and make the changes it should have completed many years ago. Of course this brings Monarch Airlines into direct competition with Ryanair, easyJet and others on its scheduled leisure routes into the Mediterranean, and whether there exists a viable niche between the LCCs and full service airlines on leisure routes remains to be seen.

As with the Big Two, Monarch's AIT operations are becoming more flexible in terms of what customers can choose and package together. For its airline product the company has launched so-called "Air Packs", which allow customers to buy extras such as allocated seating, hold baggage, online check-in and flexible booking alterations.

Based at Luton airport, Monarch Airlines operates a mixed 32-strong fleet, including A300B4-600s, A320s, A321s, A330s and 757s. In 2011 those aircraft carried 5.7m passengers, some 2.4% down on the total for 2010 and 13% less than the 6.5m passengers Monarch Airlines transported in 2008. The airline operates from various UK airports to more than 50 leisure destinations, on both charter and scheduled services (with the scheduled operation having an FFP called the Vantage Club).

Monarch had six 787s on order and options for four more aircraft, which were to be used for long-haul charters and potentially transatlantic scheduled services, but these orders were cancelled in September last year, and the airline will focus on short- and medium haul scheduled routes in the future.

In May the airline announced it was opening a base at East Midlands in the late summer, as it seeks to fill the gap left by the imminent closure of bmibaby, with new scheduled routes to Tenerife and Lanzarote being added to existing services out of the airport to Malaga, Faro and Alicante. An Ibiza route will open in the summer of 2013.

This summer Monarch is also starting routes from Birmingham to Barcelona and Nice and it is adding extra frequencies on other routes out of the airport, which last year had services to 20 destinations and carried 0.9m passengers. And for the winter 2012/13 season Monarch is launching 12 new routes, including services from Leeds Bradford International airport for the first time.

In the next two years Monarch wants to increase its fleet to 40 aircraft and carry 10 million passengers a year, but that may prove to be overly ambitious.

The challenges that Monarch faces are not helped by the recent turnover of top management. CEO Conrad Clifford stepped down in February this year after just 18 months in the position and executive chairman Iain Rawlinson has taken on the CEO functions in the meantime. Group finance director Simon Tucker resigned earlier this year, to be replaced by Robert Palmer (a former CFO at BMI), while Monarch Group COO Richard Mintern left at the end of May.

However in a recent announcement, ex-easyjet and Royal Jet CFO Richard Roth has been appointed group director of performance management and turnaround, and the board has also been strengthened, with the non-executive appointments of Sir Roy McNulty (former head of the UK's CAA) and Austin Reed (former CEO of BMI), who will both join in July.

The inherent problem that the group faces is that that it doesn't have the scale of TUI Travel or the Thomas Cook Group, and it faces fierce competition in the UK from easyJet and Ryanair on scheduled services to leisure destinations.

Southwest: At last, concrete plans to go international

Southwest Airlines may still be in a "no-growth" mode and posting lacklustre profits, but the low-cost pioneer has multiple strategic initiatives in the works that should help kick-start earnings and ASM growth in the coming years. Significantly, Southwest finally has concrete plans to become a major player in near-international markets.

On the international strategy front, the past two months have seen two important announcements. First, Southwest announced in April that it would replace its existing simple reservations system with a global system by Amadeus. This will give it the capability to serve international destinations by 2014 (along with more sophisticated revenue management and other benefits).

Second, in late May Southwest made the spectacular announcement that it would spend $100m of its own funds to build an international terminal at Houston Hobby and use it to launch significant expansion in the US-Latin America markets from 2015.

These moves are important in many respects. They will mean a new growth phase at Southwest, which has been in a no-growth mode since 2007. US-Latin America markets will gain a strong new player, one that will stimulate traffic with low fares. The competitive implications are also significant, as was illustrated by United Continental's dramatic immediate announcement that it would contract by 10% at Houston IAH, its main gateway to Latin America.

The past six months have also seen Southwest reach significant milestones and make important decisions about fleet strategy. December saw the long-awaited 737NG replacement decision. Southwest placed a launch order for 150 737MAXs, for delivery from 2017. The $19bn Boeing deal also included 58 additional 737NGs, which will accelerate the retirement of the carrier's 737 Classic fleet.

In January Southwest took the decision to retrofit its 370-plus 737-700 fleet with an upgraded cabin interior. The $60m "Evolve" project, expected to be completed by early 2013, will ensure a uniform high-quality product throughout the fleet and allow six additional seats to be installed. The revenue potential of the programme is conservatively estimated at $200m annually.

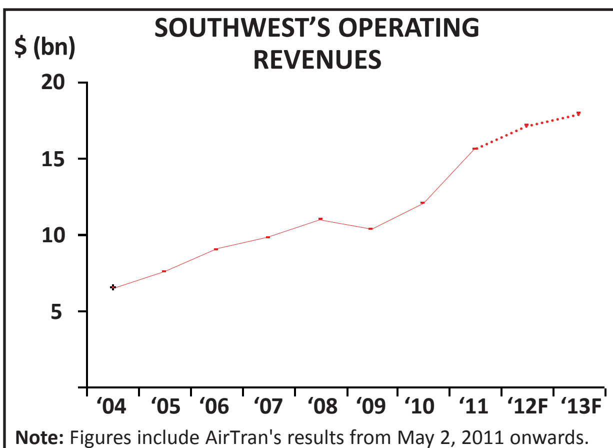
In March-April Southwest received and introduced to commercial service its first 737-800s. The type, which offers 38 more seats than the -700, will lower unit costs, enhance scheduling flexibility and open up potential new long-haul markets like Hawaii, Alaska, Canada, Mexico and the Caribbean. Southwest has 78 737-800s on firm order, of which 34 will arrive this year (most of which will be ETOPS certified and equipped).

And Southwest has even found a good home for the 717s that came with the AirTran acquisition. Under a late-May tentative deal with Delta and Boeing Capital, it will sublease all 88 717s to Delta between the second half of 2013 and 2015.

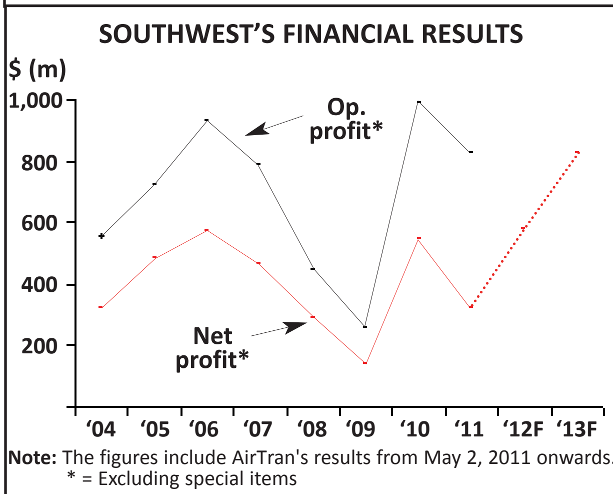
Of course, Southwest's biggest project is the integration of AirTran, following the closing of the acquisition in May 2011. This project has turned out to be more complicated and time-consuming than envisaged. Southwest has also decided that its immediate priority is to implement the necessary technology to support international service. So, Southwest has deferred connecting the two brands and networks until 2013-2014.

Nevertheless, securing a single operating certificate (SOC) from the FAA in March was an important milestone, enabling the airlines to begin combining operations. Southwest is projecting $400m of annual synergies from the merger (excluding acquisition and integration expenses).

Another major strategic initiative is the all-new "Rapid Rewards" FFP, launched in March 2011. The programme has exceeded expectations in terms of attracting more members and generating revenue, and as it is further developed, should ultimately gener-



Note: Figures include AirTran's results from May 2, 2011 onwards.



Note: The figures include AirTran's results from May 2, 2011 onwards.
* = Excluding special items

ate "at least several hundred million dollars a year" in pretax contributions.

Southwest hopes that these "transformative" strategic initiatives will kick-start its earnings growth and help it attain its 15% ROIC and other financial targets in the next couple of years, which would enable it to resume fleet growth. The projects will certainly mean many exciting network expansion opportunities.

It will be interesting to see if all of that will help Southwest's share price which, despite the carrier's success, has gone nowhere in the last decade.

Plans to go international

Southwest has long contemplated near-international service. Earlier plans to codeshare with WestJet to Canada and with Volaris to Mexico were supposed to be the first step in the process, but the WestJet plans fell through in 2009 (after the Canadian carrier forged a similar relationship with Delta) while cooperation with Volaris, which began in late 2010, has been described as an "international connect" service – somewhere between an interline agreement and a codeshare.

One of the key attractions of AirTran was that it brought to the union a modest near-international network covering key leisure destinations in the Caribbean and Mexico and with annual revenues of $74m in 2011. When the merger closed in May 2011, AirTran operated at least weekly, and in some cases daily, scheduled flights from Atlanta, Orlando or Baltimore/Washington to Aruba, Cancun, Montego Bay, San Juan, Nassau, Punta Cana and Bermuda. Over the past month, Mexico City and Cabo San Lucas have been added to the AirTran network, and the carrier has introduced international services from four additional US cities (San Antonio, Austin, Orange County and Fort Lauderdale).

But Southwest has not been able make the most of these developments – be it codeshares with Volaris and AirTran or taking over some of AirTran's services – because of its struggles to upgrade its reservations technology to handle such activities.

Southwest did realise early on that it needed a brand new reservations system to handle international bookings. In September 2010 the top executives disclosed that they had even narrowed the choice to two systems, but it then took another 19 months for the company to announce its choice.

Southwest is often asked why its technology projects move so slowly. First, Southwest was built very differently from either the legacies or the later-generation LCCs. It was built to do one thing and do it well: carry passengers from A to B domestically. The simplicity meant low costs, but as the times changed, Southwest did not have the flexibility in its systems to exploit other opportunities.

Second, Southwest likes to move at a slow, measured pace. It wants to make absolutely sure that it gets things right. It is a very conservative company.

Third, Southwest has been undertaking

multiple demanding projects since mid-2007, when it decided that it needed to find new ways to compensate for the waning of its former advantageous fuel hedges. Before the current projects, there was a multi-year effort to develop technology to facilitate new revenue initiatives, ancillary products and network optimisation. Those efforts were hugely successful, which bodes well for the upcoming technology projects.

Furthermore, until very recently the AirTran integration was considered a priority over the replacement of the reservations system. This has now changed: Southwest has delayed key aspects of the merger integration and now regards the Amadeus project as a priority.

The plan is to get the Amadeus technology in place to allow Southwest to offer international flights by 2014. It seems likely that the initial international services will be those transitioned from AirTran – currently nine destinations in the Caribbean and Mexico.

At this stage Southwest is looking to keep Amadeus separate from its existing domestic reservations system (Sabre) and AirTran's system (Navitaire). However, in the next two years Southwest also has to decide on a single system for domestic operations. Ideally, if all goes well with the implementation of Amadeus for "Southwest International", Amadeus would also replace the domestic systems.

Prioritising international capabilities received further impetus in late May, when Houston City Council approved Southwest's plans to build an international terminal at Houston Hobby (HOU), its sixth busiest airport. This followed feasibility studies by Houston Airport System (HAS), public consultations and an intense "Free Hobby Airport" campaign by Southwest, which had initially proposed the idea in early 2012.

The $100m project is very attractive to the Houston authorities because, unusually, it is to be financed by Southwest at no cost to the city. There will be no debt issued by Houston and no general revenue funds will be used, meaning no passenger facility charges. The plan is to build five gates and a customs/immigration facility, all to be owned by the city. Southwest will have rent-free access to four gates and the fifth will be available for other airlines.

Southwest said in late May that the work would begin immediately and was expected to take a couple of years. The facility would be ready for international service "sometime in 2015". Southwest anticipates operating 20-25 daily flights from the terminal within eight years to destinations in Mexico, the Caribbean and Central and South America.

Securing approval for the project was an important victory over United Continental, which had lobbied fiercely against it. United is concerned about the impact on its major hub at IAH, which currently offers around 88 daily flights to 54 destinations in Latin America, one of United's fastest-growing markets. While Southwest would be a small player compared to United in those markets, an added concern for United is Southwest's ability to attract business traffic to HOU, which is closer to downtown than IAH. Since United controls 95% of the seats from IAH to Latin America, it would have been happy for Southwest to secure a few slots for international service at IAH, which could also have provided additional feed to United's services.

While the Hobby project was undoubtedly approved on its own merits (the city vote was 16 to 1), the decision may also have reflected United's reduced political clout in that city. Continental used to be considered Houston's hometown airline, but after the merger the combine's headquarters were established in Chicago.

Southwest has its roots and headquarters firmly in Texas. It has served Hobby since 1971, when it persuaded the city to reopen the airport after Continental and other airlines had relocated to newly opened IAH. Southwest currently operates 134-plus daily domestic flights from Hobby.

Houston, with its sizable Latin population and large local market, is probably the best available gateway to Latin America for Southwest, because the 1979 Wright Amendment prohibits nonstop international service from Southwest's home base at Dallas Love Field. In 2006 Congress passed a reform act that immediately relaxed and will fully abolish the Wright Amendment's

domestic service restrictions from 2014. Southwest will then be able to fly to any US destination from Love Field. This means attractive longer-term domestic growth opportunities. Love Field is in the middle of its own major modernisation and expansion projects; just a few weeks ago the airport launched another $155m Southwest-backed municipal bond deal (following the issuance of $310m of special facilities revenue bonds in 2010) to help finance a new terminal building and other facilities.

It was a long, contentious and time-consuming battle to get the Wright Amendment's domestic restrictions abolished. CEO Gary Kelly commented recently that Southwest intends to honour the 2006 agreement and will not press for the relaxation of international restrictions from Love Field.

Perhaps that will be a battle for a later date. Eventually Southwest may feel disadvantaged for not being able to operate both domestic and international services from its home base. For the time being, it is still very much a point-to-point carrier, even though connecting traffic is a growing component of its total traffic.

It also makes sense for Southwest not to rock the boat too much at present, because there could be changes and new opportunities in Dallas resulting from AMR's Chapter 11 restructuring and potential merger with another carrier. Southwest's leadership has wisely not commented on this subject at all.

On the Houston developments, United disappointed many with its announcement of immediate cuts at IAH, even though Southwest's services would not begin until 2015. United said in a memo to employees that as a "direct result of the city's approval of the Hobby expansion", it would begin a 10% reduction in planned intercontinental capacity this autumn, which would lead to 1,300 job cuts. United also cancelled its original plans to deploy the 787 on the Houston-Auckland route; instead the first aircraft will now launch Denver-Tokyo services in March 2013. However, some industry observers have argued that those were overdue network changes that United needed to implement anyway.

Southwest has been widely commended for "attacking this market so boldly and so directly", as the website Motley Fool put it. Offering to build a new $100m terminal, and having control or much say over the details of the facilities, has to be a better strategy than trying to get a few slots at an airport that is also a major hub for United.

Southwest can certainly afford the $100m investment. It had $4.6bn in unrestricted liquidity at the end of March ($3.8bn of cash and an $800m undrawn revolving credit line). Its lease-adjusted debt-to-capital ratio is only 46%, down from just over 50% after the AirTran acquisition in May 2011. It remains the only investment-grade rated US airline.

Where might Southwest fly from the Hobby international terminal? No specific destinations have been mentioned by the airline at this stage, but a recent study commissioned by HAS envisaged Southwest adding service in two phases to 12 destinations. Most of those are in Mexico, but the list also includes San Jose and Liberia in Costa Rica, San Salvador (El Salvador), Bogotá (Colombia) and Caracas (Venezuela). Southwest is likely to initially focus on cities already served by AirTran, such Cancun, Mexico City and Cabo San Lucas. Although its 737s would be able to reach Peru and northern Brazil from Hobby, the airline may prefer to focus on the key leisure markets closer to home.

Southwest's position as the largest US carrier in terms of originating domestic passengers makes it well positioned to add international service. CEO Kelly noted at a recent conference: "One out of four customers in the US fly Southwest. They would love to fly us especially to some of the leisure destinations in the Caribbean and Mexico".

Kelly described the Hobby plans as a "classic opportunity for us to go into high-fare markets and stimulate the market and make some money". The HAS study estimated that average one-way fares would be lowered by as much as 50-80% in all 12 markets.

The HAS study suggested that the top three Mexican LCCs – VivaAerobus, Volaris and Interjet – would also be interested in operating to Hobby. The consultants calculated that, under the scenario of four LCCs operating 161 weekly frequencies on 12 routes,

Southwest would capture 20% of Houston-Latin America short-haul market. The Mexican LCCs would have 7%, while United/Star's share would decline to 73%.

The AirTran integration

Even as the immediate priorities have shifted, the full integration of AirTran is still Southwest's most important strategic project in terms of the contribution to the bottom line over the next 2-3 years.

The goal is to achieve $400m in annual pretax synergies through schedule optimisation, revenue management, FFP integration, distribution and cargo. One-time acquisition and integration expenses are expected to total $500m. Officially the $400m target is still expected to be reached in 2013, but some analysts feel that may not be possible now that combining the brands and networks has been delayed until 2014. As of March 31, Southwest had incurred $155m of the $500m anticipated one-time costs.

Nevertheless, there has been much progress on integration since AirTran became Southwest's wholly-owned subsidiary in May 2011. The key labour groups – pilots and flight attendants – and all but a few smaller groups have successfully negotiated and ratified seniority list integration agreements – a crucial step in the integration process. Southwest has consolidated AirTran's headquarters and non-operational functions into Dallas and transitioned 400 employees. The executives said in late April that customers would "soon" be able to use their FFP miles for both airlines.

The single operating certificate allows Southwest to begin the transfer of AirTran aircraft, airports and employees. All of that will unfold in 2012, 2013 and 1024. The target is to be fully integrated "as of 2015".

Plans for this year are rather modest: just 11 of AirTran's 737s converted to Southwest livery and interiors. Many of the 737s will remain in the AirTran unit until 2014 because they are used in international operations. The process of transitioning AirTran's airport facilities and associated employees will begin this August.

It appears that Southwest tried to move faster with integration and ran into some difficulty earlier this year. Several flights that were converted from AirTran to Southwest in Atlanta had to be reverted back to AirTran, because Southwest was unable to coordinate the multiple changes. Commenting on this, CEO Kelly suggested that the Southwest-AirTran integration is especially difficult because the airlines are so different. AirTran has a business class; Southwest is all-coach. AirTran assigns seats and charges baggage and other fees; Southwest does not.

Add to that what one analyst described as Southwest's "archaic, customised computer reservation system", and it is easy to understand why Southwest wants to take it slower. Its initial intention was to "codeshare" with AirTran's network by mid-2012, but cross-selling will now not take place until 2013. However, Southwest believes that the profit effect is negligible, because it will be losing AirTran's fee income (worth $300m annually) once the products are harmonised.

In fact, because of that trade-off – AirTran's fee income versus Southwest's superior RASM performance – it makes sense financially to implement the transition in as short a period of time as possible. In other words, it may make sense to delay the transition until Southwest is completely ready for it in terms of technology etc. In Kelly's words: "The real value of the AirTran acquisition and the synergies of the networks will be when AirTran is fully integrated", when it is all-Southwest product and brand.

Needless to say, Southwest is not wavering on its decision to eventually eliminate AirTran's bag fees. Kelly called the evidence "undisputable" that the "no hidden fees" policy is a revenue-positive for Southwest. Even though AirTran seems so much more up-market with its business class and assigned seating, it has a much lower business passenger mix ("probably less than 25%") than Southwest ("no less than 35%, probably more than 40%").

Southwest has been optimising AirTran's standalone network, improving its revenue management and reducing its costs, with some great results. This year AirTran is withdrawing from 15 unprofitable small markets and redeploying the capacity in

SOUTHWEST'S 737 DELIVERY SCHEDULE

	Firm -700s	Firm -800s	737NG options	Extra (leased) -800s	Firm 737 MAXs	737MAX options	Total deliveries
2012		26		5			**31**
2013		41					**41**
2014	35	4	15				**54**
2015	36		12				**48**
2016	31		12				**43**
2017	15		25		4		**44**
2018	10		28		15		**53**
2019					33		**33**
2020					34		**34**
2021					34	18	**52**
2022					30	19	**49**
2023						23	**23**
2024						23	**23**
Thru' 2027						67	**67**
TOTAL	**127***	**71**	**92**	**5**	**150****	**150**	**595**

Notes: Delivery schedule as of March 31, 2012. * = Southwest has flexibility to substitute 737-800s or 737-600s for 737-700 firm orders.
** = Southwest has flexibility to accept MAX 7 or MAX 8 deliveries.

international markets.

In February Southwest took over some of AirTran's slots and began testing the Atlanta market with its own flights. By August this operation will grow to 26 daily flights to 11 destinations – paling in comparison with AirTran's 165 daily flights and 47 destinations from Atlanta. The routes have exceeded expectations for both traffic and revenue performance. Both the AirTran and Southwest brands appear to be successful at Atlanta. Southwest has already decided that it will not retain AirTran's hub-and-spoke model at Atlanta; it will be Southwest's typical point-to-point network.

The other interesting new opportunity this year is Washington National (DCA). Southwest is one of four new entrants that have been granted slots at DCA for new flights longer than 1,250 miles (a relaxation of a law from the 1960s). The airline will add a daily Austin-DCA service on July 8, its first to that airport. Southwest will gain what it describes as a "meaningful presence" at DCA when it takes over AirTran's dozen or so daily departures.

The late-May tentative deal to sublease AirTran's 88 717s to Delta hinges on the ratification of a pilot contract at Delta this summer. If all goes well, the aircraft will be delivered to Delta over three years, starting in the second half of 2013. Currently, Southwest plans to keep its total fleet count relatively flat in that period. All pilots would train and transition into the 737 fleet; AirTran's flight attendants and maintenance staff are already trained on both aircraft types.

Growth versus ROIC

Southwest may be an LCC with growth in its DNA, but it is also a very fiscally responsible company that takes financial targets and shareholder returns very seriously. As it encountered financial challenges and saw profit margins weaken in the late 2000s, Southwest stopped growing. In the three years up to and including 2010, its ASMs fell by 1.2%. The addition of AirTran boosted ASMs by 22.5% in 2011, but this year will again see flat capacity. Southwest's recent decision to defer 20 737-800 deliveries from 2013 and 10 from 2014 to 2017-2018, which will reduce 2012-2014 capital spending by about $1bn, indicated that 2013 will see at best minimal capacity growth.

Southwest does not intend to grow its fleet until it hits its profit and financial targets. In fact, it expects to end this year with seven fewer aircraft in the combined fleet, after retiring 40 older 737s and bringing in 33 737-800s. The larger size of the 737-800s and the additional seats on the retrofitted 737-700s will make up for the difference, resulting in flat ASMs.

The main aim is to achieve a 15% pretax ROIC, which would require ex-item net income of $1bn. Last year Southwest made $330m and achieved a 7% ROIC (including AirTran); its 5% operating margin was below the industry average. In 2010 Southwest had a 10% ROIC and a 10% operating margin.

The targets are unlikely to be achieved in 2012. Current analyst consensus estimates are in the $550-600m range, though much will obviously depend on fuel prices. 2013 is clearly a possibility, because the real benefits from many of the current strategic initiatives should begin to be felt next year. Southwest has flexibility with the retirement rate of the 737 classics to step up growth if desired.

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Freighter 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 and are are not based exclusively on recent market transactions but more reflect AVAC's opinion of the worth of the aircraft. These figures are not solely based on market averages. In assessing current values, AVAC bases its calculations on many factors such as number of type in service, number on order and backlog, projected life span, build standard, specification etc. Lease rates are calculated independently of values and are all market based.

FREIGHTER VALUES (US$m)

	New	5 years old	10 years old	20 years old
A300-F4-600R			32.3	
A330-200F	99.2			
737-300QC				6.7
747-400M			47.5	25.7
747-400F (CF6)		84.9	69.6	
747-400ERF		85.4	71.3	
757-200PF				14.5
767-300F	58.3	48.5	38.7	
777-200LRF	160.7			
MD-11C				17.2
MD-11F			29.5 (2000 build)	

FREIGHTER LEASE RATES (US$000s per month)

	New	5 years old	10 years old	20 years old
A300-F4-600R			293	
A330-200F	807			
737-300QC				115
747-400M			435	325
747-400F (CF6)		837	707	
747-400ERF		834	721	
757-200PF				167
767-300F	424	398	354	
777-200LRF	1,345			
MD-11C				220
MD-11F			341 (2000 build)	

Source: *AVAC*
Note: As assessed at end-April 2012; mid-range values for all types

AIRCRAFT AND ASSET VALUATIONS
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		Group revenue US$m	Group costs US$m	Group op. profit US$m	Group net profit US$m	Operating margin	Net margin	Total ASK m	Total RPK m	Load factor	Total pax. 000s	Group emp.
Air France/	Jul-Sep 09	8,015	8,082	-67	-210	-0.8%	-2.6%	66,862	56,141	84.0%	19,668	105,444
KLM Group	Oct-Dec 09	7,679	8,041	-362	-436	-4.7%	-5.7%	61,407	49,220	80.2%	17,264	105,925
YE 31/03	**Year 2009/10**	**29,096**	**31,357**	**-2,261**	**-2,162**	**-7.8%**	**-7.4%**	**251,012**	**202,453**	**80.7%**	**71,394**	**104,721**
	Apr-Jun 10	7,301	7,469	-168	939	-2.3%	12.9%	60,345	49,283	81.7%	17,623	102,918
	Jul-Sep 10	8,579	7,835	743	374	8.7%	4.4%	66,558	56,457	84.8%	19,704	
	Oct-Dec 10	7,956	7,847	109	-62	1.4%	-0.8%	62,379	50,753	81.4%	17,551	101,946
	Year 2010/11	**31,219**	**19,236**	**1,171**	**810**	**3.8%**	**2.6%**	**250,836**	**204,737**	**81.6%**	**71,320**	**102,012**
	Apr-Jun 11	8,947	9,153	-206	-283	-2.3%	-3.2%	66,531	53,931	81.1%	19,653	
Note: FY 31/12	Apr -Sep 11	18,600	18,240	360	-257	1.9%	-1.4%	137,282	114,846	83.7%	40,605	102,516
Proforma	**Year 2011**	**34,109**	**34,602**	**-493**	**-1,131**	**-1.4%**	**-3.3%**	**264,895**	**217,169**	**81.8%**		**102,012**
	Jan - Mar 12	7,400	8,058	-658	-482	-8.9%	-6.5%	63,391	51,733	81.6%	17,463	101,222
British Airways	**Year 2009/10**	**12,761**	**13,130**	**-369**	**-678**	**-2.9%**	**-5.3%**	**141,178**	**110,851**	**78.5%**	**31,825**	**37,595**
YE 31/03	Apr-Jun 10	3,092	3,207	-115	-195	-3.7%	-6.3%	32,496	24,192	74.4%	7,013	
	Jul-Sep 10	3,908	3,332	576	365	14.7%	9.3%	37,163	31,066	83.6%	9,339	
IAG Group	Oct-Dec 10	5,124	5,116	8	121	0.2%	2.4%	50,417	39,305	78.0%		56,243
YE 31/12	Jan-Mar 11	4,969	5,109	-139	45	-2.8%	0.9%	51,118	37,768	73.9%	11,527	56,159
	Apr-Jun 11	5,951	5,678	273	135	4.6%	2.3%	53,425	42,635	79.8%	13,288	56,649
	Jul - Sep 11	6,356	5,842	514	401	8.1%	6.3%	55,661	47,022	84.5%	14,553	57,575
	Year 2011	**22,781**	**22,105**	**676**	**735**	**3.0%**	**3.2%**	**213,193**	**168,617**	**79.1%**	**51,687**	**56,791**
	Jan - Mar 12	5,136	5,463	-326	-240	-6.4%	-4.7%	51,425	39,140	76.1%	11,384	56,532
Iberia	**Year 2009**	**6,149**	**6,796**	**-647**	**-381**	**-10.5%**	**-6.2%**	**62,158**	**49,612**	**79.8%**		**20,671**
YE 31/12	Jan-Mar 10	1,453	1,552	-98	-72	-6.8%	-5.0%	14,360	11,605	80.8%		19,643
	Apr-Jun 10	1,502	1,498	27	40	1.8%	2.6%	15,324	12,648	82.5%		20,045
	Jul-Sep 10	1,730	1,637	93	95	5.4%	5.5%	16,834	14,404	85.6%		20,668
Lufthansa	**Year 2009**	**31,077**	**30,699**	**378**	**-139**	**1.2%**	**-0.4%**	**206,269**	**160,647**	**77.9%**	**76,543**	**112,320**
YE 31/12	Jan-Mar 10	7,978	8,435	-457	-413	-5.7%	-5.2%	52,292	39,181	74.9%	19,031	117,732
	Apr-Jun 10	8,763	8,560	203	248	2.3%	2.8%	57,565	45,788	79.5%	22,713	116,844
	Jul-Sep 10	9,764	8,754	1,010	810	10.3%	8.3%	63,883	53,355	83.5%	26,089	116,838
	Year 2010	**36,057**	**34,420**	**1,636**	**1,492**	**4.5%**	**4.1%**	**235,837**	**187,700**	**79.3%**	**91,157**	**117,019**
	Jan-Mar 11	8,792	9,031	-239	-692	-2.7%	-7.9%	60,326	43,726	72.5%	22,078	117,000
	Apr-Jun 11	10,967	10,636	331	433	3.0%	3.9%	68,763	53,603	78.0%	28,147	118,766
	Jul- Sep 11	11,430	10,616	814	699	7.1%	6.1%	73,674	60,216	81.7%	30,408	120,110
	Year 2011	**40,064**	**38,920**	**1,143**	**-18**	**2.9%**	**0.0%**	**268,939**	**207,536**	**77.2%**	**106,335**	**120,055**
	Jan - Mar 12	8,675	9,174	-499	-520	-5.8%	-6.0%					
SAS	**Year 2009**	**5,914**	**6,320**	**-406**	**-388**	**-6.9%**	**-6.6%**	**35,571**	**25,228**	**70.9%**	**24,898**	**18,786**
YE 31/12	Jan-Mar 10	1,322	1,428	-106	-99	-8.0%	-7.5%	7,951	5,471	68.8%	5,735	15,835
	Apr-Jun 10	1,321	1,367	-46	-66	-3.5%	-5.0%	8,769	6,612	75.4%	6,282	15,709
	Jul-Sep 10	1,471	1,538	-67	-145	-4.6%	-9.8%	9,180	7,239	78.9%	6,655	15,570
	Oct-Dec 10	1,556	1,606	-51	7	-3.2%	0.4%	8,761	6,389	72.9%	6,557	15,123
	Year 2010	**5,660**	**5,930**	**-270**	**-308**	**-4.8%**	**-5.4%**	**34,660**	**25,711**	**74.2%**	**25,228**	**15,559**
	Jan-Mar 11	1,336	1,395	-59	-54	-4.4%	-4.0%	8,528	5,655	66.3%	6,093	14,972
	Apr-Jun 11	1,793	1,648	145	88	8.1%	4.9%	9,848	7,494	76.1%	7,397	15,264
	Jul-Sep 11	1,642	1,565	77	33	4.7%	2.0%	9,609	7,579	78.9%	6,928	15,375
	Oct-Dec 11	1,507	1,559	-51	-308	-3.4%	-20.5%	9,019	6,446	71.5%	6,788	14,958
	Year 2011	**6,386**	**6,286**	**100**	**-260**	**1.6%**	**-4.1%**	**37,003**	**27,174**	**73.4%**	**27,206**	**15,142**
	Jan - Mar 12	1,419	1,548	-128	-108	-9.0%	-7.6%	8,701	5,943	68.3%	6,416	14,836
Ryanair	**Year 2009/10**	**4,244**	**3,656**	**568**	**431**	**13.5%**	**10.2%**			**82.0%**	**66,500**	
YE 31/03	Apr-Jun 10	1,145	992	152	120	13.3%	10.5%			83.0%	18,000	7,828
	Jul-Sep 10	1,658	1,150	508	426	30.7%	25.7%			85.0%	22,000	8,100
	Oct-Dec 10	1,015	1,016	-1	-14	-0.1%	-1.3%			85.0%	17,060	8,045
	Year 2010/11	**4,797**	**4,114**	**682**	**530**	**14.2%**	**11.0%**			**83.0%**	**72,100**	
	Apr-Jun 11	1,661	1,418	245	201	14.7%	12.1%			83.0%	21,300	
	Jul-Sep 11	2,204	1,523	681	572	30.9%	25.9%			87.0%	23,000	
	Oct - Dec 11	1,139	1,099	39	20	3.4%	1.8%			81.0%		
	Year 2011/12	**6,053**	**5,112**	**942**	**772**	**15.6%**	**12.8%**			**82.0%**	**75,800**	
easyJet	**Year 2007/08**	**4,662**	**4,483**	**180**	**164**	**3.9%**	**3.5%**	**55,687**	**47,690**	**85.6%**	**43,700**	**6,107**
YE 30/09	Oct 08-Mar 09	1,557	1,731	-174	-130	-11.2%	-8.3%	24,754	21,017	84.9%	19,400	
	Year 2008/09	**4,138**	**3,789**	**93**	**110**	**2.3%**	**2.7%**	**58,165**	**50,566**	**86.9%**	**45,200**	
	Oct 09 - Mar10	1,871	1,995	-106	-94	-5.6%	-5.0%	27,077	23,633	87.3%	21,500	
	Year 2009/10	**4,635**	**4,364**	**271**	**240**	**5.9%**	**5.2%**	**62,945**	**56,128**	**87.0%**	**48,800**	
	Oct 10 - Mar 11	1,950	2,243	-229	-181	-11.7%	-9.3%	29,988	26,085	87.0%	23,900	
	Year 2010/11	**5,548**	**5,115**	**432**	**362**	**7.8%**	**6.5%**	**69,318**	**61,347**	**88.5%**	**54,500**	
	Oct 11 - Mar 12	2,302	2,458	-156	-141	-6.8%	-6.1%	30,785	27,329	88.8%	25,200	

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 10	1,068	851	216	122	20.2%	11.4%	10,531	8,980	85.3%	4,562	8,737
	Oct - Dec 10	959	839	119	65	12.4%	6.8%	10,037	8,410	83.8%	4,141	8,711
	Year 2010	**3,832**	**3,361**	**472**	**251**	**12.3%**	**6.6%**	**44,636**	**36,758**	**82.4%**	**23,334**	**11,696**
	Jan - Mar 11	965	831	134	74	13.9%	7.7%	11,445	9,419	82.3%	5,752	11,884
	Apr - Jun 11	1,110	1,052	58	29	5.2%	2.6%	12,020	10,127	84.3%	6,246	11,907
	Jul - Sep 11	1,198	1,055	143	77	11.9%	6.4%	12,469	10,787	86.5%	6,709	11,859
	Oct - Dec 11	1,044	930	114	64	10.9%	6.1%	11,745	9,950	84.7%	6,083	11,807
	Year 2011	**4,318**	**3,869**	**449**	**245**	**10.4%**	**5.7%**	**47,679**	**40,284**	**84.5%**	**24,790**	**11,840**
	Jan - Mar 12	1,039	967	72	41	6.9%	3.9%	11,819	10,029	84.9%	5,995	11,832
American	**Year 2010**	**22,170**	**21,862**	**308**	**-471**	**1.4%**	**-2.1%**	**246,611**	**201,945**	**81.9%**	**86,130**	**78,250**
	Jan - Mar 11	5,533	5,765	-232	-436	-4.2%	-7.9%	60,912	46,935	77.1%	20,102	79,000
	Apr-Jun 11	6,114	6,192	-78	-286	-1.3%	-4.7%	63,130	52,766	83.6%	22,188	80,500
	Jul- Sep 11	6,376	6,337	39	-162	0.6%	-2.5%	64,269	54,552	84.9%	22,674	80,600
Delta	Jul - Sep 10	8,950	7,947	1,003	363	11.2%	4.1%	102,445	87,644	85.6%	44,165	79,005
	Oct - Dec 10	7,789	7,495	294	19	3.8%	0.2%	91,774	74,403	81.1%	39,695	79,684
	Year 2010	**31,755**	**29,538**	**2,217**	**593**	**7.0%**	**1.9%**	**374,458**	**310,867**	**83.0%**	**162,620**	**79,684**
	Jan - Mar 11	7,747	7,839	-92	-318	-1.2%	-4.1%	90,473	69,086	76.4%	36,764	81,563
	Apr-Jun 11	9,153	8,672	481	198	5.3%	2.2%	96,785	81,054	83.7%	42,918	82,347
	Jul - Sep 11	9,816	8,956	860	549	8.8%	5.6%	101,807	87,702	86.1%	44,713	79,709
	Year 2011	**35,115**	**33,140**	**1,975**	**854**	**5.6%**	**2.4%**	**377,642**	**310,228**	**82.1%**	**163,838**	**78,392**
	Jan - Mar 12	8,413	8,031	382	124	4.5%	1.5%	87,559	69,765	79.7%	37,557	78,761
Southwest	Jul - Sep 10	3,192	2,837	355	205	11.1%	6.4%	41,130	33,269	80.9%	22,879	34,836
	Oct - Dec 10	3,114	2,898	216	131	6.9%	4.2%	38,891	32,196	80.7%	22,452	34,901
	Year 2010	**12,104**	**11,116**	**988**	**459**	**8.2%**	**3.8%**	**158,415**	**125,601**	**79.3%**	**88,191**	**34,901**
	Jan - Mar 11	3,103	2,989	114	5	3.7%	0.2%	39,438	30,892	78.3%	25,599	35,452
	Apr- Jun 11	4,136	3,929	207	161	5.0%	3.9%	50,624	41,654	82.3%	27,114	43,805
	Jul - Sep 11	4,311	4,086	225	-140	5.2%	-3.2%	53,619	43,969	82.0%	28,208	45,112
	Oct - Dec 11	4,108	3,961	147	152	3.6%	3.7%	50,368	40,524	80.5%	27,536	45,392
	Year 2011	**15,658**	**14,965**	**693**	**178**	**4.4%**	**1.1%**	**194,048**	**157,040**	**80.9%**	**103,974**	**45,392**
	Jan - Mar 12	3,991	3,969	22	98	0.6%	2.5%	49,298	38,116	77.3%	25,561	46,227
Continental	**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
	Apr - Jun 10	3,708	3,380	328	233	8.8%	6.3%	39,893	33,910	85.0%	16,300	38,800
	Jul - Sep 10	3,953	3,512	441	354	11.2%	9.0%	46,844	40,257	85.9%	16,587	38,900
United	**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
	Apr - Jun 10	5,161	4,727	434	273	8.4%	5.3%	58,522	49,319	84.3%	21,234	42,600
	Jul - Sep 10	5,394	4,859	535	387	9.9%	7.2%	61,134	52,534	85.9%	22,253	42,700
United/Continental	Oct-Dec 10	8,433	8,515	-82	-325	-1.0%	-3.9%	100,201	82,214	82.0%	35,733	80,800
Pro-forma FY 2010	**Year 2010**	**34,013**	**32,195**	**1,818**	**854**	**5.3%**	**2.5%**	**407,304**	**338,824**	**83.2%**	**145,550**	**81,500**
	Jan - Mar 11	8,202	8,168	34	-213	0.4%	-2.6%	96,835	75,579	78.0%	32,589	82,000
	Apr-Jun 11	9,809	9,001	808	538	8.2%	5.5%	104,614	87,296	83.4%	37,000	81,100
	Jul - Sep 11	10,171	9,236	935	653	9.2%	6.4%	107,236	91,494	85.3%	38,019	80,500
	Oct - Dec 11	8,928	8,883	45	-138	0.5%	-1.5%	97,707	79,610	81.5%	34,191	82,700
	Year 2011	**37,110**	**35,288**	**1,822**	**840**	**4.9%**	**2.3%**	**406,393**	**333,977**	**82.2%**	**141,799**	**81,600**
	Jan - Mar 12	8,602	8,873	-271	-448	-3.2%	-5.2%	97,112	75,809	78.1%	32,527	83,700
US Airways Group	Jul - Sep 10	3,179	2,864	315	240	9.9%	7.5%	36,808	30.604	83.1%	20,868	30,445
	Oct - Dec 10	2,907	2,802	105	28	3.6%	1.0%	33,823	27,271	80.6%	20,118	30,871
	Year 2010	**11,908**	**11,127**	**781**	**502**	**6.6%**	**4.2%**	**138,107**	**111,996**	**81.1%**	**79,560**	**30,871**
	Jan - Mar 11	2,961	3,000	-39	-114	-1.3%	-3.9%	33,034	25,762	78.0%	18,851	30,621
	Apr-Jun 11	3,503	3,326	177	92	5.1%	2.6%	36,698	30,754	83.8%	21,209	31,321
	Jul - Sep 11	3,436	3,256	180	76	5.2%	2.2%	36,357	30,911	85.0%	20,655	31,327
	Oct - Dec 11	3,155	3,047	108	18	3.4%	0.6%	33,393	27,352	81.9%	19,857	31,548
	Year 2011	**13,055**	**12,629**	**426**	**71**	**3.3%**	**0.5%**	**139,483**	**114,777**	**82.3%**	**80,572**	**31,548**
	Jan - Mar 12	3,266	3,207	59	48	1.8%	1.5%	34,032	26,970	79.2%	19,822	31,186
JetBlue	Jul - Sep 10	1,039	890	140	59	13.5%	5.7%	14,648	12,390	84.6%	6,573	10,669
	Oct - Dec 10	940	883	57	9	6.1%	1.0%	13,727	11,239	81.9%	6,039	11,121
	Year 2010	**3,779**	**3,446**	**333**	**97**	**8.8%**	**2.6%**	**55,914**	**45,509**	**81.4%**	**24,254**	**11,121**
	Jan - Mar 11	1,012	967	45	3	4.4%	0.3%	13,696	11,143	81.4%	6,039	11,281
	Apr - Jun 11	1,151	1,065	86	25	7.5%	2.2%	15,193	12,379	81.5%	6,622	11,609
	Jul - Sep 11	1,195	1,087	108	35	9.0%	2.9%	15,856	13,409	84.6%	7,016	11,443
	Oct - Dec 11	1,146	1,063	83	23	7.2%	2.0%	15,168	12,472	82.2%	6,693	11,733
	Year 2011	**4,504**	**4,182**	**322**	**86**	**7.1%**	**1.9%**	**59,917**	**49,402**	**82.5%**	**26,370**	**11,733**
	Jan - Mar 12	1,203	1,114	89	30	7.4%	2.5%	15,346	12,726	82.9%	6,853	11,965

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 2006/07	12,763	11,973	790	280	6.2%	2.2%	85,728	58,456	68.2%	49,500	32,460
YE 31/03	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	
	Year 2009/10	13,238	13,831	-582	-614	-4.4%	-4.6%	83,827	55,617	66.3%	44,560	
	Year 2010/11	15,889	15,093	796	269	5.0%	1.7%	85,562	59,458	69.5%	45,748	33,000
Cathay Pacific	Year 2007	9,661	8,670	991	900	10.3%	9.3%	102,462	81,101	79.8%	23,250	19,840
YE 31/12	Year 2008	11,119	12,138	-1,018	-1,070	-9.2%	-9.6%	115,478	90,975	78.8%	24,959	18,718
	Year 2009	8,640	7,901	740	627	8.6%	7.3%	111,167	96,382	86.7%	24,558	18,511
	Year 2010	11,522	10,099	1,813	1,790	15.7%	15.5%	115,748	96,548	84.0%	26,796	21,592
	Year 2011	12,635	11,929	706	706	5.6%	5.6%	126,340	101,535	79.3%	27,581	
JAL	Year 2005/06	19,346	19,582	-236	-416	-1.2%	-2.2%	148,591	100,345	67.5%	58,040	53,010
YE 31/03	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 2006	8,498	7,975	523	363	6.2%	4.3%	71,895	52,178	72.6%	22,140	16,623
YE 31/12	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	19,178
	Year 2010	10,313	8,116	120	421	1.2%	4.1%	79,457	60,553	76.2%	22,930	
	Year 2011	11,094	10,678	416	-89	3.7%	-0.8%	84,285	64,483	76.9%	22,934	
Malaysian	Year2006	3,696	3,751	-55	-37	-1.5%	-1.0%	58,924	41,129	69.8%	15,466	19,596
YE 31/12	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%	42,790	32,894	76.9%	11,950	19,147
	Year 2010	4,237	4,155	82	73	1.9%	1.7%	49,624	37,838	76.2%	13,110	
	Year 2011	4,549	5,300	-751	-825	-16.5%	-18.1%	52,998	39,731	75.0%	13,301	
Qantas	Year 2007/08	14,515	13,283	1,232	869	8.5%	6.0%	127,019	102,466	80.7%	38,621	33,670
YE 30/6	Year 2008/09	10,855	10,733	152	92	1.4%	0.8%	124,595	99,176	79.6%	38,348	33,966
	Year 2009/10	12,150	11,926	223	102	1.8%	0.8%	124,717	100,727	80.8%	41,428	32,490
	Year 2010/11	14,842	14,200	642	249	4.3%	1.7%	133,281	106,759	80.1%	44,456	32,629
Singapore	Year 2005/06	6,201	5,809	392	449	6.3%	7.2%	109,484	82,742	75.6%	17,000	13,729
YE 31/03	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
	Year 2009/10	8,908	8,864	44	196	0.5%	2.2%	105,674	82,882	78.4%	16,480	
	Year 2010/11	10,911	9,956	955	863	8.8%	7.9%	108,060	81,801	75.7%	16,647	
Air China	Year 2006	5,647	5,331	316	338	5.6%	6.0%	79,383	60,276	75.9%	31,490	18,872
YE 31/12	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	7,523	6,718	805	710	10.7%	9.4%	95,489	73,374	76.8%	39,840	23,506
	Year 2010	12,203	10,587	1,616	1,825	13.2%	15.0%	107,404	86,193	80.3%	46,420	
China Southern	Year 2006	5,808	5,769	39	26	0.7%	0.4%	97,044	69,575	71.7%	49,200	45,575
YE 31/12	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	8,022	7,811	211	48	2.6%	0.6%	123,440	93,000	75.3%	66,280	50,412
	Year 2010	11,317	10,387	930	857	8.2%	7.6%	140,498	111,328	79.2%	76,460	
China Eastern	Year 2006	3,825	4,201	-376	-416	-9.8%	-10.9%	70,428	50,243	71.3%	35,020	38,392
YE 31/12	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	5,896	5,629	267	25	4.5%	0.4%	84,422	60,918	72.2%	44,030	45,938
	Year 2010	11,089	10,248	841	734	7.6%	6.6%	119,451	93,153	78.0%	64,930	
Air Asia (Malaysia)	Year 2008	796	592	203	-142	25.5%	-17.9%	14,353	10,515	73.3%	9,183	4,593
YE 31/12	Year 2009	905	539	366	156	40.4%	17.3%	21,977	15,432	70.2%	14,253	
	Year 2010	1,245	887	358	333	28.8%	26.7%	24,362	18,499	75.9%	16,050	
	Year 2011	1,464	1,072	392	185	26.8%	12.6%	26,074	21,307	81.7%	17,986	

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

	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 %
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
2010	332.3	232.6	70.0	224.2	188.1	83.9	180.2	150.0	83.2	604.1	500.4	82.8	922.7	752.8	78.7
2011	349.6	248.8	71.2	248.5	205.4	82.7	204.9	163.3	79.7	670.3	544.9	81.3	1,006.8	785.0	78.0
April 12	29.5	21.8	74.0	20.4	17.4	85.0	17.1	13.7	80.0	55.6	45.7	82.2	84.1	67.1	79.8
Ann. change	1.3%	3.8%	1.8	-0.7%	1.1%	1.6	4.6%	11.0%	4.6	2.4%	5.2%	2.2	2.2%	5.0%	2.1
Jan - Apr 12	107.1	73.7	68.8	73.7	58.8	79.8	67.7	53.9	79.6	216.8	174.2	80.4	320.6	246.2	76.2
Ann. change	0.9%	5.2%	2.8	0.4%	5.0%	3.5	4.8%	6.9%	1.6	4.0%	7.0%	2.3	3.2%	6.7%	2.5

JET ORDERS

	Date	Buyer	Order	Delivery/other information
Boeing	09 May	EVA Air	3 x 777-300ER	plus 4 purchase rights
	09 April	Transaero Airlines	4 x 787-8	
	02 April	TAAG Angola	3 x 777-300ER	plus 3 purchase rights
Airbus	21 June	Transaero	4 x A380	
	08 June	Norwegian	100 x A320neo family	
	06 June	Air Lease Corp.	36 x A320neo family	

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

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