**Issue No: 179** Aviation Strategy **September 2012**

# The new European LCCs

There are only two pure LCCs left in Europe – Ryanair and Wizzair. This was the impression generated at the September World Low Cost Airlines Congress held at London Heathrow. The rest are evolving new models.

easyJet's strong message is that it is courting the business passenger, now comprising 20% of its passenger base. It has redefined low cost to mean "lowest cost to deliver value", which sounds much like what traditional airlines would claim. It has developed new sales channels using GDS, to make certain tickets easier to book and to enhance the brand, as well as introducing new flexible premium fares to target business segments.

easyJet is also moving rapidly to traditional allocated seating – "the death of the scrum". This is partly because the old low rationale for unallocated seating has been undermined: firstly, it didn't necessarily improve turn-around times; secondly, it used to be part of the airport deal (increasing dwell time for easyJet passengers and so increasing airport retail spend).

Vueling has embraced GDS distribution, frequent flyer programmes, transfer traffic (10% of the total) and part ownership by IAG. From its base at Barcelona, it appears to be branding itself as the flag-carrier of Catalonia. Interestingly, the airline was able to quantify the type of fare premium that its product can command against a traditional LCC, but on business-orientated routes only - €140 against €60.

Whether the limited financial success Vueling has achieved so far can be maintained in Spain's stressed economy remains to be seen, and it is slightly disturbing to note that 85% of the capacity that was removed from the market when Spanair went bankrupt has now been replaced. Vueling itself is on the point of announcing a major order, probably for a 100 or so narrowbodies.

There is still, however, a limit to how far Vueling's LCC model can be stretched. That is where the schedule starts to be designed to accommodate connections rather than being optimised for point to point traffic demand and hence aircraft utilisation.

Norwegian is undertaking the most ambitious LCC transformation – taking the European LCC model into the long-haul – a move it thinks will be followed by other LCCs. Norwegian says "it has done the maths" and confidently predicts that with feed from its short-haul network, the seat-kilometre costs of the 787, and astute basing of the Dreamliners (some in Bangkok, for instance), long-haul LCC operations will be the major trend of the next decade. As a reality check, Norwegian net profit in 2011 was $22m and it has seven 787s on order plus 279 737MAXs and A320NEOs.

The last word should perhaps be left to Joszef Varadi, CEO of Wizzair. He said he had no change whatsoever of Wizzair's ultra low cost focus – indeed Wizzair was going to start charging for cabin baggage – and implied that the new LCC strategies would not pay off.

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## CONTENTS

**Analysis**

The new European LCCs 1

Annual Survey: The leasing industry - GECAS, ILFC, BBAM, CIT Aerospace, AerCap, Boeing Capital Corporation, Aviation Capital Group, AWAS, SMBC Aviation Capital, BOC Aviation and more 2-12

**Briefing**

Japan Airlines and All Nippon Airways: Questions of fairness 13-19

**Databases** 20-23

European, US and Asian airline traffic and financials

Regional trends

Orders

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# Leasing industry recovers further, as new aircraft orders surge

It was another solid 12 months of recovery for the global leasing industry. The trend first noted in last year's survey, of airlines appearing to commit to a higher proportion of leased aircraft as a permanent part of their strategy, is now less of a disputed idea within the industry.

That's because the proportion of leased aircraft in the global aviation fleet has broken through the 40% level according to most analysts (compared with between 34% and 36% a year ago - and 25% a decade ago), and some are even forecasting the proportion may keep rising to more than 50% by 2015.

There are many "negative" reasons for this continued trend, most notably the continuing battle by many airlines to stay profitable in the face of struggling economies and high fuel prices. Cash flow and access to funding is still problematic for many airlines, even though the situation is much improved compared with two years ago.

Consequently, a significant number of airlines are selling and leasing back aircraft, and these deals are being readily snapped up by a handful of lessors with a longer-term perspective and deep enough pockets to fund portfolio expansion, even though lease rates are still struggling to reach levels of the previous cycle.

But lease rates can only go one way, once interest rates start to rise the lessors are highly likely to pass this increased cost straight onto their customers through higher lease rates, but airlines will be unlikely to reduce their increased reliance on operating leases due to the fact that they just are not generating the cash to be able to afford to buy assets. That's good news for the leasing industry in general, which likes its customers to be profitable but not robust enough to be able to do without a substantial amount of operating leases.

Looking ahead, as well as the probable structural realignment to a permanently higher proportion of aircraft that airlines lease, there are two key factors that will underscore another year of recovery for the leasing industry:

1) Continuing improvement in global passenger traffic. According to IATA, in the first half of 2012 international RPKs rose by 7.5% compared with the same period of 2011, while domestic RPKs were up by 4.8%. Of course there are wide regional variations – international traffic to/from North America increased by just 2.3% in the first six months of 2012, whereas Latin American traffic was up 10% and the Middle East was up by 18%. It's clear that for at least the medium-term the most exciting markets for the aviation industry (and therefore the leasing companies as well) will be those outside of North America and Europe, and that's backed up by the offices that lessors are continuing to open in the Asia/Pacific region in particular.

2) Fleet age. Despite sluggish passenger growth in Europe and North America, the good news for the leasing industry in those regions is that many airlines there have relatively old fleets that will need significant upgrading over the coming decade. Around 20% of the global fleet is more than 20 years of age, and this percentage rises to more than 30% in the US fleet, which means that sooner or later there will have to be a wave of significant fleet replacement. The troubled finances of airlines in the western hemisphere has meant that few carriers can afford to renew fleets through straight purchases (and the global order backlog of more than 8,000 isn't expected to change substantially over the next 12 months), but in dribs and drabs the ageing fleets at those airlines will be renewed over the next few years (and it's arguable that this process has already started), with the leasing industry more than eager to help airlines with this task.

The leasing market has certainly improved enough to enable troubled UK bank RBS to finally sell its leasing subsidiary,

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THE LESSORS' FLEETS

| Company | Total | Boeing orders | Airbus orders | Total orders |
|---|---|---|---|---|
| GECAS | 1,710 | 67 | 123 | 190 |
| ILFC | 1,030 | 108 | 120 | 228 |
| BBAM | 452 | 13 | | 13 |
| CIT | 325 | 48 | 89 | 137 |
| AerCap | 292 | 10 | 11 | 21 |
| BCC | 272 | | | |
| ACG | 245 | 64 | 71 | 135 |
| AWAS | 240 | 18 | 65 | 83 |
| SMBC Aviation Capital | 238 | 35 | 45 | 80 |
| BOC Aviation | 188 | 18 | 30 | 48 |
| Macquarie AirFinance | 155 | | | |
| Aircastle | 155 | | | |
| Air Lease Corporation | 130 | 169 | 74 | 243 |
| ORIX Aviation | 121 | | | |
| FLY Leasing | 111 | | | |
| MCAP | 110 | | | |
| Avolon | 105 | 9 | 8 | 17 |
| SkyWorks Leasing | 95 | | | |
| Sumisho | 91 | | | |
| Sky Holding | 90 | | | |
| Pembroke Group | 84 | | | |
| Cargo Aircraft Management | 78 | | | |
| CDB Financial Leasing | 70 | | | |
| Hong Kong Aviation Capital | 68 | | | |
| ICBC Leasing | 63 | | 42 | 42 |
| Alafco | 60 | 8 | 97 | 105 |
| Guggenheim | 50 | | | |
| DAE Capital | 48 | 19 | | 19 |
| Volito Aviation Services | 47 | | | |
| Jackson Square Aviation | 46 | | | |
| Apollo Aviation Group | 44 | | | |

RBS Aviation Capital, and others are also seeing if they can effect a sale, including Oaktree Capital Management - which is attempting to sell its stake in Jackson Square Aviation - as well as Dutch lessor AerCap. The most likely buyers are – unsurprisingly – Asian banks and a handful of private equity houses in the west.

In *Aviation Strategy's* annual survey of the leasing industry (see table, above and following page), the overall fleet has continued its slow growth, rising from 7,352 aircraft as of a year ago to 7,502 now – a little over a 2% rise in a year.

Interestingly, for the first time in a few years the concentration of the leasing industry has lessened slightly - together the Top 10 lessors now account for 66.5% of the total lessor fleet, compared with 68% a year ago, while the Big Two (GECAS and ILFC) together account for 36.5% of the total lessor fleet (down from 39% as of 12 months ago). One year's data is not enough to predict any trend, but there is certainly a determined push by newer lessors to expand and move up the lessor rankings, and Steven Udvar-Hazy's Air Lease Corporation poses the biggest danger to the largest incumbents.

What is undisputable is that the outstanding order book has leapt considerably in the last 12 months, with new orders from Air Lease Corporation, Alafco and others boosting total orders to 1,402 – some 20% higher than the 1,171 outstanding orders from lessors as of 12 months ago (see *Aviation Strategy*, September 2011). However, Air Lease Corporation and Alafco combined are responsible for 262 new orders over the last year, so it could be argued that these two lessors are distorting the market, with the order book in the rest of the industry pretty static at best. On the other hand other lessors did make substantial "commitments" to new orders at Farnborough this year, and when/if they are

THE LESSORS' FLEETS (cont.)

| Company | Total | Boeing orders | Airbus orders | Total orders |
|---|---|---|---|---|
| Amentum Capital | 44 | | | |
| Aircraft Leasing and Management | 42 | | | |
| Aergo Capital | 40 | | | |
| Jetscape | 36 | | | |
| VTB-Leasing | 36 | | | |
| AerSale | 35 | | | |
| Banc of America Leasing | 30 | | | |
| Doric Asset Finance | 27 | | | |
| Deucalion Capital | 25 | | | |
| Automatic | 25 | | | |
| Novus Aviation | 25 | | | |
| Avation | 21 | | | |
| AAR | 20 | | | |
| Skytech-AIC | 20 | | | |
| Airbus Asset Management | 20 | | | |
| GMT Global | 19 | | | |
| Aldus Aviation | 19 | | | |
| Investec Global Aicraft Fund | 19 | | | |
| VEB-Leasing | 18 | | | |
| Dragon Aviation Leasing | 17 | | | |
| Deutsche Bank Equipment Leasing | 16 | | | |
| Veling | 16 | | | |
| Santos Dumont Aircraft Management | 15 | | | |
| Showa Leasing | 14 | | | |
| Goal | 13 | | | |
| Lease Corporation International | 13 | | | |
| Nordic Aviation Capital | 12 | | | |
| Avequis | 11 | | | |
| Itochu Airlease | 10 | | | |
| GA Telesis | 9 | | | |
| Global Aviation Leasing | 9 | | | |
| RPK Capital Management | 9 | | | |
| Intrepid Aviation | 4 | | 18 | 18 |
| Alphastream | | | 15 | 15 |
| OH Avion | | | 8 | 8 |
| TOTAL | 7,502 | 586 | 816 | 1,402 |

**Note:** This table includes jet lessors with at least nine owned or managed aircraft; or with any outstanding Airbus or Boeing orders. We exclude entities set up solely to manage the leasing activities of a specific airline.

converted into firm orders the positive trend in lessor orders will surely continue for another 12 months.

Over the next few pages *Aviation Strategy* profiles the leading lessors in descending order of portfolio size.

## General Electric Capital Aviation Services (GECAS)

Part of the giant conglomerate GE (which has more than 300,000 employees globally), GECAS has eased its portfolio back significantly over the last 12 months from 1,830 owned and managed aircraft down to 1,710; almost a 10% reduction.

The fleet has an average age of just over seven years, but despite continuing attempts to reduce the amount of older assets, GECAS's fleet is getting older - by value 41% of the portfolio is five years old or less (compared with 47% a year ago), while 24% is aged between six and 10 years (33% a year ago), 26% is between 11 and 15 years (12%) and 9% is aged 16 years or more (8%).

Narrowbodies account for 57% of the fleet by value, with 20% being widebodies, 11% RJs and 8% cargo variants. All but a few per cent of the narrowbody fleet are A320 family and 737NG aircraft, with the widebodies comprising mostly 767s, 777s and A330s.

The portfolio is placed with 235 customers

and the biggest market for GECAS is the US, where 32% of the fleet by value is placed. However, this is the first time since 2009 that its percentage share in that market has gone up (the share previously fell from 47% in 2009 to 30% in 2011). After the US, the next most important market remains Europe (24% of overall fleet value), followed by the Asia/Pacific region (18%), the Americas (11%) and all other markets (15%).

GECAS has almost 500 staff based at a headquarters in Stamford, Connecticut and 23 other offices around the globe, and in the first six months of 2012 the lessor saw revenue remain flat at $2.6bn, with segment profit also unchanged at $626m.

GECAS's current order book has fallen from 244 aircraft a year ago to 190 today (which means it has fallen behind ILFC in terms of outstanding orders), comprising 67 Boeing aircraft (47 737s, two 747s and 18 777s) and 123 Airbus aircraft (105 A320s, eight A321s and 10 A330s). However at Farnborough in July, GECAS made a "commitment" to 75 737 MAX 8s and 25 737-800s, the former of which would be delivered from 2018 onwards if these are turned into firm orders at some point.

## International Lease Finance Corporation (ILFC)

After insurance giant owner AIG's unsuccessful attempt to find a buyer for its lessor subsidiary last year, AIG announced it would carry out an IPO for ILFC by the end of 2012 - an event that obviously didn't happen in the proposed timeframe.

AIG insists it is still committed to a float, although in its latest 10Q ILFC says that the "number of shares to be offered, price range and timing of the proposed offering have not yet been determined". In 2011 a reported 25% of ILFC was going to be offered to the market at price of up to $2bn, but whether that price is achievable now is open to debate. From AIG's point of view the need to get other investors into ILFC has not gone away - ILFC's outstanding debt as at mid 2012 was some $24.2bn, almost identical to the total at the end of 2011, and this debt overhang remains a critical issue that clouds the future of the lessor.

The good news, however, is that in the first half of this calendar year ILFC reported revenue of $2.3bn, identical to the same period in 2011, with net income more than doubling, to $322m.

ILFC's fleet has been static over the last 12 months, at 1,030 aircraft (compared with 1,027 a year ago), comprising 940 owned and 90 managed aircraft. The owned aircraft have an average age of just over eight years and have a net book value of approximately $35.1bn (compared with a value of $37.7bn a year ago). As of June 30th ILFC has contracted leases for all but a handful of its portfolio with 179 clients in 77 countries.

Going forward, ILFC's focus is to increase its presence in "frontier and emerging markets that have high potential for passenger growth and other markets that have significant demand for new aircraft". Based in Los Angeles, ILFC has offices across the globe and in the last 12 months has opened offices in Amsterdam, Singapore and Beijing.

The lessor has (temporarily?) stopped building its order book back up from the low of just over a 100 aircraft as of two years ago, and outstanding orders now stand at 228 aircraft (compared with 233 a year ago), comprising 75 A320s, 25 A319s, 20 A350s, 74 787s and 34 737-800s. They will all be delivered in the period through to 2019, and all aircraft due to be delivered through to 2013 have already been placed with customers.

## BBAM

Operating out of San Francisco and nine other offices around the world (including Dublin, Santiago, Zurich and Tokyo), BBAM's managed fleet has risen to 452 aircraft over the last 12 months, which are valued at approximately US$14bn.

The portfolio comprises 173 737NGs, 168 A320 family aircraft, 44 747 Classics, 27 747/757s, 14 A330/340s, eight 777s, seven 767s, six 717s and five MD models. They are placed with more than 80 airlines around the globe, including British Airways, Air France and Ryanair in Europe, the "Big Three" in China, and Emirates and Fly Dubai in the Middle East.

85% of the lessor is owned by its management team, led by CEO Steve Zissis, and 15% by Dublin-based Fly Leasing (see Fly Leasing profile below). BBAM has outstanding orders for just 13 737s, making it the Top 10 lessor

(excluding BCC) with the smallest order book.

## CIT Aerospace

The lessor has seen its portfolio rise from 310 to 325 aircraft over the last year, which comprise a wide range of narrowbody and widebody types including 737NGs, A320 family aircraft, A310s A330s, A350s and 757s, placed with more than 110 airlines in 55 countries around the globe.

The portfolio has an average age of approximately six years and the lessor has been reducing that average by selling off older models and placing orders for new aircraft.

Through 2012 CIT placed orders for 10 A330s, with deliveries scheduled to arrive from 2014. In total CIT Aerospace has 137 aircraft on order, including 38 737s, 10 787s, 69 A320 family aircraft, 15 A330s and five A350s, which gives it the fourth largest order total of all lessors.

## AerCap

AerCap is headquartered in Amsterdam and also has offices in the US, Ireland, China, the UAE and Singapore. It describes itself as "the world's leading independent aircraft leasing company", but that may soon change as in May this year AerCap "decided to explore a range of strategic alternatives to enhance shareholder value, including continued execution of our operating strategies, further share repurchases, aircraft portfolio sales or a sale or merger of the company".

The lessor is repurchasing up to $200m of shares in the period to June 2013, but inevitably there is much speculation over who might be interested in acquiring the lessor – though at the time of going to press no firm news is available.

In the first six months of 2011 AerCap's revenue fell 6% to $511m, primarily due to a 4% fall in lease revenue compared with the same period in 2011. The net profit fell by 13% to $128m. In the second quarter of this year (the three months to the end of June), AerCap signed new lease deals for 20 aircraft, bought five and sold six aircraft, and the portfolio currently stands at 292 owned and managed aircraft (compared with 335 a year ago), with a total asset value of $9.3bn, 3% down on a year earlier.

The average age of the 256-strong owned fleet is 5.7 years, and the overall portfolio is dominated by narrowbodies, with 163 A320 family aircraft and 81 737 NGs and Classics The lessor has seven A330s, four A320s and 10 737-800s on order, and all of the aircraft that will be arriving through to the end of 2016 have already been contracted with customers.

The largest market for AerCap's aircraft is Europe, which accounted for 38% of all revenue in the first-half of 2012, followed by the Asia Pacific region, accounting for more than 30% of revenue. The single largest customer for the lessor is Aeroflot, accounting for 7% of all lease revenue in the first half of 2012, followed by TUI (6%) and Asiana (5%).

## Boeing Capital Corporation (BCC)

Headquartered at Renton, Washington, and with other offices in Los Angeles, Moscow and Hong Kong, Boeing Capital Corporation provides so-called "last resort" finance for all of Boeing's product range, from aircraft to space and defence.

BCC is continuing to trim its exposure - as at the end of June 2011 BCC owned 222 aircraft (compared with 236 a year ago and 267 in 2010) and had partial ownership or interest in another 50. The portfolio's value totalled $4.3bn, substantially less than the value of its portfolio three years ago ($6.4bn) – which is partly a function of having fewer aircraft and partly due to a decline in aircraft values.

BCC employs 160 and in the first six months of 2012 it reported a 23% decrease in revenue, to $224m, with net profit down 39% to $43m.

As usual BCC was again highly exposed to a handful of airlines as of June 30th 2012 - 57% of the fleet by value is with just four US carriers - AirTran/Southwest, Continental, Hawaiian and American. AirTran/Southwest alone accounts for 30% of BCC's entire portfolio by value, up by 1% compared with 12 months ago. Overall, 71% of the portfolio by value is placed with US airlines, far ahead of the second place market – Europe, with 18% of the fleet value.

As a lender of last resort, BCC has ended up financing the very oldest models, less than 4% of BCC's portfolio by value is in aircraft that were manufactured in 2007 or later, with 45% by value being of a 2002-2006 vintage, 40% made in 1997-2001 and almost 12% being manufactured prior to 1997. In terms of individual models, BCC's exposure to older models is made even clearer - 717s account for 46% of the portfolio value, with the next biggest model cate-

gories being 757s (15% of value) and 737s (9%).

## Aviation Capital Group

Aviation Capital Group (ACG) operates out of Newport Beach, California, and also has a presence in Seattle, London, Santiago, Shanghai and Singapore. In the 2011 calendar year, ACG saw revenue remain virtually level at $655m but net income fell by almost 12% to $105m, which was due partly to a change in accounting procedures. There were better results in the first half of 2012, with revenue rising 3.1% to $327m and net profit increasing by 1.6% to $41.7m.

ACG is owned by US insurance group Pacific LifeCorp and has a portfolio of 245 owned or managed aircraft (five greater than it had 12 months ago) that includes the A320 family, A330s, 737s (both classics and NGs), 757s, 767s and freighters, which are contracted to just under 100 customers in approximately 40 countries.

ACG has now lost its position in holding the third-largest order book of any lessor (after GECAS and ILFC), having been overtaken by both CIT and Air Lease Corporation over the last 12 months, though in November last year it ordered 30 A320 Neos and 20 737-800s, and its outstanding orders now total 135 aircraft (59 737s, five 787s, 59 A320s and 12 A321s).

## AWAS

Based in Dublin and with offices in New York, Miami and Singapore, AWAS's fleet has risen from 209 to 240 over the last year. AWAS's portfolio has a very wide mix of types, with no less than 10 narrowbody models and seven widebody types, as well as a variety of freighters.

That portfolio is on lease to more than 90 airlines in 47 countries, with clients that range from easyJet and Air France in Europe to Cathay Pacific and Air China in the Asia/Pacific region.

In its last financial year (the 12 month period ending November 30th 2011), AWAS saw revenue rise 6% to US$777m, with net profit up 12% to $126m, although cash and cash equivalents fell $116m to $685m thanks to fleet expansion. In that 12 month period, 38% of AWAS's lease revenue came from Asia/Pacific clients, followed by European airlines (26%) and North American and Caribbean customers (21%).

In the six month period to the end of May 2012 AWAS says it "continued to focus on prudently growing our platform", during which it completed 35 new lease contract transactions with 21 airlines, while acquiring 26 aircraft and disposing of nine. AWAS has also completed a deal to buy 12 aircraft from GECAS's portfolio, comprising five 737s-800s and seven A320 family aircraft – all of which are placed with customers.

AWAS has currently has 83 aircraft on order, including 18 737s, 63 A320 family aircraft and two A350s.

AWAS is still majority-owned 60% by private equity house Terra Firma, and a fairly good indication of the approach of the peak in the next leasing industry cycle will come when Guy Hands puts the lessor up for sale in order to secure a hefty profit on its investment.

## SMBC Aviation Capital

At long last, troubled UK bank RBS - majority owned by the UK state - has managed to sell off its aircraft leasing arm. After a failed attempt in 2010 the process started again last summer, with a whole host of companies expressing initial interest, including Macquarie Aerospace, MC Aviation Partners and Wells Fargo. However, by the end of the year two bidders remained, according to reports: CDB Leasing and Sumitomo Mitsui Banking Corporation (SMBC), perhaps indicating where the serious investment money is to be found in the leasing world at the moment.

SMBC emerged the winner in January this year, paying an estimated $7.3bn, and the deal was closed formally in early June, after which RBS Aviation Capital was renamed as SMBC Aviation Capital. Based in Dublin and with offices in New York, Seattle, Hong Kong, Shanghai, Toulouse, Beijing, Singapore and Tokyo, SMBC owns a fleet of 202 aircraft and manages another 36 aircraft.

Narrowbodies make up most of the owned fleet, including 77 737-800s, 63 A320s, 35 A319s and 11 A321s. Those aircraft have an average age of less than five years. The overall portfolio is valued at more than $8bn and is placed with airlines in more than 40 countries around the globe, with the most important markets continuing to be the Asia/Pacific region (including the "Big Three" Chinese airlines and Europe (where clients include Air France and Ryanair).

On order are 80 aircraft, comprising 35 737s and 45 A320s, and it will be interesting to see

whether the new owners provide funds to expand the order book substantially over the next 12 months.

## BOC Aviation

Completing the Top 10 lessors and owned by the Bank of China, BOC Aviation has continued its growth, with the portfolio now totalling 188 aircraft, of which 169 are owned and 19 managed.

The owned fleet comprises 78 A320 family aircraft, 67 737NGs, 15 777s and a handful of A330s, 737 Classics, 747s and E190s, and overall the portfolio has an average age of less than four years.

BOC Aviation has its headquarters in Singapore and also has offices in Dublin, London and Seattle, and last year the lessor saw net profit increase 20% to US$201m, with total assets as the end of 2011 totalling US$7.6bn, up by 14% compared with 2010.

BOC also raised US$1.7bn in debt funding last year (of which more than 70% came from Asia/Pacific financial institutions) and this will fund continued growth of BOC's portfolio. In July the lessor agreed a deal to buy and lease back eight A330-300s with International Airlines Group scheduled for delivery from January 2013 through to April 2014, and in addition BOC Aviation's order book currently comprises 48 aircraft, including 10 737s, eight 777s, 25 A320s, two A321s and three A330s.

## Macquarie AirFinance

Based in Dublin with offices in Singapore, San Francisco and London, Macquarie AirFinance is part of the finance giant Macquarie Group.

Macquarie owns 134 aircraft and manages another 21, and almost all of the owned portfolio is narrowbodies, including 72 A320 family aircraft and 52 737NGs.

These aircraft are placed with 76 customers in 42 countries, with three main markets accounting for all but 19 of its portfolio – 61 aircraft are placed in Europe (with clients that include Air France, Iberia and Air Berlin), 40 are in the Asia/Pacific region (including Qantas, China Southern and China Eastern), and 35 in the Americas (including United and Southwest).

Excluding BCC, Macquarie AirFinance continues to have the dubious honour of being the largest lessor (held jointly with Aircastle) not to have any Airbus or Boeing aircraft on outstanding order.

## Aircastle

Based in Connecticut (and with offices in Dublin and Singapore), Aircastle recorded a 10% rise in revenue in the first six months of 2012, to $337m, but net profit fell 26% to $49m, primarily due to higher interest costs, reduced income from the sale of aircraft and higher depreciation.

During the first six months of 2012 Aircastle acquired 14 aircraft and sold three, and since the last survey (12 months ago) Aircastle's fleet has increased by nine aircraft, to 155, all of which are owned (with a net book value of $4.7bn and an average age of more than 11 years). Of that 155 fleet, 26 aircraft are freighters and 129 are passenger models, of which the vast majority (96) are narrowbodies.

The Aircastle fleet is placed with 67 customers in 36 countries, and just under three-quarters of all aircraft is placed into two markets, with the most important one being Europe, where 69 aircraft are placed, followed by the Asia/Pacific region, where there are 45 aircraft. Nevertheless the single largest customer is US Airways, which leases 11 aircraft, followed by Hainan Airlines with nine and GOL with seven.

## Air Lease Corporation

Air Lease Corporation - launched in 2010 by ILFC founder Steven Udvar-Hazy - has continued to grow rapidly over the last 12 months, exactly doubling its portfolio from 65 to 130 aircraft. The Los Angeles-based lessor is fast becoming a major player in the industry, helped by the substantial amount of debt and equity funding it has raised over the last two years, and is highly likely to break into the Top 10 lessors within the next year.

Its ambitions don't stop there though. Air Lease Corporation's intent was clearly demonstrated with a raft of new orders earlier this year. In June the lessor firmed up an earlier MoU with Airbus into an order for 36 A320 Neo family aircraft, of which 20 will A321 models, plus options for another 14 aircraft. Then at Farnborough in July, Air Lease Corporation announced an order for 60 737 MAX 8s, 15 737 MAX 9s and options for another 25 737 MAXs. The order was the first 737 MAX one placed by a lessor, and the aircraft

have a list price of $7.2bn.

In total Air Lease Corporation has outstanding orders for a huge 243 new aircraft (giving the largest order book of any lessor), comprising 152 737s, 12 787s, five 777s 48 A320s, 22 A321s and four A330s. They will arrive at the rate of approximately 30 aircraft a year through the rest of the decade.

Air Lease Corporation's current portfolio includes 54 A320 family aircraft, 40 737NGs and 26 E175/190s, and by net book value 40% of the fleet is placed with customers in Europe, closely followed by the Asia/Pacific region (34% of book value). The total portfolio has an average age of just over three years, giving it one of the newest fleets in the entire leasing industry.

In the first six months of 2012 Air Lease Corporation reported revenue of $291 and a net profit of $55m – both figures being substantially up on the corresponding period in 2011.

## ORIX Aviation

Dublin-based ORIX Aviation is owned by the Orix Corporation, a Japanese financial services group, and has seen its portfolio increase from 87 to 121 in the last year. The majority of aircraft are narrowbodies, although it has a wide mix of models as well as a spread of older and newer aircraft.

Europe and North America are the largest markets for ORIX, and together they account 50% of placements in the lessor's portfolio.

ORIX does not have any aircraft on outstanding order, but earlier this year the lessor bought a package of four A320s and 29 Boeing Classics from GECAS, while in July ORIX said that it was in discussions to buy and lease back a number of 787s from airlines that had ordered the model.

## FLY Leasing

Formerly known as Babcock and Brown Air until 2010, FLY Leasing has seen its portfolio increase from 62 to 111 aircraft in the last year, of which all but eight are narrowbodies, including 49 A320 family aircraft and 39 737s. The jump in the portfolio came from the $1.4bn purchase of 49 aircraft from Global Aviation Asset Management (GAAM), which was completed in October 2011.

Listed on the NYSE, FLY's portfolio has an average age of less than nine years and is placed with 53 airlines in 29 countries. The largest market is Europe, where 48 aircraft are placed with customers that include British Airways, Air France and Turkish Airlines, followed by the Asia/Pacific region, with 32 units (where clients include Qantas, Air China and Hainan Airlines). FLY Leasing also owns 15% of BBAM.

## MC Aviation Partners (MCAP)

MC Aviation Partners (MCAP) is based in Tokyo and has offices in Dublin and Los Angeles, and is a subsidiary of giant Japanese conglomerate the Mitsubishi Corporation.

MCAP's 65 employees manage a portfolio that has nudged up slightly in the last 12 months from 100 aircraft to 110, of which 60 are owned and 50 managed for others. The vast majority of aircraft are narrowbodies, including 44 737-800s, 36 A320s and six A321s, and almost two-thirds of its fleet is less than five years' old.

Unsurprisingly MCAP's main focus is the Asia/Pacific region – for example in June the lessor leased five A320s to Jetstar Japan while in July the lessor bought and leased back five new Airbus A320-200s to Tiger Airways. Altogether MCAP has placed 56 aircraft in the Asia/Pacific region, with its second most important market being 'Europe and Africa', where it has 29 aircraft.

## Avolon

Yet another lessor based in Dublin, in the two and a half years since launching Avolon has grown its portfolio to 105 aircraft and it remains on target to reach its target of 150 by 2014.

The portfolio comprises 51 A320 family aircraft, 37 737-800s, six A330s, five 777s and six E190s, which are placed with 32 clients in 20 countries. The single largest market is the Asia/Pacific region, where Avolon has 30 aircraft, followed by Europe with 25 aircraft and Latin America with 17 aircraft.

The lessor also has offices in Connecticut, Shanghai and Singapore, and is owned by three private equity funds - Cinven, CVC Capital Partners and Oak Hill Capital Partners - plus the Singaporean sovereign wealth fund GIC.

Avolon has orders outstanding for eight A320s and nine 737s, but the lessor's drive to becoming a major player was shown at Farnborough this year when it revealed new "commitments" for 15 737 MAXs (plus five options), 10 737-800s and 15 A320 Neos (which

together have a list price of $3.8bn) - though these are still to be turned into firm orders.

## Sumisho Aircraft Asset Management

After expansion in 2010 and early 2011, Sumisho Aircraft Asset Management appears to have deviated from its previously stated plan to reach 150 aircraft by 2014 by adding just one aircraft over the last 12 months. Its fleet of 91 aircraft are placed primarily in Europe, where clients include Iberia (nine A320 family aircraft) and British Airways (seven A320s and a 777). With 12 employees, SAAM is based in Amsterdam and is a subsidiary of Japan's giant Sumitomo Corporation, which employs more than 5,000 in offices around the globe.

## Pembroke Group

Pembroke Group is owned by Standard Chartered and has offices in Dublin and Limerick. It has increased its portfolio over the last year from 76 to 84 aircraft, of which 65 are owned and 19 managed on behalf of others. They include a wide mix of models (no less than 18 types), including 25 A320 family aircraft, 36 737s, nine 777s and four 717s. The portfolio is placed with 24 airlines, including Emirates, Cathay Pacific, SIA and AirArabia.

## Hong Kong Aviation Capital

Hong Kong Aviation Capital (HKAC) is owned by the HNA Group, Bravia Capital Partners, the Agricultural Bank of China, the China Development Bank and the China Exim Bank, and includes the former portfolio of Sydney-based Allco Finance, bought by the HNA Group in 2010.

Based in Hong Kong and with offices in Dublin, London and Sydney, HKAC has a portfolio of 68 aircraft, including 32 A320s, 10 737-800s and 10 A330s. They are placed with 13 clients, the largest of which is Qantas, with 19 aircraft, followed by Ryanair and Indigo (11 each) and Emirates (eight aircraft).

## ICBC Leasing

ICBC Leasing has increased its portfolio again in the last 12 months, and currently has 63 aircraft. Owned by the Industrial and Commercial Bank of China, in autumn 2011 ICBC Leasing announced it was aiming to triple its fleet by 2013, with a target of more than 250 aircraft in that year. Three-quarters of that fleet will be narrowbodies by that date, but in the longer term 737s and A320s will be joined by China's own narrowbody, the 168-190 seat Comac C919, which is currently scheduled to be deliverable from 2016 onwards. ICBC Leasing ordered 45 of the type in September last year, becoming the model's launch customer, and in June this year also placed orders for 39 A320s and three A321s.

## Alafco

Though listed on the Kuwait stock exchange, Alafco is 54% owned by the Kuwait Finance House and 11% by Kuwait Airways. It specialises in Sharia-compliant leasing and in the first half of its 2011/12 financial year (the six months ending March 31st 2012) Alafco posted a net profit of US$65m.

It currently owns 48 Airbus and Boeing aircraft and manages another 12 on behalf of various investors. The owned portfolio comprises 27 A320s, 15 737-800s, two 737-900ERs and four 777s, which are placed with 15 customers around the world – though the most important market is the Asia/Pacific region, where 14 aircraft are at China Eastern, China Southern, Go Air, VietJet Air, Malaysian Airlines and Okay Airways. The Middle East is the next most important market - where 13 A320s are leased to Saudi Arabian Airlines and two more of the type are with Royal Jordanian - followed by Europe, with 12 aircraft.

In February Alafco placed an order for another 35 A320 Neo aircraft, bringing to 85 the number of outstanding orders for A320 family aircraft. Also on order are eight 787s and 12 A350s – the lessor is well on the way towards its target of a 100-strong fleet by the end of the decade. ALAFCO also "committed" to 20 737 MAX 8s at Farnborough this year, though as yet they have not been turned into a firm order.

## DAE Capital

DAE Capital – the leasing arm of the state's Dubai Aerospace Enterprise (DAE) – has stabilised following the troubles affecting the Dubai economy, the departure of CEO Robert Genise in 2011 and the cancellation of more than 100 outstanding orders.

After refinancing in 2011 its portfolio has

crept up by two aircraft over the last 12 months, to 48, and now comprises 15 A320 family aircraft, 11 A330s, 16 737NGs and six 777s, which are leased to 18 customers that include easyJet, Emirates, China Southern, Turkish Airlines and Virgin Blue. It has 10 747s and nine 777s on order.

## Jackson Square Aviation

Since being launched at the end of 2009 with funding from Oaktree Capital Management, Jackson Square Aviation has grown rapidly and today owns or manages a portfolio of 46 aircraft. The lessor is based in San Francisco and has other offices in London, Seattle, Miami, Toulouse, Singapore, and - just opened this year - in Beijing. It has a medium-term target of 100 aircraft. However, earlier this year Oaktree hired an advisor to carry out a sale of its stake in the lessor.

## Other lessors

**SkyWorks Leasing** is headquartered in Greenwich, Connecticut, and has a diverse portfolio of 95 aircraft, including widebodies, narrowbodies and regional jets. Among a number of San Francisco-based lessors is **Sky Holding**, which also has offices in Miami, Tucson and Buenos Aires. It has increased its portfolio by more than a third in the last year and today manages or owns 90 aircraft, leased to customers that include American, Delta, China Eastern and China Southern.

**Cargo Aircraft Management** is a freighter specialist based in Orlando, Florida, with a portfolio of 78 aircraft that includes 43 767s, 13 727s and five 757s. China's **CDB Financial Leasing** has increased its fleet by almost 20 aircraft in the last year to a portfolio of 70 widebodies, narrowbodies and regional aircraft. A subsidiary of state-owned China Development Bank, CDB is based in Shenzhen and aims to become one of the leading lessors in the Asia/Pacific region within the next few years.

**Guggenheim Aviation Partners** operates out of Chicago and is owned by Guggenheim Partners, a financial services company with more than 20 offices around the world. The lessor has seen its portfolio increase by just one aircraft over the last year, to 50 aircraft, split equally between narrowbodies and widebodies.

**Volito Aviation Services** is based in Malmo, Dublin and Singapore and is owned jointly by Volito Aviation (80%) and Goldman Sachs (20%). It manages a fleet of 47 aircraft, most of which are younger narrowbodies with a customer base that is based largely in Europe, including Air Berlin and TAP Air Portugal.

Miami-based **Apollo Aviation Group** has a 44-strong portfolio, with a wide mix of aircraft types leased to clients that include Air France, American and Southwest. **Amentum Capital** is based in Dublin and owned by Germany's HSH Nordbank. Its staff of 14 manages a portfolio of 44 aircraft (slightly up year-on-year), worth an estimated $2bn and on lease to 17 customers, with its single largest clients being TUI (five 737-800s), easyJet (five A319s), Lion Air (four 737-900s) and AeroLogic (four 777s).

Based near Gatwick airport, **Aircraft Leasing and Management** manages 42 aircraft, including 21 737s and seven A320 family aircraft, all of which are with clients in Europe or the Asia/Pacific region. Dublin-based lessor **AerGo Capital** also has offices in Chicago, Johannesburg, Nairobi and Santiago de Chile and specialises in older narrowbodies in its fleet of 40 aircraft, almost all of which are 737 Classics and MD-80s.

Moscow lessor **VTB-Leasing** has a portfolio of 36 aircraft and is part of major Russian finance group VTB Bank, while **Jetscape** is based in Fort Lauderdale, Florida, and owns or manages 36 aircraft, comprising two A319s, four 737 Classics, two MD-80s, nine E-170s and 19 E-190s, which are placed with 22 customers in 16 countries. Based in Florida and with other offices in the US, UK, Ireland and Singapore, **AerSale** is a leasing and equipment spares company with an estimated portfolio of 35 aircraft.

Part of Bank America Merrill Lynch, **Banc of America Leasing** is a general equipment leasing company that has a small aircraft leasing operation. Based in the US and Dublin, Banc of America Leasing has a portfolio of approximately 30 widebody and narrowbody aircraft. **Doric Asset Finance** is a Frankfurt-based lessor with offices in London and New York. Its portfolio has stayed almost flat over the last year, at 27 aircraft, which are mostly widebodies.

**Deucalion Capital** is owned by Germany's DVB Bank group and has an estimated portfolio of 25 aircraft, including four A300-600Rs bought in July this year that are currently on lease to Monarch Airlines.

**Automatic** is a Florida-based lessor with another office in Hamburg. It has recently bought a number of 737s from Lufthansa, and has an estimated 25 aircraft. **Novus Aviation** is headquartered in Geneva and has an office in Beirut, and currently has a fleet of approximately 25 aircraft, with customers that include Emirates and Air China. It is expanding its portfolio and is concentrating on acquiring mid-life widebodies – in January it bought a new A330, which is leased to Malaysian Airlines, while in May it acquired a new 777-300ER that is now on lease to Emirates.

Listed on the London Stock Exchange but based in Singapore, **Avation** has an estimated 21 aircraft in its portfolio, and seven more aircraft are due to be added over the next year and a half as part of a contract with Virgin Blue and SkyWest. **AAR** is an aviation support group based in Chicago with 60 offices across the world. Its leasing arm manages or owns a portfolio of 20 aircraft, all but three of which are 737 family aircraft.

**Skytech-AIC** is based near Farnborough and manages a fleet of approximately 20 aircraft. **Airbus Asset Management** has 40 employees and sells or leases used aircraft for the manufacturer, but is nowhere near the scale of its Boeing equivalent with an estimated 20 leased aircraft in its portfolio.

With offices in Dublin and Colorado, **GMT Global Republic Aviation** is a subsidiary of the US-based Republic Financial Corporation and manages 19 aircraft. **Aldus Aviation** specialises in Embraer E170/175s and E190/195s, of which the Irish lessor has 19 of the type, with two new E195s being delivered to AZUL Brazilian Airlines earlier this year. Operating out of Australia, **Investec Global Aircraft Fund** has 19 aircraft and wants to double its fleet over the short-term. **VEB-Leasing** - owned by Russian bank Vnesheconombank – operates out of Moscow and has 18 aircraft on its books.

Launched in 2006, **Dragon Aviation Leasing** calls itself “the first true aircraft operating lessor based in China”. Based in Beijing, it has 17 aircraft that are on lease to seven airlines, including Juneyao Airlines, Sichuan Airlines and Shandong Airlines. In February this year Dragon raised $40m through an equity issue subscribed to by the existing shareholders - who are the China Aviation Supplies Holding Company (50%), AerCap (25%) and Calyon AirFinance, which is part of Credit Agricole (25%) – as it targets a portfolio of 40 aircraft by 2014.

Based in New York, **Deutsche Bank Equipment Leasing** has a legacy portfolio of older model A320s, 737s and 757s, which has remained steady at a total of 16 aircraft over the past 12 months. **Veling** is based in Mauritius and also has a London office, and has 16 widebody aircraft in its portfolio, including seven 777-200s (all on lease to Emirates), four A340-300s and three A310-300Fs. Dublin’s **Santos Dumont Aircraft Management** has a portfolio of 15, most of which are narrowbodies.

Tokyo’s **Showa Leasing** is a general equipment leasing company with a 14-strong aircraft portfolio. **Goal** is a Munich based lessor that is a joint venture between Lufthansa (which owns 40%) and asset finance company KGAL (60%), though its portfolio has almost halved over the last 12 months to 13 aircraft as it has sold off part of its fleet. The portfolio now comprises A310s, a single A320, CRJs and E195LRs.

**Lease Corporation International** is headquartered in Dublin and owned by the Libra Group, a Greece-based conglomerate. In January this year LCI appointed a new CEO - Michael Platt, a leasing industry veteran who has worked at Aircastle and ILFC. It has a mixed fleet of 13 aircraft, including eight A330-300s that are leased to Singapore Airlines.

Denmark-based **Nordic Aviation Capital** also operates out of Ireland, France and Switzerland, and although it is a turboprop lease specialist it also has 12 jet aircraft in its portfolio. **Avequis** is based in Paris and has 11 aircraft, while Amsterdam based **Itochu Airlease** is part of the Japanese conglomerate Itochu Corporation and has an estimated portfolio of 10 aircraft.

**GA Telesis** is an aerospace services company based in Fort Lauderdale, Florida, with nine aircraft in its portfolio, while **Global Aviation Leasing** is a South African company also with an office in Gibraltar, and has a fleet of approximately nine DC-9/10s. **RPK Capital Management**, based in Chicago, has an estimated nine aircraft in its portfolio, while **Intrepid Aviation** is a freighter leasing specialist based in Memphis, Tennessee, with a fleet of four widebodies and with 18 outstanding A330 freighters on order.

**AlphaStream Capital Management** is based in Switzerland and has an outstanding order for 15 A320 family aircraft, while US-based **OH Avion** has eight A330-200Fs on order.

# JAL and ANA: Questions of fairness

Japan's two leading carriers have had a great year with record profits, successful launches of LCC subsidiaries (Peach, Jetstar Japan and AirAsia Japan) and exciting new growth with 787s. In recent months they have raised a combined $10.8bn on the stock market. But Japan Airlines (JAL) and All Nippon Airways (ANA) face a tougher future, with escalated competition from all quarters and worsening macroeconomic malaise. There is also the thorny question of how the inequalities resulting from JAL's revival might be addressed.

JAL and ANA have come a long way in the 18 months since the devastating March 2011 earthquake, tsunami and nuclear accident in north-eastern Japan. Surprisingly, both airlines posted record operating profits for their fiscal years ended March 31, 2012. ANA's operating margin was a healthy 6.9%. JAL's 17% margin – a result of its hugely successful restructuring in bankruptcy – made it one of the world's most profitable airlines in that period.

The Japanese carriers have recovered so well, first, because business travel bounced back quickly (within months). Second, the airlines were helped by the fact that the Japan outbound travel market is twice as large as the inbound market even in normal times.

Third, the airlines did not fare too badly domestically because most regions in Japan were largely unaffected by the crisis (except for nationwide problems such as continued power shortages), because in the affected areas air travel was often the only possible mode of transport, and because the rebuilding efforts generated new travel.

Fourth, the airlines responded quickly with smart strategies. They slashed capacity, adjusted frequencies and aircraft sizes, stimulated leisure demand with discount fares, captured more international connecting traffic and operated special flights as part of support for rescue and recovery efforts.

Fifth, there have been pockets of opportunities in international markets. The strong yen has greatly boosted outbound leisure travel from Japan; for example, JAL had to deploy larger aircraft to Honolulu and operate charter flights to Europe because of robust demand. Corporate demand has been strong in markets such as Tokyo-Delhi.

So, for Japan's airlines at least it was back to "business as usual" in record time. JAL and ANA have moved almost in tandem to implement the same strategies – with ANA being in the lead in part because JAL was earlier restructuring in bankruptcy.

Top projects at both airlines have included launching Japan-based joint venture LCCs, aimed at safeguarding their market shares in Japan and taking advantage of Asia's enormous growth potential. ANA's Peach Aviation took to the air in March, JAL's Jetstar Japan unit in July and ANA's AirAsia Japan in August.

Alliances have been another priority. Immunised joint ventures in the US-Japan/Asia market – JAL's with American and ANA's with United Continental – went into effect in April 2011. ANA was the first to implement a similar JV on Japan-Europe routes. The deal with Lufthansa was introduced in October 2011 and fully implemented in April; the airlines are now awaiting regulatory approval to add Swiss and Austrian to their JV. JAL and BA are preparing to launch their immunised Europe-Japan JV in March 2013.

This year has also seen new international expansion facilitated by the 787. ANA and JAL were the world's first two operators of the type.

The Japanese carriers have even moved in tandem to tap the stock market for funds, albeit for entirely different reasons. ANA raised ¥182bn or $2.3bn (including overallotments) in a secondary share offering in July/August to fund its fleet plan and build cash reserves for possible future acquisitions.

JAL capped its remarkable turnaround with a ¥663bn ($8.5bn) IPO this month (September), followed by a relisting on the Tokyo Stock Exchange. While the proceeds went to state-backed Enterprise Turnaround Initiative Corporation of Japan (ETIC), which rescued JAL with a ¥350bn ($4.5bn) equity injection in December 2010, JAL will benefit because it will now be able tap the public capital markets (equity or debt) for growth funds in the future.

JAL's shares were deliberately priced low to attract retail investors, which made up around 70% of the buyers. The price represented just 5.3 times projected 2012/13 earnings, compared to ANA's 13-14 times in early September. JAL's stock was much in demand. The international tranche (25% of the total) was six times oversubscribed, as foreign investors were attracted by the low valuation, clean balance sheet and high profit margins. The IPO was also a huge success from the government's and taxpayers' viewpoints: ETIC almost doubled its original investment. With a market capitalisation of ¥687bn ($8.8bn) when it was listed on September 19, JAL became the world's fourth largest airline by market value (after Latam, Air China and SIA).

However, the stock made a weak debut, rising by only 1% on the first day. One concern has been that many of the retail investors may want to take profits in the short term. Like ANA's, JAL's shares offer domestic air ticket discounts of up to 50%, designed to persuade people to hold onto the shares longer, but that perk is becoming less attractive now that LCC service is more widely available in Japan. Furthermore, because of various economic, competitive and possibly political headwinds ahead, many analysts feel that the JAL shares are not attractive in the long term.

## Multiple challenges ahead

JAL and ANA are likely to find the going getting tougher in late 2012 and in 2013. Internationally, growth and earnings prospects are not promising because of the lingering and possibly worsening European debt crisis and its effects on the global economy. Oil prices have risen again in recent months and the new tensions in the Middle East do not bode well.

Asia's economic climate has deteriorated markedly in recent months. Growth is now slowing in China, a huge market that Japanese businesses depend on and one that ANA and JAL have been counting on for expansion. Japan's exports to China already declined in June and July.

Mid-September saw another worrisome development: a sudden flare-up of the longstanding territorial dispute between China and Japan over a tiny group of uninhabited islands (known as Senkaku in Japan and Diaoyu in China). The anti-Japan sentiment and violent protests that have erupted in China have made life difficult for Japanese businesses and factories operating in China and dented the sales of their products. By September 21 cancellations by tour group passengers on Japan-China routes were running so high that the airlines slashed capacity in the market. JAL nearly halved its flights to Beijing and Shanghai through October 27 (and its newly listed shares tumbled). The crisis could blow over in a month or so, just like the previous flare-ups, or the economic impact could be severe and long-lasting.

One of the biggest challenges facing ANA and JAL is that Japan is now entering a new competitive era in terms of airline operations, thanks to a massive increase in airport capacity in the Tokyo metropolitan area in 2010-2013, many open skies ASAs signed in recent years that fully liberalise access to Tokyo from 2013, efforts by key airports to provide lower-cost facilities for LCCs and other policies that foster competition.

JAL and ANA were major beneficiaries of the initial Haneda "big bang" in October 2010, when maximum annual aircraft movements there increased by 43% and Haneda was opened to scheduled international flights. JAL and ANA have also received their fair share of new slots in the subsequent allocation rounds at Haneda, while gradually getting used to new competition at the airport. But the 2013 changes – notably a new terminal exclusively for LCCs

at Narita and a 40% increase in Narita's total slots – will benefit other carriers more, bringing a flood of new competition.

So internationally JAL and ANA will face sharply escalated competition from foreign operators, both established carriers and LCCs, on both short- and long-haul routes. Many of the new Narita slots will go to Asian LCCs, including SIA's Scoot, AirAsia and Jetstar. Last year Narita was expecting seven or eight LCCs to use the new terminal when it opens in FY 2013.

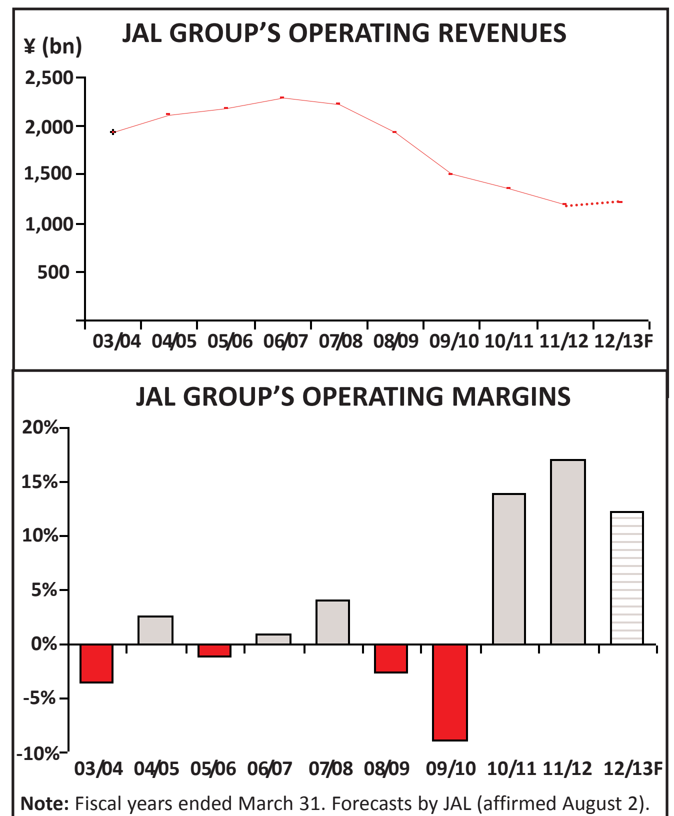
Although the domestic market is large (83m passengers), it has stagnated in terms of full fare/business travel. The population is declining. There is fierce competition from Shinkansen bullet trains. Now, at the leisure end of the scale, the domestic market is seeing a new wave of new-entrant LCCs, keen to test if the market can be stimulated with low fares.

Of course, ANA and JAL are part-owners of three LCCs, which they smartly launched ahead of next year's influx of competition. But many consider the joint-venture LCCs a risky strategy. While enabling the established carriers to retain some leisure market share, the LCC units will have a negative impact on the domestic pricing environment and may even poach higher-yield traffic from JAL and ANA in some markets.

Then again, as ANA and JAL executives have pointed out, if they did not do it someone else would. LCCs are expected to take the bulk of any incremental market growth to capture 17-20% of the domestic market this year. CAPA recently predicted that LCCs could account for half of all domestic seats in Japan by the end of the decade.

In the near term, the Japanese carriers have contrasting earnings outlooks. JAL faces many cost pressures after the sharp cuts in bankruptcy. Its labour costs will rise as bonus payments are restored (already taking place) and workers start demanding salary increases after the sacrifices made. Leasing and interest costs will soar as the 787 deliveries gather pace. But JAL is hoping to offset some of those hikes with a modest new ¥50bn ($638m) cost-cutting programme over the next five years.

JAL expects its operating profit to

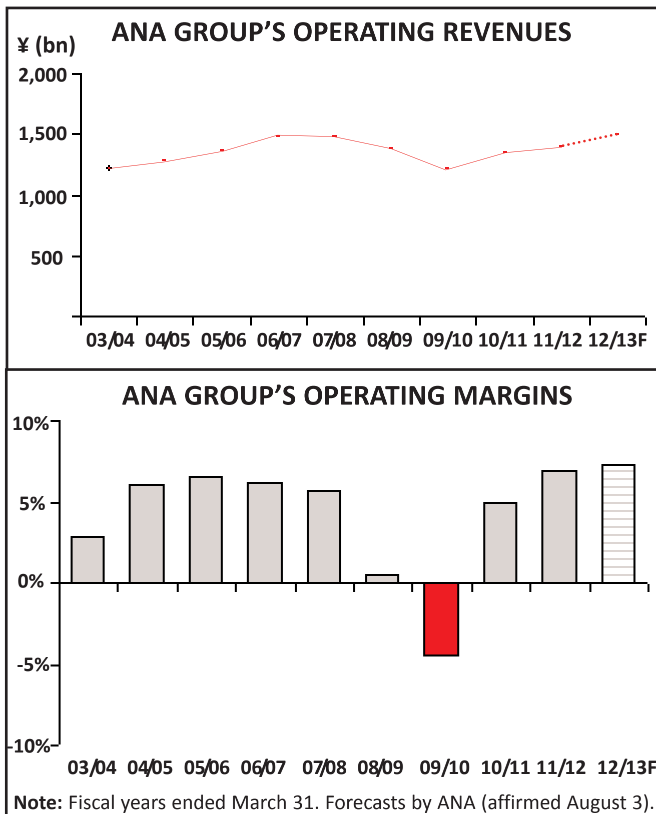


**Note:** Fiscal years ended March 31. Forecasts by JAL (affirmed August 2).

decline by 27% to ¥150bn ($1.9bn) and net profit by 30% to ¥130bn in the current fiscal year ending March 31, 2013. But the operating margin would still be a very healthy 12.3%. The goal is to achieve an operating margin of at least 10% in each of the next five years – something that would make investors very happy, especially if JAL keeps its promise of paying dividends of about 15% of net income.

In contrast, ANA is still poised to grow its earnings this year, because it has more scope to cut costs and because it is feeling pressure to narrow the profit gap with JAL. ANA has an ambitious new ¥100bn ($1.3bn) cost-cutting programme in place for the fiscal years 2012/13 and 2013/14, equivalent to a ¥1 reduction in CASK.

ANA expects its operating profit to increase by 13.4% to ¥110bn ($1.4bn) and net profit by 42.3% to ¥40bn in the current fiscal year. Operating margin would be 7.3%. The aim is to pay 25% of net income as dividends. The current corporate plan targets a ¥130bn operating profit (8.3% of revenues) in FY 2013/14 and "medium-



**Note:** Fiscal years ended March 31. Forecasts by ANA (affirmed August 3).

term" operating income and margin greater than ¥150bn and 10%.

## Questions of fairness

JAL's outlook will also depend on whether there is a major shift in the political climate to favour ANA, after much criticism that the government showed JAL unfair favouritism when rescuing it and helping it turn around financially. There is an intense public debate on this subject in Japan, with ANA, opposition politicians and others arguing that the playing field is no longer level.

JAL's net profits have been artificially boosted by the lower interest payments resulting from the more than ¥500bn ($6.3bn) of debt waivers granted by creditors in its bankruptcy and the lower depreciation costs following the write-offs of large numbers of its aircraft. JAL benefited from the massive funding from ETIC, which was formed essentially with the airline's rescue in mind. But the biggest bone of contention are the $4.5bn tax credits tied to the reorganisation that, thanks to tax law changes in 2011, JAL can apparently use to offset corporate tax for up to nine years.

The US experience has shown that the Chapter 11-type process is profoundly unfair to competitors. It really creates an uneven playing field. The latest example is AMR, which had to file for Chapter 11 in the first place because it could not compete against all the other carriers that had slashed their costs, shed their pension plans and restructured their debt in bankruptcy.

In the Japan airlines' case, the unfairness of the Chapter 11-type process seems magnified. First, there are only two large airlines. Second, the rescue involved taxpayers' money. Third, the government went totally overboard helping JAL. Fourth, $4.5bn of tax credits following bankruptcy seems outrageous.

Therefore some form of redress seems appropriate and likely. ANA, which appears to have stepped up the fight after JAL's successful IPO and listing, has called for political intervention to rebalance the competitive landscape, for example, through the allocation of domestic slots at Haneda. Favouring ANA over JAL in route/slot allocations is a potential solution that has been debated for years.

According to the *Financial Times*, ANA's leadership argues that an airline that has failed should not immediately be given new slots, and that Japan should perhaps adopt rules similar to the EU's "prohibiting an airline that has received public funds from using that money for anything other than restructuring".

## JAL: International growth and alliances

JAL's 14-month court-led restructuring (January 2010-March 2011) tackled its cost and balance sheet problems very effectively. The airline closed some 49 unprofitable routes, withdrew from 11 overseas and eight domestic destinations, shed more than 100 aircraft, slashed its headcount by about one third, switched to smaller and more fuel-efficient aircraft and rationalised the mainline fleet from seven to four types. The result was a dramatic reduction in oper-

ating costs: between 2008's and 2011's June quarters, as JAL's ASKs fell by 43%, its total operating costs more than halved, leading to a 14.3% reduction in unit costs.

The restructuring also included selling many non-core businesses, updating JAL's obsolete IT systems and changing from a rigid, multi-layer organisational structure to a more streamlined managerial framework. JAL continued cost cutting last year, and in April it put in place a new divisional profitability management system.

The turnaround was engineered and overseen by Kazuo Inamori, the 80-year old founder of electronics maker Kyocera and a management guru who took over as chairman when JAL entered bankruptcy. He trained JAL's management to become more profit-oriented and to execute business plans more reliably. Inamori, an ordained Zen Buddhist priest, evidently succeeded in transforming JAL's culture using somewhat unusual methods. He introduced a "JAL Philosophy" handbook that all 32,000 workers carry and discuss at staff meetings. The book teaches about cost-consciousness and includes mantras such as "be thankful". According to press reports, after initially being sceptical many employees have been converted.

One obvious question is whether JAL can sustain the new culture after Inamori retires in early 2013. He loosened the reins in January when he became JAL's "honorary chairman" and a new leadership team was named, with Masaru Onishi taking over as chairman and Yoshiharu Ueki as president. Ueki, an ex-pilot, was handpicked for the job by Inamori, though like Onishi he comes from the ranks of the old JAL management.

JAL's post-bankruptcy strategy focuses on its traditional strengths: the business travel segment and the key global, regional and domestic markets that have high volumes of business traffic. That means a network centred on major US and European cities and the high-growth Asian routes. Long-term strategy includes major expansion of international flights at Haneda and strengthening Narita's role as a global hub between North America and Asia. Domestic strategy focuses on maintaining a network centred on Haneda, and to a lesser extent Itami (Osaka), and operating more frequent service using smaller aircraft. JAL no longer operates freighters. The network is nicely balanced with domestic passengers accounting for 48.5% and international passengers 42.9% of air transport revenues in the June quarter (cargo accounted for the remaining 8.6%).

After the drastic contraction in bankruptcy, JAL is now resuming modest growth with the help of the 787 and global alliances (Inamori is known to worry about overambitious expansion). JAL's five-year plan for the 2012-2016 period anticipates ASKs increasing by just 13%.

JAL deployed its first 787s in the lucrative business-oriented Narita-New Delhi, Narita-Moscow and Haneda-Beijing markets and to launch a new Narita-Boston route in April. Narita-San Diego will follow in December and Narita-Helsinki in March 2013. This autumn JAL is also using the 787 to boost service in the Tokyo-Singapore market.

Boston and San Diego are JAL's seventh and eighth US gateways. The new services represent those cities' first direct links with Asia. They are examples of the types of large secondary markets – ones that bypass congested hubs such as JFK and LAX – that are now possible for JAL because of the 787 and the JV with AMR.

This strategy is not perfectly aligned with AMR's "cornerstone" strategy, which among other things has meant a sharp contraction in Boston. But AMR's partner JetBlue, which has developed a major business-oriented hub at Boston Logan, was there to help out: JAL and JetBlue forged a codeshare agreement that also covers JFK and helps feed traffic from all over the East Coast. Of course, both the Boston and San Diego routes are part of the JV with AMR.

Helsinki will be JAL's first new European destination in 20 years. Currently JAL places its code on the well-established Helsinki-Tokyo A330-300 flights operated by oneworld partner Finnair. The attractions for JAL include Helsinki's geographical location, Finnair's extensive European network, a compact and well-designed terminal allowing for minimum connecting times as short as 35-40 minutes and already having Japanese signage, etc.

Alliances and JVs are especially important to JAL because of its earlier downsizing and because it is poised to grow at a slower rate than ANA. The restructuring plan called for "aggressive" utilisation of alliances and stipulated that JAL should also benefit from the "managerial know-how, facilities, IT systems and other tangible and intangible assets of alliance partners".

JAL executives have spoken frequently about how the immunised JV with AMR has helped boost JAL's competitiveness on the Pacific. North America-Asia (via Japan) joint fares have been offered since December 2011 and continue to be expanded. Narita-San Diego will be the 11th transpacific route covered by the joint venture.

JAL is now hoping to repeat those benefits in the Japan-Europe market with the immunised JV with BA. As the initial step, in October the two are expanding their existing codeshares (23 beyond-London routes and eight beyond-Narita segments) to cover the Narita-Heathrow route. Both will place their codes on the daily flights each of them operates, plus on BA's five-per-week Heathrow-Haneda services. They will also offer joint fares.

In the past 12 months, JAL has also launched codesharing with oneworld members LAN, Malaysia Airlines (joining this winter), airberlin and NIKI, as well as WestJet through Vancouver. Qantas's recent decision to loosen ties with BA and outsource its European flying to Emirates is unlikely to negatively impact JAL; Qantas's leadership has stressed that the airline still wants to enhance ties with oneworld members such as Latam, AMR and JAL.

Curiously, in the publicly released version of its latest five-year plan JAL did not even mention its new 42%-owned LCC unit Jetstar Japan, a joint venture with Qantas's Jetstar and the Japanese trading house Mitsubishi Corp. This may be partly because its Australian partner is responsible for the unit's strategy (JAL has reportedly given it considerable freedom) but also because JAL wants to distance itself from the budget brand. The five-year plan stressed the need to "enhance the JAL brand" to emphasise things like "JAL's distinction as a high-quality, full-service airline with a comprehensive international and domestic network" that are "setting it apart from LCC brands".

Jetstar Japan began operations on July 3 with three A320s linking Narita, its first base, with Sapporo, Fukuoka and Okinawa. The airline will also operate from Osaka and is planning international service from first-half 2013 to leisure destinations in countries such as China, the Philippines, South Korea and Taiwan. Its fares are 40-50% lower than existing fares. CEO Miyuki Suzuki (former EVP at Japan Telecom and a female) was recently reported saying that Jetstar Japan could operate 100 aircraft by the end of the decade and about a third of its capacity would be international. The fleet will later include A320neos and possibly larger aircraft types.

JAL's five-year plan for 2012-2016 envisages a ¥478bn ($6.1bn) investment in fleet, but it will mainly be for replacement. The figure includes the 20 orders placed in February for the larger 787-9 (of which 10 were conversions from earlier 787-8 orders), for delivery from FY 2015. The 787-9 offers 50 more seats and is therefore part of JAL's arsenal to try to keep unit costs in check. JAL has now ordered 45 787s, including 25 787-8s and 20 787-9s, plus 20 options.

One question still open is whether JAL will get the desired long-term strategic shareholders. Inamori has repeatedly expressed a wish that BA and AMR would consider buying small stakes in JAL. The partners are probably willing, though they would prefer not to and must be hoping that institutional investors can fill the role of bringing long-term stability to JAL, like they do at ANA and other airlines.

## ANA: Maybe also acquisitions

ANA's key goals for the next two years are to adopt a "multi-brand strategy", switch to a holding company structure and achieve cost savings and efficiency improvements. ANA will "leverage its strengths as a network carrier", accelerate international expansion and improve profitability. The two-year plan for fiscal years 2012/13 and 2013/14 envisages a 22% capacity increase - much greater than JAL's planned growth.

The two-year plan is designed, first, to

strengthen ANA against a backdrop of global economic uncertainty, the European debt crisis, high oil prices and fluctuating foreign exchange rates. Second, it will help ANA become "Asia's Number One" airline and fend off a new wave of competition. Third, it will help ANA take advantage of the expansion of airport capacity in the Tokyo metropolitan area, ANA's role as the 787's launch customer and the immunised JVs.

Like JAL, ANA is striving to clearly differentiate the products and services offered by the "mainline full-service airline" from the LCCs. The two-year plan also talked about prioritising punctuality and on-time performance and using a brand concept called "Inspiration of Japan" to try to acquire a "five-star airline rating from Skytrax" (a well-known airline and airport review and ranking website).

However, ANA holds majority stakes in its LCC ventures, so rather than distancing itself from the units (like JAL), ANA is switching to a holding company structure from April 2013 to make it easier to support different autonomously managed brands (ANA, ANA Wings, AirAsia Japan, Peach Aviation, etc.).

This is another indication that ANA is seriously interested in acquisitions. When completing the secondary offering in the summer, the airline said that the funds would "help take advantage of opportunities if they arise". Bloomberg quoted an ANA executive saying: "We're always looking at ways to expand and take more of the expanding market in Asia".

Peach Aviation, ANA's JV with Hong Kong-based First Eastern Investment Group and other investors, began operations with leased A320s in March, initially serving Sapporo, Nagasaki and Kagoshima from its Kansai (Osaka) base, which benefits from special lower-cost facilities for LCCs. International operations, launched in May, extend to Seoul, Hong Kong and Taipei (the latter from September 30). ANA recently disclosed that Peach hopes to make an annual profit by its third year.

ANA's other (51%-owned) joint-venture LCC, AirAsia Japan, launched A320 operations in early August, serving Chitose, Fukuoka and Naha from its Narita base. International operations to Seoul and Busan will follow in October. The airline may establish another base at Nagoya and could serve Taiwan and China in the future. It will benefit from the successful business model and well-known brand of AirAsia.

ANA is clearly confident of making the dual-LCC strategy work. Tokyo and Osaka are different markets, but eventually the strategy will limit Peach's and AirAsia Japan's growth. Then again, ANA has indicated that its priority is to cover as many future LCC markets as possible.

After debuting the 787 on domestic routes in November 2011 and subsequently on Haneda-Beijing, ANA used the aircraft to launch Haneda-Frankfurt in January. This autumn is seeing the 787 deployed in a wider range of domestic and regional markets and to upgrade Narita-Seattle in October. In January ANA will use it to launch a new Narita-San Jose route. Frankfurt and San Jose are examples of new routes that are only possible with the 787. ANA has seen higher than normal load factors on the 787s, indicating its popularity.

Including exercised options announced on September 21, ANA has now ordered 66 787s, of which 36 are 787-8s and 30 are 787-9s. The airline expected to have received 15 787s by the end of September. Many of the 787s are for replacement of 767-300s internationally and 747-400Ds and A320s on domestic routes.

ANA executives said this summer that although the European routes were still profitable, the main focus continued to be on the transpacific market, especially to build the North America-Asia (via Narita) corridor with the help of the immunised JV with UAL. This will mean two new Asia routes, Narita-Yangon (Myanmar) and Narita-New Delhi, in October.

ANA is also counting on being able to expand the immunised JV with Lufthansa to meet the 22% international growth target in 2012-2013. Adding Swiss and Austrian to the joint venture would increase the Japan-Europe JV routes from seven to nine and within-Europe JV routes from 208 to 320.

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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/** | **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** |
| **KLM Group** | Apr-Jun 10 | 7,301 | 7,469 | -168 | 939 | -2.3% | 12.9% | 60,345 | 49,283 | 81.7% | 17,623 | 102,918 |
| **YE 31/03** | 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 |
| | Apr - Jun 12 | 8,351 | 8,920 | -569 | -1,150 | -6.8% | -13.8% | 67,456 | 55,820 | 82.8% | 19,980 | |
| **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** | | | | | | | | | | | | |
| **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 |
| | Apr - Jun 12 | 5,926 | 5,931 | -5 | -72 | -0.1% | -1.2% | 55,851 | 45,421 | 81.3% | 14,347 | 60,418 |
| **Iberia** | **Year 2009** | **6,149** | **6,796** | **-647** | **-381** | **-10.5%** | **-6.2%** | **62,158** | **49,612** | **79.8%** | | **20,671** |
| **YE 31/12** | | | | | | | | | | | | |
| **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** | 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% | 59,648 | 44,242 | 74.2% | 21,867 | 120,898 |
| | Apr - Jun 12 | 10,136 | 9,673 | 464 | 294 | 4.6% | 2.9% | 69,228 | 53,384 | 77.1% | 27,483 | 117,416 |
| **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** | 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 |
| | Apr - Jun 12 | | | | | | | | | | | |
| **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** | |
| | Apr - Jun 12 | 1,648 | 1,480 | 170 | 127 | 10.3% | 7.7% | | | 82.0% | 22,500 | |
| **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** | **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 |
| | Apr- Jun 12 | 1,213 | 1,087 | 116 | 68 | 9.6% | 5.6% | 12,776 | 11,054 | 86.5% | 6,565 | 11,965 |
| **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 |
| Chapt. 11 from Nov 29 | **Year 2011** | **23,957** | **25,127** | **-1,170** | **-1,965** | **-4.9%** | **-8.2%** | **248,349** | **203,562** | **83.9%** | | |
| | Jan - Mar 12 | 6,037 | 6,126 | -89 | -1,660 | -1.5% | -27.5% | 61,021 | 50,722 | 83.1% | | |
| | Apr - Jun 12 | 6,452 | 6,310 | 142 | -241 | 2.2% | -3.7% | 61,618 | 52,441 | 85.1% | | 78,100 |
| **Delta** | **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 |
| | Apr - Jun 12 | 9,732 | 9,598 | 134 | -164 | 1.4% | -1.7% | 95,563 | 80,497 | 84.2% | | 80,646 |
| **Southwest** | **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 |
| | Apr - Jun 12 | 4,616 | 4,156 | 460 | 228 | 10.0% | 4.9% | 53,623 | 43,783 | 81.6% | 28,859 | 46,128 |
| **Continental** | **Year 2009** | **12,586** | **12,732** | **-146** | **-282** | **-1.2%** | **-2.2%** | **176,305** | **143,447** | **81.4%** | **62,809** | **41,000** |
| **United** | **Year 2009** | **16,335** | **16,496** | **-161** | **-651** | **-1.0%** | **-4.0%** | **226,454** | **183,854** | **81.2%** | **81,246** | **43,600** |
| **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 |
| | Apr - Jun 12 | 9,939 | 9,364 | 575 | 339 | 5.8% | 3.4% | 103,986 | 87,692 | 84.3% | 37,071 | 84,500 |
| **US Airways Group** | **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 |
| | Apr - Jun 12 | 3,754 | 3,350 | 404 | 306 | 10.8% | 8.2% | 37,072 | 30,908 | 83.4% | 21,206 | 31,467 |
| **JetBlue** | **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 |
| | Apr - Jun 12 | 1,277 | 1,147 | 130 | 52 | 10.2% | 4.1% | 16,030 | 13,674 | 85.3% | 7,338 | 12,308 |

**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 2007/08 | 13,063 | 12,322 | 740 | 563 | 5.7% | 4.3% | 90,936 | 61,219 | 67.3% | 50,384 | |
| YE 31/03 | 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 |
| | Year 2011/12 | 16,008 | 14,887 | 1,121 | 347 | 7.0% | 2.2% | 91,162 | 59,940 | 65.8% | 44,903 | |
| Cathay Pacific | Year 2008 | 11,119 | 12,138 | -1,018 | -1,070 | -9.2% | -9.6% | 115,478 | 90,975 | 78.8% | 24,959 | 18,718 |
| YE 31/12 | 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 | |
| | Year 2012 | | | | | | | | | | | |
| 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 | |
| | Year 2010/11 | 16,018 | 13,802 | 2,216 | | 13.8% | | 86,690 | 59,740 | 68.9% | 34,795 | |
| | Year 2011/12 | 14,166 | 12,117 | 2,049 | 2,194 | 14.5% | 15.5% | 71,202 | 48,217 | 67.7% | 25,441 | 32,000 |
| 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 2006/07 | 9,555 | 8,688 | 866 | 1,403 | 9.1% | 14.7% | 112,544 | 89,149 | 79.2% | 18,346 | 13,847 |
| YE 31/03 | 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 | |
| | Year 2011/12 | 9,664 | 9,519 | 145 | 270 | 1.5% | 2.8% | 113,410 | 87,824 | 77.4% | 17,155 | 13,893 |
| Air China | Year 2007 | 6,770 | 6,264 | 506 | 558 | 7.5% | 8.2% | 85,257 | 66,986 | 78.6% | 34,830 | 19,334 |
| YE 31/12 | 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 | |
| | Year 2011 | 15,260 | 14,289 | 971 | 1,095 | 6.4% | 7.2% | 113,987 | 93,185 | 81.8% | 48,671 | |
| China Southern | Year 2007 | 7,188 | 6,974 | 214 | 272 | 3.0% | 3.8% | 109,733 | 81,172 | 74.0% | 56,910 | 45,474 |
| YE 31/12 | 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 | |
| | Year 2011 | 14,017 | 13,342 | 675 | 944 | 4.8% | 6.7% | 151,074 | 122,342 | 81.0% | 80,674 | |
| China Eastern | Year 2007 | 5,608 | 5,603 | 5 | 32 | 0.1% | 0.6% | 77,713 | 57,180 | 73.6% | 39,160 | 40,477 |
| YE 31/12 | 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 | |
| | Year 2011 | 12,943 | 12,296 | 647 | 689 | 5.0% | 5.3% | 127,700 | 100,744 | 78.9% | 68,681 | 57,096 |
| 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 |
| **July '12** | 32.9 | 26.1 | 79.4 | 24.6 | 22.0 | 89.2 | 18.7 | 16.1 | 86.1 | 62.9 | 55.1 | 87.5 | 94.9 | 80.6 | 85.0 |
| **Ann. change** | 2.0% | 2.6% | 0.5 | 2.4% | 3.6% | 1.0 | 3.0% | 3.2% | 0.2 | 2.7% | 3.4% | 0.5 | 2.5% | 3.1% | 0.5 |
| **Jan - Jul '12** | 202.8 | 146.3 | 72.2 | 143.9 | 120.7 | 83.9 | 122.3 | 98.8 | 80.8 | 396.8 | 326.6 | 82.3 | 634.3 | 497.7 | 79.1 |
| **Ann. change** | 1.4% | 4.0% | 1.8 | 1.0% | 4.2% | 2.5 | 4.5% | 6.7% | 1.7 | 3.5% | 5.9% | 1.8 | 2.7% | 5.3% | 1.9 |

## JET ORDERS

| | Date | Buyer | Order | Delivery/other information |
|---|---|---|---|---|
| **Boeing** | 21 Sept | ANA Group | 11 x 787-9 | exercised options |
| | 20 Sept | Avolon | 10 x 737MAX8, 5 x 737MAX9, 10 x 737-800 | |
| **Airbus** | 30 Aug | ICBC Leasing | 30 x A320ceo, 20 x A320neo | |
| | 28 Aug | Philippine Airlines | 34 x A321ceo, 10 x A321neo, 10 x A330-300 | |

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

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