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AF/KL: the first year

The French and the Dutch have shown solidarity in roundly rejecting the European Constitution. So how are they doing on the Air France/KLM merger?

The official answer is that the first year has been " a complete success", with over-achievement on synergies, hub coordination and cost-cutting. Financial results for the year to March 31 2005 showed a significant improvement on last year, but profitability was still modest - a net profit margin of 1.8% compared to 3.2% at BA or 20% at Ryanair.

Moreover, year-on-year comparisons remain confusing because of the accounting consolidation process - different periods for Air France, KLM and the Servair subsidiary, for example. Rather strangely, KLM followed up on the merged results with separate figures for the KLM Group, which revealed an increase in net profit of €67m to €91m in 2004/05 while KLM/AF combined showed an increase of only €59m to €351m.

Synergies achieved last year amounted to €115m, roughly twice expectations, but again it is unclear as to what exactly these synergies refer to or even if they are cost or revenue synergies. Unit cost per ASK didn't change at all between 2004 and 2005, though AF/KL management claim that, taking into account fuel and currency effects, a 2.3% decrease in unit costs can be estimated. In the current year, most planned cost reductions appear to be in distribution, though cutting or eliminating travel agents' commissions, an action that would have taken place regardless of the merger.

Coordinating the CDG and Schiphol hubs is key to the success of the merger. The agreement stipulated a fair distribution of traffic between the two airports, though AF/KL management now emphasises the economic rather than political aspect of capacity and traffic development at Paris and Amsterdam. Three-year network plans have been drawn up by AF and KL managers, with "no problem in terms of growth or overlap", except for a few routes, notably the new service to Nagoya.

Investors would probably like to get behind these general reassurances and understand what is happening on a detailed level at the new AF/KL dual hub system, and how real costs are being taken out of the joint entity. Trading at €13 in early June the AF/KL share price is down 8% on a year ago and 25% relative to the European Transport index.

AIR FRANCE/KLM CONSOLIDATED RESULTS (€m)

	2005	2004	Change
Revenues	19,078	17,782	7.3%
Op costs	18,589	17,377	7.0%
Op. result	489	405	20.7%
Net result	351	292	20.2%
Unit rev (cents/ASK)	6.56	6.55	0.2%
Unit cost (cents/ASK)	6.33	6.33	0.0%

Notes: years to March 31, 2004 is pro forma

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European charter airlines: Adapting to a declining market

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With the decline of the package holiday and the rise of the LCCs, the death of the charter carrier - long predicted by many in the industry - now seems closer than ever. Yet charter airlines continue to insist they can survive the mounting challenges. Which view is right?

According to the World Travel & Tourism Council, residents of Germany and the UK - the two most important outbound charter markets in Europe - will continue to provide the third and fourth-largest expenditure on personal travel and tourism globally in 2005 ($196bn and $195bn respectively). However, the proportion of this that is spent on package holidays continues to decline, and there's little doubt that this market - also known as air-inclusive tours, or AIT - is shrinking.

IACA (the industry association for charter airlines) say that whereas 100m Europeans took a package holiday in 2000, this had fallen to 90m by 2003. The greater sophistication of holidaymakers combined with the ability to book airline seats and hotels direct - thus bypassing the necessity for travel agents - underpins this trend, and puts even greater pressure on the traditionally thin margins of the tour operators.

But - and it's an important but - there continues to be a healthy market for package holidays. It may be declining and it may not be hugely profitable, but it is still a very large market, and one that many airlines, both charter and non-charter, are eager to serve.

Structural changes

Before analysing the future for charter airlines, it's necessary to take a brief look at the structural changes that have taken place in the tour operating industry over the last decade. In the mid and late 1990s, many of Europe's major tour operators went on acquisition frenzy after coming to the view that vertical integration was the only business model to have. This stemmed from an analysis that there was a limited supply of key product that holidaymakers wanted - and that the winning tour operators would be those companies that locked in the most popular destinations through hotels, airlift etc.

Back in August 1998, *Aviation Strategy* analysed the future of the European charter industry, and argued that four factors helped to insulate charter airlines from scheduled competition: European tourism flows; vertical integration in the tour operating industry; differences between the charter and scheduled products; and differences in charter and scheduled fleets.

These protective factors, however, began to unravel over the next few years:

• Although tourism flows have not changed greatly in the last few years - the annual north to south Europe summer holiday migration still takes place - there is a slow but steady leakage of former Mediterranean-destined holidaymakers to other medium- and long-haul destinations during the summer months.

• Falling consumer confidence in some European countries in the early 2000s - greatly exacerbated by September 11 - led to reduced demand for the AIT product. This put tremendous pressure on businesses with large amounts of costly fixed assets bought during the vertical integration boom of the 1990s. Interest payments on the debt that funded those tour operator acquisitions became a huge burden, and led not only to a re-examination of the vertical integration strategy, but also to a challenge to the continued existence of the heavily leveraged tour operators.

• The difference in product specs between the charter and scheduled product still exists, but is now a liability for the charter industry, rather than a protective barrier. The traditional package holiday was supply-driven, not demand led, and many holidaymakers are no longer satisfied with the traditional 7-day and 14-day "one-size-fits-all" packages that leave airports

at three in the morning. The internet and the ability to book individual elements of the package as part of a self-assembled holiday gave customers the opportunity to break free from the AIT.

• Charter airlines traditionally had larger aircraft than scheduled airlines, with an average aircraft size of more than 200 seats, designed to pack in holidaymakers on trunk routes to the popular Mediterranean resorts. Again, that difference still exists, but is increasingly irrelevant because the charters no longer compete primarily against traditional scheduled airlines, but against a far deadlier foe - the LCCs.

The impact of the LCCs on the entire European aviation industry is clear to all. With around 60 LCCs in Europe - all but a handful of which didn't exist before 2000 - the 21st century holidaymaker has greater choices and cheaper fares than ever before.

With minor exceptions, as charter airlines stuck rigidly to the structure of the traditional tour operator airlift in the early 2000s, the LCCs first captured a large part of the scheduled airline market and then started to pick off selected charter routes. And with substantial amounts of new aircraft arriving at the LCCs (more than 300 firm orders are due at easyJet, Ryanair and Air Berlin alone), competition with the charters will only increase, particularly as some LCCs are complementing their cheaper, more flexible links into European leisure destinations through increased links with hotel and car hire companies - i.e. other traditional components of the AIT.

The tour operator groups responded initially to the rise of the LCCs by increasing seat-only sales, and then by launching their own LCCs (MyTravelLite and Hapag-Lloyd Express for example), the success of which is considered below.

However, it's fair to say that the impact of the LCCs has been markedly different in Europe's two main charter markets, though this has more to do to geography that to any superior strategy from UK charters. Essentially, the impact of LCCs is greater the closer an outbound market is to the Mediterranean, which makes LCC flights more viable economically. In Germany for example, southern European tourist destinations are close enough that LCCs can squeeze in four rotations a day on a 2/2.5 hour flight/turnaround time - a business model that is just not possible out of the UK, where usually only three cycles a day to the Mediterranean are possible.

The UK market

According to the UK CAA, charter airline passengers fell by 1.3m in 2004, to 32.1m. That represents 15% of all passengers in the UK last year - the lowest percentage for charter passengers for 20 years.

That's due partly to the onslaught of the LCCs, but UK charter airlines argue that while their market share may be declining, in absolute terms they are either experiencing small increases in passengers flown each year or, at worst, no decline. They say that main impact of the LCCs has been to reduce growth in the charter market through siphoning off disposable incomes of some travellers, and that anyway there is little direct competition between charter airlines and the LCCs. For example, of the 72 routes operated by Thomas Cook Airlines, the biggest "no frills" competitor is BA's franchise partner GB Airways - whereas Ryanair competes only on one route and easyJet on nine routes. Thomas Cook Airlines also points out that it operates "to very many points where the volume of traffic is such that a single charter aircraft operating once per week and shared between three or four tour operators works well".

It's a fair point, and many - if not most - of the routes operated by the UK charter airlines are either too thin for the LCCs or else they are just slightly too far away to fit with the standard LCC operating model.

Nevertheless, on the few "thick" UK charter routes where the LCCs do compete (to Ibiza and Palma for example) then the market share of the charters has been hit considerably. Furthermore - and this is probably the most damaging effect of all - the UK and Irish LCCs have accelerated the trend among holidaymakers towards flexibility and demand for holidays that are not traditional 7-day and 14-day "one-size-fits-all" packages. The LCCs

MAJOR UK CHARTER SPECIALIST FLEETS

	Thomas Cook AL	MyTravel Airways	*Britannia Airways**	Excel Airways	Choice Airways	Monarch Airlines
A300-600R						4
A310						
A320-200	5	9			5	5
A321-200		4			4	7
A330	2	2				2
737-300						
737-400				2		
737-500			*4*			
737-700						
737-800				6		
757-200	12	3	*19*		17	7
757-300	2					
767-200ER			*4*	2		
767-300ER		2	*9*	2	3	
787-8					**(6)**	
MD 82/83						
Total	**21**	**20**	**36**	**12**	**29 (6)**	**25**

Note: * = Brand terminated as of May 2005

also serve the hundreds of thousands of British who have bought property in France, Spain and Portugal, which can only have a negative effect on the AIT market. And while many UK tour operators are now moving towards flexible "mix-and-match" packages, the overwhelming perception is - as one analyst puts it - that the UK tour operators are only unbundling their products "through gritted teeth" - i.e. because they finally have no choice but to do so.

At resorts where holidaymakers can book their hotel through a traditional tour operator but their flight with an LCC, how many customers will stay with the tour operators' charter airline? Brand loyalty to a tour operator or a charter airline (even assuming a customer can keep up with the bewildering changes in charter airline names) increasingly comes a poor second to price. Few charter airlines can match the fares of the LCCs - particularly if a customer self-assembles a holiday many months in advance, when LCC fares are at their rock-bottom lowest and charter fares tend to be at their highest.

So what is the strategy of the UK charter airlines as the challenge of the LCCs mounts? Manchester-based Thomas Cook Airlines operates a fleet of 21 A320s, A330s and 757s, and last year carried 2.7m passengers to more than 50 destinations. The airline has a confusing history of name changes - it was previously called JMC Airlines, but changed to Thomas Cook Airlines as part of a decision in 2003 to re-brand all parts of the group with the Thomas Cook name. JMC itself was an amalgamation of two other charter airlines in 1998 - Caledonian Airways and Flying Colours.

Nevertheless, Thomas Cook Airlines is helped greatly by being part of the third-largest travel group in the world, the UK arm of which reported profits of £51m in the year to the end of October 2004 - it's best financial performance for 163 years. The result was helped partly by a relaunched website that enables customers to self-assemble holidays. In January 2005 the site was further enhanced to allow customers to assemble absolutely everything they need for DIY holidays, from currency to insurance to products from other tour operators.

While Thomas Cook Airlines admits LCC competition is hitting its own seat-only sales, its other tactic has been to switch some capacity to longer-haul charter destinations, against which the UK LCCs cannot operate economically, while trimming other capacity in order to raise yield and profitability (at the expense of market share).

As this strategy appears to be working, Thomas Cook says it has no plans to launch an LCC in the UK although, interestingly, in January this year Thomas Cook Belgium (the tour operator) launched seat-only sales on its previously "pure" charter routes (which are operated not just by Thomas Cook Airlines Belgium, but by other charter carriers) to 70 destinations. Additionally, the tour operator's routes to Palma, Malaga, Tenerife, Alicante and Heraklion are being converted to scheduled operations, to be operated by Thomas Cook Airlines Belgium. The Belgian tour operator sees this move as responding to passenger demand for seat-only sales (a strategy also seen at Thomas Cook Germany) and is insisting - at least for the moment - that this does not mean that the airline will change completely from a charter to a LCC operation. But is this a strategy that will be repeated in the UK sometime in the future?

Perhaps the realistic future for UK charter airlines is shown by the relationship of Britannia Airways and Thomsonfly. London Luton-based Britannia Airways was the UK's

biggest charter airline, with a fleet of 32 757 and 767 aircraft that lifted more than 8m passengers a year to 96 destinations in the Mediterranean and the rest of the world. Britannia dated back to 1962, but from 2000 its parent company - Thomson - became part of German-based TUI AG, the largest travel group in the world, which also owns German charter Hapag-Lloyd, LCCs Hapag-Lloyd Express and Thomsonfly, TUI Airlines Belgium, Corsair and Swedish-based Britannia.

In 2003 TUI said that it would merely "integrate low-cost elements" into Britannia Airways as an expansion of its seat-only business, and would not launch a separate LCC. But perhaps influenced by TUI's experience with its LCC in Germany - Hapag-Lloyd Express, which started operations in 2002 (see *Aviation Strategy*, January/February 2005) - a UK LCC called Thomsonfly was launched in April 2004 out of Coventry airport, with four 737-500s operated by Britannia Airways.

Initially Thomsonfly was dedicated solely to scheduled routes, but it then started flying charter services previously operated by Britannia Airways. Thomsonfly's flight and cabin crew had different terms and conditions to Britannia staff, which helped position the LCC's unit costs closer to easyJet and Ryanair than to Britannia Airways. Ominously, Peter Rothwell, CEO of TUI UK, said that: "Thomsonfly is not an experiment and is not going to go away. It is a fundamental part of our business."

Although TUI Group increased earnings at its tourism operations by 75% in 2004, to €362m, while its central European operations - which includes Germany - earned €82m last year (compared with a loss in 2003), its Northern Europe sector (which includes the UK) saw earnings falls by 17%, to €65m. The latter result was hit by a €30m charge for restructuring UK operations, which funded a cut of 800 jobs across the group in the UK in September last year as part of a refocus towards direct distribution channels. As part of this restructuring, it was announced the Britannia Airways brand would disappear by May 2005. In justification, Peter Rothwell says that passengers do not distinguish between charter, scheduled and LCCs, but instead just want convenient flights at low prices - and will fly with any airline that provides that. Today Thomsonfly operates more than 40 aircraft to 100+ destinations from 25 UK airports, claims it will break into profit by 2006 and is apparently contemplating an order for up to 15 long-haul aircraft.

Manchester-based MyTravel Airways has a fleet of 20 Airbus and Boeing aircraft - all of them leased - and flies to short- and long-haul destinations for its parent tour operator, the MyTravel Group. Founded as Airtours International in the early 1990s by entrepreneur David Crossland, the airline was merged with fellow charter carrier Premiar in 2002 and rebranded as MyTravel Airways the same year.

Loss-making parent MyTravel Group nearly went under in 2004 after over ambitious expansion, but was rescued at the last moment after creditors and bondholders agreed to swap their £800m of debt for equity representing 96% of the company. Nevertheless, the situation for the group is still serious, and as part of general cost cutting last year MyTravel Airways announced it was to cut more than 500 jobs (most of them pilots and cabin crew) and significantly reduce its fleet size, which then stood at 33 aircraft, by terminating or not renewing leases for 757s, 767s and a DC-10. MyTravel Airways also suffered a blow in August 2004 when COO Tim Jeans - who was previously sales and marketing director at Ryanair - resigned after just two years with the group, having transferred from MyTravelLite, where he was managing director. Birmingham-based LCC MyTravelLite was launched in 2002 with spare A320s from the group, and in October 2004 began selling seats on MyTravel Airways' services out of London Gatwick and Manchester. Currently more than 70% of MyTravel's UK tour operating capacity is provided by MyTravel Airways, while more than 70% of MyTravel Airways' business comes from it tour operator parent (20% come from seat-only sales, and the rest from operating for other tour operators).

With 29 Airbus and Boeing aircraft, First Choice Airways is the second largest charter airline in the UK, flying 6m passengers a year

to more than 60 destinations. The Manchester-based airline is part of UK tour operator First Choice Holidays and started life as Air 2000 in 1987. In 1998 its parent bought a UK tour operator called Unijet, and merged its charter airline - Leisure International Airways - into Air 2000. In March 2004 Air 2000 was rebranded as First Choice Airways.

First Choice Airways is the only major UK charter airline to have outstanding aircraft orders - for six 787-8s, scheduled for delivery from 2009 onwards. The 270-seat aircraft will replace the airline's existing long-haul fleet of 767-300ERs, and will be used for the revised strategy of its tour operator parent. First Choice is refocusing its tour operating business on specialist package holidays (which it is targeting to produce 50% of profits), while reducing its dependence on mainstream holidays.

The former has meant acquiring speciality tour operators such as Exodus, which packages mountain bike holidays to the Alps, while on the latter, First Choice is reducing capacity to short-haul destinations - which also means fewer seat-only sales - while increasing the number of holidays to medium- and long-haul destinations. Thus the existing and new long-haul aircraft will be used on opening up new package destinations around the world, including the US, South Africa and the Asia-Pacific region. First Choice Holidays reported operating profits of £100m in the year ending October 31st 2004 (11% up on the year before), based on turnover of £2.4bn, and wants to increase that 4.2% margin to 5% in the current financial year.

Based at London Luton and founded in the 1960s, Monarch Airlines is the largest surviving independent charter airline, operating 25 Airbus and Boeing aircraft to charter destinations globally. However, while it may retain its independence, the long-term future of the charter operation must be in some doubt, as it now operates scheduled services from London Gatwick, London Luton and Manchester to Spain, Portugal and Italy under the brand Monarch Scheduled. The scheduled operation appointed Tim Jeans - formerly of MyTravel Airways and Ryanair - as managing director in November 2004, and his brief is believed to be to turn the airline into a true LCC. 40% of all Monarch routes are now scheduled, and that number will surely rise further.

Excel Airways operates a fleet of 12 Boeing aircraft out of London Gatwick, Manchester and Glasgow to European and Middle Eastern holiday destinations. It is increasing services this summer from regional airports such as Exeter, Newcastle, Bristol and Nottingham East Midlands, and now offers total of 40 destinations from 10 UK airports. The airline launched in 1994 under the name Sabre, but became Excel Airways in 2001.

During its short history the London Gatwick-based airline has had a number of owners, but in January 2005 it was bought by the Avion Group, an Icelandic aviation holding company that also owns Air Atlantia Icelandic and Islandsflug - wet-lease specialists that are merging their operations - and Air Atlanta Europe, another wet-lease specialist, based in the UK. In November 2004 Excel Airways Group launched Aspire Holidays, a specialist tour operator for tailor-made luxury holidays.

Air Atlanta Europe operates a fleet of five 767s and two 747-200s, and the Avion Group says it will "seek synergies" between Air Atlanta Europe and Excel Airways where possible, and although this is not believed to include a merger at this stage, sources indicate this is the long-term plan. Air Atlanta has provided aircraft to Excel Airways for many years (in summer 2004 Excel leased four of its aircraft), and in 2004 the two companies signed a five-year aircraft supply deal.

The German market

The German tour operator industry is dominated by the two giants - TUI (previously known as Preussag) and Thomas Cook AG (previously known as C&N Touristic). However, despite the size of these two groups, they have been severely affected in the last few years by the effects of recession in the German economy, higher fuel prices and by the rise of the LCCs, a concept that started taking off in Germany as late as 2002. LCCs provide fierce competition to the charters and contribute to overcapacity on many routes out of Germany - not a good situation to

be in when demand is weak historically.

The TUI Group initially reacted to the rise of the LCCs in Germany by refocussing its charter airline - Hapag-Lloyd - as both a charter and low cost carrier, with seat only sales at Hapag-Lloyd marketed as a "no-frills" product that can be used for flexible packages. As part of this effort an internet site for seat-only sales (which account for more than 20% of all Hapag-Lloyd's revenue) was launched in 2004.

In January 2005 TUI brought Hapag-Lloyd and LCC Hapag Lloyd Express into one division, reporting to airline CEO Wolfgang John, in order to benefit from savings in marketing, IT and other areas, although TUI claimed they would remain operationally independent. In April, however, TUI rebranded Hapag-Lloyd as Hapagfly in order to help boost seat-only sales further in the face of increasing LCC competition. In January the former Hapag-Lloyd ordered 10 737-800s, which will be delivered between January 2006 and the summer of 2007. The deal is estimated to be worth $655m, and the aircraft will replace six A310s, which are up to 16 years old, and make TUI's entire fleet (across five airlines) almost entirely an all-Boeing operation. The Hapagfly fleet will then stand at 45 737-800s. In November 2005 Hapagfly will also become the first charter airline in Germany to lower its commission to travel agents.

TUI's move copies the strategy of Air Berlin, which was previously a charter specialist operating for German tour operators. However, as the industry coalesced around two giant tour operating groups, Air Berlin was forced to change business model in 2002. Now reinvented as LCC (see *Aviation Strategy*, December 2004), it operates 49 aircraft and provides capacity for tour operators such as TUI and Thomas Cook AG to destinations mostly around the Mediterranean. From November 2004 Air Berlin also deepened its existing codesharing with TUI's Hapag-Lloyd, which led to speculation that one day TUI would acquire a stake in Air Berlin.

In 2004 just 40% of Air Berlin's total revenue of €1.05bn came from tour operators, with the rest coming from seat-only sales (the privately-owned airline does not reveal profit levels). The percentage coming from tour operators is set to fall further as almost all of the 19% rise in turnover in 2004 came from Air Berlin's low-fare City Shuttle services, and the same pattern is expected this year, when revenue is forecast to rise by another 20%, based on a 14% rise in total passengers carried (to 13.7m). And it's likely that few of Air Berlin's massive order for 70 A320s, placed in November 2004 and arriving from this November onwards, will be dedicated to charter operations.

Condor is the German charter operator for Thomas Cook AG - the former German travel giant C&N Touristic, which adopted the Thomas Cook AG name after acquiring the UK tour operator in 2001. In March Thomas Cook AG revealed operating profit of €22m for the 12 months to the end of October 2004, compared with a €79m operating loss the year before, and a net loss of €149m in 2004, compared with a €280m net loss in 2003. But while sales in the UK rose by 5% in 2004, revenue growth in Germany - which is the most important market for Thomas Cook - was just 1%.

Indeed the German market has been very tough for Thomas Cook AG over the last three years, and in 2004 it cut 10% of its German workforce and carried out a wide-ranging review of its airline operations, aimed at reducing costs by €100m. Hundreds of jobs are going at the two airlines - Condor and Condor Berlin (a Berlin-based charter carrier, with 12 A320s) - and the Condor fleet was reduced by 12 aircraft, to the current fleet of 23 Boeing aircraft. Substantial savings were also made at its charter airlines after Verdi, the general services union representing ground staff; Unabhängige Flugbegleiter Organisation (UFO), the cabin crew union; and Vereingung Cockpit, the pilots' union, agreed to pay freezes and substantial increases in productivity.

Thomas Cook AG's charter airline has - like many of its rivals - suffered from constant tinkering to the brand. Condor changed its name to the curiously-titled "Thomas Cook Airlines powered by Condor" in 2002, but this decision was reversed just two years' later, and in May 2004 the airline became known as Condor again - at a cost of €4m. The brand was brought back specifically to spearhead a fight back against the encroachment of the

MAJOR GERMAN CHARTER SPECIALIST FLEETS

	Condor	Condor Berlin	Hapagfly**	LTU	Aero Flight	Germania
A300-600R						
A310			6			
A320-200		12		9	4	
A321-200				4	2	
A330				10 (2)		
737-300						5
737-400						
737-500						
737-700						10
737-800			29 (10)			
757-200	1					
757-300	13					
767-200ER						
767-300ER	9					
787-8						
MD 82/83						7
Total	**23**	**12**	**35 (10)**	**23 (2)**	**6**	**22**

Note: ** = Previously Hapag-Lloyd

LCCs, through increasing the amount of seat-only sales. A lower fares structure, based on the flexibility of the ticket, was adopted for seat-only fares with the intention of increasing the proportion of seat-only sales from 20% to 40%. Ralf Teckentrup, the Thomas Cook AG board member responsible for airlines, admitted that: "The tour operator market we have focused on up until now has been in decline over the past two years. Condor must therefore work hard to achieve a significant improved market share in the seat-only sales segment."

Condor's future may be affected by changes at its parents. Condor is owned 90% by Thomas Cook AG and 10% by Lufthansa, while Thomas Cook AG is in turn owned 50% by Lufthansa and 50% by KarstadtQuelle, a German retail stores and mail-order company. However, in April - after announcing a €1.6bn loss for 2004 - KarstadtQuelle announced it was likely to sell its stake in Thomas Cook. And in May reports started coming out of Germany that Lufthansa is also about to review its stakeholding in Thomas Cook AG, with speculation that it may want to exit the tour operating industry altogether.

LTU International Airways was originally a pure charter player, and today still operates charters both to the Mediterranean and to long-haul destinations for a variety of German tour operators. However, LTU struggled in the early 2000s, and new management turned the airline around through a restructuring programme that included the adoption of an all-Airbus fleet and an extension into scheduled services and the business traveller market. Today a large majority of LTU's flights are operated as scheduled services, using a fleet of 23 A320s and A330s. The airline is owned 49.9% by a private German trust called VBE Beteiligungsgesellschaft (which bought Swissair's stake in 2001) and 40% by German tour operator Rewe Touristik.

Germania is a wet-lease specialist that operates charter flights for several German tour operators with a fleet of 22 737s and MD 82/83s. It also owns LCC subsidiary Germania Express, which was formed in 2003, but this brand disappeared after 12 of its 16-strong fleet of Fokker 100s and 15 routes were absorbed into LCC DBA in March this year, after a tie-up between the two airlines that saw Germania owner Hinrich Bischoff acquire 64% of DBA. The enlarged DBA is now the third-largest airline in Germany (behind Lufthansa and Air Berlin). Germania says its charter operations will not be affected by the merger of Germania Express into DBA.

Aero Flight was founded in 2004 from the assets of Aero Lloyd, which ceased trading in 2003. It operates out of Frankfurt and Dusseldorf to destinations across Europe with a fleet of four A320s and two A321s.

A charter future?

Charter airlines reacted initially to increasing competition from the LCCs by increasing the proportion of seat-only sales, but the impact of this has only been marginal to customers keen to self-assemble their holidays (as charter airlines' seat-only products - even if they can be found - are usually no match for LCC product found during searches on specialised internet search engines). Increasingly, the most far-sighted of the charter airlines realise that seat-only sales are not the only answer to the LCCs.

Other strategies that UK and German charter airlines/tour operators are adopting include:

• Become fully flexible. "Dynamic packages" is the latest buzz phrase among tour operators -

i.e. allowing holidaymakers to mix and match different elements of their holiday, rather than accept the one-size-fits-all. Tour operators used to think (and some still do) that they cater for this market through seat-only sales: TUI, for example, has more than 50 internet portals that generate close to €1bn of revenue each year, yet still TUI continues to insist that only a small minority of package holidays will ever be booked online. But adding an internet sales channel for seat-only sales is no longer good enough; tour operators must add other products - such as flights and hotels - from rival companies if they want to offer a truly flexible service to holidaymakers.

• Turn into LCCs. Although merging the culture of the LCCs with the strengths of the charters is difficult, charter airlines that can cut costs to the level of the LCCs will have a massive advantage. But being an LCC is more than just about low costs. Charter airlines are all about maximising load factor in order to maximise customers to the tour operator's hotels. This means fares are lowered as departure times get closer, whereas LCCs do the exact opposite - they increase fares, which may not maximise load factor, but does tend to maximise margins. Are charter airlines brave enough to adopt the LCC pricing model?

• Manage a dignified retreat in Europe destinations where the LCCs are encroaching, and instead stick to high-density routes where the volume of pure package travellers looks set to stay higher than seat-only sales. They may be niche markets, but could be defendable in the medium-term.

• Build up a network of long-haul destinations (such as North Africa, the Middle East, the Caribbean and Asia) that simply do not fit in with the business model of the LCCs. Charters can use the traditionally larger - and longer-range - charter aircraft to provide airlift for markets that the LCCs cannot compete with (for fear of fleet complexity and increasing costs per ASK). This means destinations more than two hours' flying time away - the limit over which LCCs lose a vital round trip per day. This strategy also taps into the growing demand for non-traditional holiday destinations. The bet here is that LCCs will not chase the charter airlines into these markets, because to do so means buying new aircraft types.

Some or all of the above strategies may be effective barriers to the encroachment of the LCCs in the short-term, but how many of them will still be useful five years from now? That's difficult to say, but it's probable that charter airlines will need to keep reinventing themselves and find new strategies if they want to survive. However, the one core weakness that charter airlines have is that they are largely at the beck and call of their owners, the tour operator groups, and are not free to react quickly to market changes and to serve whomever they want with whatever business model they want.

Until the structural changes of the last few years, the protection of financially secure owners and a guaranteed demand for their product was a huge advantage, but this situation has now changed. With LCCs rampaging in the market, managements at some of the charter airlines realise that in order to beat off this challenge they may have to break way - as much as they can - from the business model hoisted onto them by tour operator owners. They can no longer be bound to a tour operator view of a market that is six to nine months away - i.e. with hotels and seat capacity contracted well in advance of the next summer season (often on long-term contracts), while hoping to sell as much of their capacity to holidaymakers in advance as possible.

Add to this the obsolescent IT and internet booking systems of the tour operators, multiple aircraft types and constant brand and livery changes, the case for cutting the links with tour operator parents looks obvious - one London analyst believes the charter airlines can survive only if "they are freed from the conservative management at the tour operators", which are essentially "low margin businesses with too much capacity".

The problem with this, of course, is that the tour operators would no longer be guaranteed airlift for the summer season, and would have to bid against competitors for capacity from their former in-house airlines. Then again, the tour operators would be free to contract the cheapest airlift from all charter airlines - or even the LCCs. Are tour operator parents brave enough to make this decision? The future of the charter industry in Europe may well depend on it.

JetBlue: trendsetter faces new challenges

JetBlue Airways is one of only three US airlines outside the regional sector to have remained profitable in the current high fuel-cost environment (the others are Southwest and AirTran), but its profit margins have slipped significantly in the past 12 months or so. While continuing to grow rapidly with A320 operations, New York City's low-fare carrier faces the additional challenge of integrating a second aircraft type, the 100-seat ERJ-190, to its fleet this autumn, in a bid to expand into smaller markets. How will JetBlue deal with these challenges, while also taking advantage of new opportunities arising from industry consolidation? Are double-digit operating margins a thing of the past?

JetBlue, which commenced operations from New York JFK in February 2000, has been a huge success both financially and in the marketplace. It had perfect credentials - ample start-up funds, a strong management team and a promising growth niche. It has succeeded in attaining Southwest's efficiency levels, despite its high-cost Northeast environment, a much smaller fleet and a more up-market product. JetBlue became profitable after only six months of operation and went on to achieve spectacular 17% operating margins in 2002 and 2003.

With its new A320 fleet, state-of-the-art technology and superior in-flight product, JetBlue has also set new standards in service quality. There is evidence that, like Southwest, it has built a "cult following", which has enabled it to attract price premiums and considerable customer loyalty.

On top of all that, JetBlue has grown extremely rapidly. It achieved "major carrier" status, with $1bn-plus annual revenues, in 2004 - its fifth year of operation, which is by far the fastest-track to a major ever achieved by a US airline.

It is hardly surprising, therefore, that JetBlue has become a trendsetter or role model for LCC hopefuls around the world, much like Southwest has traditionally been. Both airlines' progress and strategic moves are followed with keen interest in all corners of the globe.

It has been disappointing to see JetBlue's financial results deteriorate sharply since early 2004, particularly since Southwest's earnings have shown characteristically little variation. But the reason for the discrepancy is simple: of the US airlines, only Southwest happened to have adequate fuel hedges in place to protect against the past 12 months' surge in fuel prices. Last year, JetBlue's operating margin plummeted by eight percentage points to 8.9% and net income halved to $47.5m.

To keep things in perspective, JetBlue has demonstrated that it can remain profitable in the most dismal of industry conditions and while also continuing to grow rapidly. Its 2004 operating margin was still slightly higher than Southwest's (8.5%).

Also, JetBlue's extremely strong liquidity position gives it considerable staying power. After raising $243m through a convertible debt offering in March, the airline had $652m in cash at the end of the first quarter. That was about 50% of last year's revenues, compared to the industry average of about 23%. However, debt has built up due to aircraft purchases - total debt was $1.9bn and adjusted debt-to-capital ratio 76% at the end of March - so JetBlue will need to generate cash in the future.

JetBlue's ability to do a convertible offering in the current environment obviously reflected investor confidence in its prospects. Also, many analysts continue to recommend the stock as a "buy", arguing that P/E ratios as high as 37-50 times 2006 estimated earnings (compared to 24-34 times for other LCCs) can be justified on the basis of JetBlue's general earnings potential and because it is a "higher-profile sector leader".

That said, investors obviously want to know what JetBlue is doing to get back on the track to reach its full earnings potential.

With fuel costs being hard to forecast, what are the trends for non-fuel unit costs? And are JetBlue's revenues benefiting from the industry fare increases?

Other pertinent questions concern JetBlue's ambitious growth strategy. What exactly does it plan to do with the ERJ-190s? Will it not soon run out of good markets for the A320s? What impact might a US Airways-America West merger have on JetBlue?

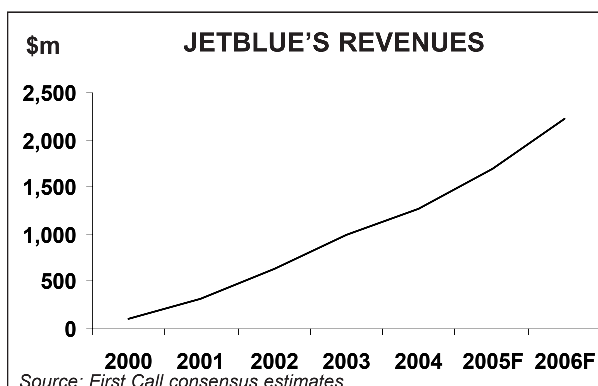
Lastly, with other prominent LCCs like Southwest and AWA having grabbed opportunities to participate in industry restructuring, what is JetBlue's position on that subject?

Cost and revenue outlook

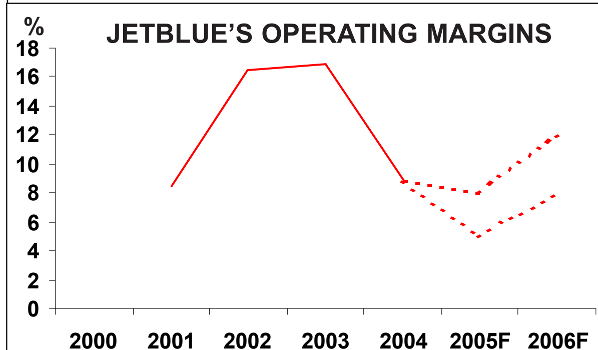
JetBlue has hedged roughly 20% of its fuel requirements in April-December 2005 in the form of crude oil swaps at just under $30 per barrel. This is down from 26% in the first quarter and 47% in the fourth quarter. JetBlue is therefore in a better position that most other large US airlines, which typically have single-digit or no hedging coverage at all this year. However, JetBlue is nowhere near Southwest's hedge position (85% of 2005 fuel needs at $26), and it does not have any hedges in place for 2006.

With fuel now accounting for 25% of JetBlue's total operating costs, this year's profit performance will largely depend on fuel price movements. In its latest earnings guidance, issued in late April, the company predicted that its operating margin would decline to 5-7% in 2005 (from 8.9% in 2004), based on an average fuel price assumption of $1.45 per gallon. However, that was widely regarded as the worst-case scenario, and many analysts are currently predicting an operating margin in the region of 8% in 2005.

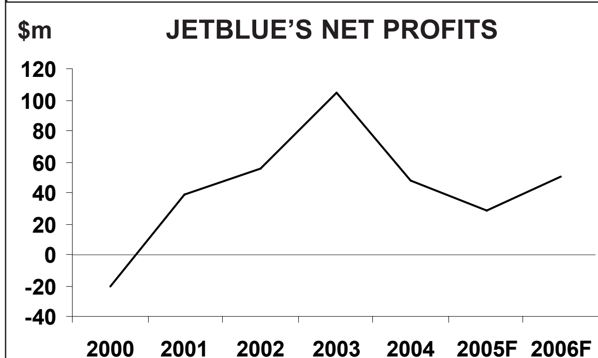
The current First Call consensus forecast (average of 11 analysts' estimates) is that JetBlue's EPS, which fell from 85 cents in 2003 to 43 cents in 2004, will decline further to 26 cents in 2005, before recovering back to 43 cents in 2006. But the range in estimates is extremely wide, illustrating the difficulty of forecasting airline earnings at present.



Source: First Call consensus estimates



Source: Forecasts of estimated ranges by selected analysts



Source: First Call consensus estimates

On a fuel-neutral basis, JetBlue's financial performance has certainly improved. Its first-quarter operating margin would have been 12.7% (up slightly on the year-earlier 11.3%), rather than the actual 6.9%. Its unit costs (CASM) would have risen by just 4%, rather than the actual 11%.

However, even including fuel, JetBlue's CASM is still remarkably low, at 6.10 cents per ASM in 2004 or an estimated 6.60-6.70 cents in 2005. This is partly because its average stage length rose from 986 miles in 2001 to around 1,300 miles in 2003 (the cur-

rent level). On a stage-length adjusted basis, JetBlue's CASM is higher than Southwest's.

Significantly, however, JetBlue has been able to compensate for the inevitable increase in its maintenance and sales/marketing unit costs by becoming more efficient. Its average daily aircraft utilisation has risen steadily, reaching 13 hours in 2003 and 13.4 hours in 2004. Airbus recently recognised JetBlue as the A320 operator with the best despatch reliability and highest utilisation.

Rather surprisingly, JetBlue's financial analyses in 2003 suggested that the ERJ-190 would generate profit margins that are comparable or better than those achieved with the A320. The ERJ-190 is expected to have a one-cent CASM premium over the A320 on comparable stage lengths, but the airline is confident that it will be able to compensate for that on the revenue side.

Last summer JetBlue established highly attractive pilot rates for the ERJ-190. In JPMorgan analyst Jamie Baker's calculations, ERJ-190 senior captain pay per seat will be just 10% above JetBlue's A320s. Baker also suggested that despite its smaller size, the ERJ-190 would offer better cockpit/seat economics than larger Frontier A319s, AirTran 717s and Southwest 737s.

Regarding recent developments on the revenue side, JetBlue has benefited from two things. First, there has been some rationalisation of capacity in transcontinental markets, which helped raise JetBlue's total unit revenues (RASM) by 5.7% in the first quarter. Its load factor rose by 5.9 points to 85.8% - probably the highest in the industry. Second, the airline has implemented two broad $5 one-way fare increases since mid-March, which will help boost its RASM in the remainder of this year.

The transcontinental capacity reductions this past winter were the result of AWA exiting key markets, American pulling out of Long Beach and cutting frequencies elsewhere, United and Delta cutting services and JetBlue also reducing frequencies. All of that was highly significant for JetBlue, which operates 48% of its capacity in the coast-to-coast markets and has been losing money there in the past 12 months or so. The airline said that the routes were still unprofitable in the first quarter but that the trends were encouraging.

JetBlue is also expected to benefit from a reduction in industry capacity on the East Coast this year. It is too early to estimate how extensive the changes will be (whether Independence Air will disappear, for example), but some analysts are already predicting that higher East Coast fares will help JetBlue return to operating margins in the low double-digits next year.

Ambitious growth plans

JetBlue is set to continue to grow extremely rapidly, adding typically 17-18 A320s and 18 ERJ-190s to its fleet annually over the next 6-7 years. At the end of March, the airline operated 73 A320s, of which 48 were owned and 25 were under operating leases. The firm order book included 110 A320s and 100 ERJ-190s, all for delivery in 2005-2011. Options included 50 A320s (2008-2013 delivery) and 100 ERJ-190s (2011-2016 delivery). If all of the current firm orders and options were taken, JetBlue's fleet would grow to 433 aircraft by 2016.

This year JetBlue is taking 15 A320s (including four delivered in the first quarter) and the first seven ERJ-190s. The ERJ-190 is expected to enter service in October or November, which means that it will have only negligible capacity or revenue impact in 2005. This year's overall ASM growth is estimated to be 26-28%.

JetBlue currently operates 293 flights a day, serving 31 destinations in 13 states, Puerto Rico, the Dominican Republic and the Bahamas. In addition to JFK, it operates a smaller hub at Long Beach (California) and is also developing Boston into a focus city. The latest additions, in May, included Burbank (as its seventh city in California), Portland (Oregon) and Ponce (its third city in Puerto Rico). Last month the airline also continued its "connect the dots" strategy by adding service from Boston to Las Vegas and San Jose and from Washington/Dulles to San Diego.

One of JetBlue's key strengths is that it has built leading positions in both New York-

Florida and New York-California markets. Like Southwest, it dominates its most important markets - something that may prove particularly important in the new domestic fare environment.

Of course, the downside of that strategy for a relatively small carrier (in the past year at least) has been heavy exposure to the two most competitive domestic markets - transcontinental and the East Coast. In the first quarter, east-west and New York-Florida accounted for 48% and 41% of JetBlue's total ASMs, with the Caribbean accounting for 6% and short-haul in the Northeast and in the West 5%. By comparison, much larger Southwest has benefited from its more diversified network, which includes extensive operations in the West.

JetBlue has introduced some novel strategies to minimise competitive exposure. In the Los Angeles area, its strategy has been to avoid LAX, the main airport that is served from New York by five different airlines with 39 daily nonstop flights but which only accounts for 36% of the LA area traffic. Instead, JetBlue's strategy is to surround the area with a total of 14 daily flights to other airports (Long Beach, Ontario and Burbank), which together account for 64% of the LA area traffic.

At the same time, JetBlue is flexible enough to enter the most competitive and congested hubs if it helps cement market position. In September 2004 it began serving its largest market, Fort Lauderdale, also from New York LaGuardia, supplementing its 12 daily flights from JFK with seven additional flights from LaGuardia. It will consider serving a couple of other Florida cities from LaGuardia if more slots become available.

Earlier this year JetBlue signed a long-term agreement to occupy an 11-gate facility at Boston's Logan International Airport. This will facilitate major growth from that city over the next three years. The current schedule, introduced in May, includes 19 daily flights from Boston to various Florida and West Coast destinations, utilising five gates. JetBlue also expects to continue to grow from Washington/Dulles.

One would think that, in this environment of excess industry capacity, rapid LCC growth and fierce competition between legacies and LCCs, there might soon be a shortage of good growth markets for LCCs to enter. However, that is clearly not the case with JetBlue, in part because JFK, where the airline has a 43% passenger share, is a uniquely attractive major market and in part because JetBlue is prepared to enter into smaller hub markets (hence the ERJ-190 decision). The latter contrasts with the typical LCC strategy, pioneered by Southwest, of sticking to large point-to-point markets and leaving smaller hub markets to legacy carriers.

JetBlue's CEO David Neeleman has repeatedly stressed that there continue to be plenty of exciting things for JetBlue to do with the A320s. In a recent conference call he pointed out that because Florida has been a priority and is "eating up" so many aircraft, the airline has not been able to serve many destinations that it would have liked to add earlier. The most obvious areas are the Mid-Atlantic and the Midwest - blank spaces on the route map.

Likewise, JetBlue will have a hard time deciding where to put the ERJ-190s. Its initial analyses in 2003 identified almost 900 potential markets that were suitable for the ERJ-190 (with daily volumes of 200-500 one-way passengers) and did not yet benefit from low fares.

Like regional jets, the ERJ-190 will be used for multiple purposes - to develop new markets, maintain frequencies in existing markets in the off-peak, operate seasonal service, etc. The airline has frequently mentioned Richmond (Virginia) as one potential new market that could be tripled with lower fares. Many of the Florida markets, which experience sharp seasonal shifts in demand, are probably good candidates for ERJ-190 seasonal service.

With the ERJ-190s, JetBlue is obviously positioning itself for more head-to-head confrontation with competitors' RJs. It was attracted to the aircraft type by what it earlier called "artificial economy in the sizes of aircraft" created by scope clauses. The 100-seaters flying 11 hours a day will have a huge efficiency advantage over competitors' 50-seat RJs flying typically eight hours a

day. Although future scope clauses will include larger RJs, JetBlue feels that the trend is so gradual that it will retain a competitive advantage for many years to come.

Neeleman was asked at Merrill Lynch's recent transportation conference if he was concerned about the relaxation of scope clauses at AWA and US Airways, which allow larger RJs, and those airlines' plans to target Boston, New York and Washington. Neeleman said that he was not particularly concerned, first, because there are "hundreds of markets" where the ERJ-190 can go. Second, the ERJ-190's range (2,100 miles) is longer than the RJs', enabling it to serve some markets that RJs cannot reach. Third, JetBlue will have a much better product. However, Neeleman conceded that any significant future competitive moves from AWA/US Airways could influence the order in which ERJ-190 markets are introduced.

The key premise with JetBlue's new strategy is that the ERJ-190 is a rather unique new aircraft, both in terms of passenger comfort and operating economics. It apparently has the look and feel of a small jet and can offer the same comforts as JetBlue's A320s. Maintaining what the company described as "the JetBlue experience" was a key requirement (see *Aviation Strategy's* analysis of JetBlue's ERJ-190 decision in the July 2003 issue).

Getting investment priorities right

JetBlue may have the industry's best cash position but it also has significant capital spending requirements, due to its aggressive fleet expansion and a host of infrastructure projects. Its committed capital expenditures will run at $1.1-1.3bn annually over the next few years.

However, there is no need to raise funds in the near term, because all significant near-term investments already have finance in place. All of this year's A320 deliveries were pre-funded with an EETC in November 2004. GE Capital has committed to sale-leasebacks on the first 30 ERJ-190s, which covers deliveries through the first quarter of 2007.

JetBlue is wise to invest in new infrastructure facilities that will help it manage growth and ensure smooth integration of the ERJ-190. Over the past month or so, it has completed three major construction projects - a 140,000-square-foot hangar and maintenance facility at JFK, a 100,000-square-foot hangar and LiveTV installation facility at Orlando International Airport and a state-of-the-art training and support facility also at Orlando.

In early June the airline was also close to signing a deal with the airport operator to jointly build a new $850m, 26-gate terminal at JFK. Construction is expected to begin late this year, for completion in mid-2008. Under an interim agreement, JetBlue is able to add seven temporary gates to the 13 it already has, to facilitate growth in the next couple of years.

JetBlue has indicated that it completed the convertible offering in March in part to have sufficient funds to acquire desirable assets that could become available through liquidations. However, JetBlue is mainly interested in gates and slots, not aircraft or people. As Neeleman recently put it: "We have the cash to be able to do some things but not merge with another airline - that is out of the question for us".

At the Merrill Lynch conference, Neeleman acknowledged that, with so much already on its plate in terms of growth and fleet additions, JetBlue was not quite ready at this point to take advantage of opportunities arising from industry consolidation. Had US Airways gone out of business now, it would have created much pressure on JetBlue to bid for the assets, so there was some relief in the JetBlue camp that US Airways found a rescuer.

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Freighter values and lease rates

FREIGHTER VALUES ($m)

	New	5 years old	10 years old	20 years old
A300F4-200				9.88
A300-600RF	70.68	54.85	39.0	
737-300QC			15.08	
747-200M				7.73
747-400M		94.3	67.96	
747-400F	146.4	116.53	86.67	
747-400ERF	155.51			
757-200PF		38.11	29.99	13.75
767-300F		57.84	40	
MD-11C			40.25	
MD-11F		57.29	46.31	

FREIGHTER LEASE RATES ($'000s per month)

	New	5 years old	10 years old	20 years old
A300F4-200				144
A300-600RF	487	411	350	
737-300QC			176	
747-200M				175
747-400M		768	626	
747-400F	1,573	1,095	872	
747-400ERF	1,416			
757-200PF		289	266	179
767-300F		474	412	
MD-11C			432	
MD-11F		604	523	

Note: As assessed at end April 2005, mid-range values for all types
Source: AVAC

AIRCRAFT AND ASSET VALUATIONS
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		Group revenue US$m	Group costs US$m	Group op. profit US$m	Group net profit US$m	Operating margin	Net margin	Total ASK m	Total RPK m	Load factor	Total pax. 000s	Group employees
Alaska	**Year 2003**	**2,445**	**2,456**	**-11**	**13**	**-0.4%**	**0.5%**	**37,614**	**26,061**	**69.3%**	**19,981**	**13,401**
	Apr-Jun 04	699	719	-20	-2	-2.9%	-0.3%	9,068	6,605	72.8%	4,116	10,255
	Jul-Sep 04	702	626	76	41	10.8%	5.8%	9,675	7,356	76.0%	4,589	10,201
	Oct-Dec 04	656	714	-58	-45	-8.8%	-6.9%	8,774	6,399	72.9%	3,998	9,433
	Year 2004	**2,724**	**2,804**	**-80**	**-15**	**-2.9%**	**-0.6%**	**35,849**	**26,121**	**72.9%**	**16,295**	**9,968**
	Jan-Mar 05	643	723	-81	-80	-12.6%	-12.4%	8,642	6,271	72.6%	3,851	9,219
American	**Year 2003**	**17,440**	**18,284**	**-844**	**-1,128**	**-4.8%**	**-6.5%**	**279,706**	**202,521**	**72.4%**		**96,400**
	Apr-Jun 04	4,830	4,634	196	6	4.1%	0.1%	70,804	53,627	75.7%		92,500
	Jul-Sep 04	4,762	4,789	-27	-214	-0.6%	-4.5%	71,638	55,777	77.9%		93,300
	Oct-Dec 04	4,541	4,896	-355	-387	-7.8%	-8.5%	69,049	51,325	74.3%		90,700
	Year 2004	**18,645**	**18,789**	**-144**	**-761**	**-0.8%**	**-4.1%**	**280,042**	**209,473**	**74.8%**		**90,700**
	Jan-Mar 05	4,750	4,727	23	-162	0.5%	-3.4%	68,965	52,024	75.4%		88,500
America West	**Year 2003**	**2,255**	**2,222**	**33**	**57**	**1.5%**	**2.5%**	**44,880**	**34,270**	**76.4%**	**20,050**	**11,326**
	Apr-Jun 04	605	584	21	6	3.5%	1.0%	12,153	9,519	78.3%	5,343	11,936
	Jul-Sep 04	579	607	-28	-47	-4.8%	-8.1%	12,305	10,021	81.4%	5,556	11,936
	Oct-Dec 04	579	602	-24	-50	-4.1%	-8.6%	12,236	9,471	77.4%	5,336	11,845
	Year 2004	**2,339**	**2,357**	**-18**	**-90**	**-0.8%**	**-3.8%**	**48,525**	**37,550**	**77.4%**	**21,132**	**11,904**
	Jan-Mar 05	723	673	50	34	6.9%	4.7%	11,749	9,126	77.7%	5,172	11,869
Continental	**Year 2003**	**8,870**	**8,667**	**203**	**38**	**2.3%**	**0.4%**	**139,703**	**104,498**	**74.8%**	**39,861**	**37,680**
	Apr-Jun 04	2,514	2,471	43	-17	1.7%	-0.7%	34,676	27,083	77.6%	10,809	
	Jul-Sep 04	2,564	2,540	24	-16	0.9%	-0.6%	35,371	28,843	81.5%	11,182	
	Oct-Dec 04	2,397	2,558	-161	-206	-6.7%	-8.6%	37,962	29,350	77.3%	14,253	
	Year 2004	**9,744**	**9,973**	**-229**	**-363**	**-2.4%**	**-3.7%**	**95,082**	**73,151**	**76.9%**	**56,482**	**38,255**
	Jan-Mar 05	2,505	2,676	-171	-184	-6.8%	-7.3%	37,955	29,148	76.8%	14,122	
Delta	**Year 2003**	**13,303**	**14,089**	**-786**	**-773**	**-5.9%**	**-5.8%**	**216,263**	**158,796**	**73.4%**	**104,452**	**70,600**
	Apr-Jun 04	3,961	4,202	-241	-1,963	-6.1%	-49.6%	62,151	47,610	76.6%	28,616	70,300
	Jul-Sep 04	3,871	4,294	-423	-646	-10.9%	-16.7%	63,031	48,952	77.7%	28,247	69,700
	Oct-Dec 04	3,641	5,897	-2,256	-2,206	-62.0%	-60.6%	61,384	45,237	73.7%	27,794	69,150
	Year 2004	**15,002**	**18,310**	**-3,308**	**-5,198**	**-22.1%**	**-34.6%**	**244,097**	**182,351**	**74.7%**	**110,000**	**69,150**
	Jan-Mar 05	3,647	4,604	-957	-1,071	-26.2%	-29.4%	60,955	45,344	74.4%	29,230	66,500
Northwest	**Year 2003**	**9,510**	**9,775**	**-265**	**248**	**-2.8%**	**2.6%**	**142,573**	**110,198**	**77.3%**	**51,900**	**39,100**
	Apr-Jun 04	2,871	2,923	-52	-175	-1.8%	-6.1%	36,634	30,215	82.5%	14,289	39,154
	Jul-Sep 04	3,052	2,973	79	-38	2.6%	-1.2%	38,324	31,774	82.9%	14,800	38,178
	Oct-Dec 04	2,753	3,177	-424	-412	-15.4%	-15.0%	36,964	29,107	78.7%	13,775	
	Year 2004	**11,279**	**11,784**	**-505**	**-848**	**-4.5%**	**-7.5%**	**147,055**	**117,981**	**80.2%**	**55,374**	**39,342**
	Jan-Mar 05	2,798	3,090	-292	-450	-10.4%	-16.1%	36,636	29,238	79.8%	13,502	39,105
Southwest	**Year 2003**	**5,937**	**5,454**	**483**	**442**	**8.1%**	**7.4%**	**115,532**	**77,155**	**66.8%**	**65,674**	**32,847**
	Apr-Jun 04	1,716	1,519	197	113	11.5%	6.6%	30,212	23,054	76.3%	18,864	31,408
	Jul-Sep 04	1,674	1,483	191	119	11.4%	7.1%	31,359	22,794	72.7%	18,334	30,657
	Oct-Dec 04	1,655	1,535	120	56	7.3%	3.4%	32,540	21,140	65.0%	17,709	31,011
	Year 2004	**6,530**	**5,976**	**554**	**313**	**8.5%**	**4.8%**	**123,693**	**85,966**	**69.5%**	**70,903**	**31,011**
	Jan-Mar 05	1,663	1,557	106	76	6.4%	4.6%	32,559	21,304	65.4%	17,474	30,974
United	**Year 2003**	**13,274**	**15,084**	**-1,360**	**-2,808**	**-10.2%**	**-21.2%**	**219,878**	**168,114**	**76.5%**	**66,000**	**58,900**
	Jan-Mar 04	3,732	3,943	-211	-459	-5.7%	-12.3%	56,181	42,287	75.3%	15,923	
	Apr-Jun 04	4,041	4,034	7	-247	0.2%	-6.1%	58,313	47,840	82.0%	18,444	59,700
	Jul-Sep 04	4,305	4,385	-80	-274	-1.9%	-6.4%	61,403	50,439	82.1%	19,360	59,000
	Oct-Dec 04	3,988	4,481	-493	-664	-12.4%	-16.6%	58,033	44,824	77.2%	17,143	57,500
	Year 2004	**16,391**	**17,168**	**-777**	**-1,644**	**-4.7%**	**-10.0%**	**233,929**	**185,388**	**79.2%**	**70,914**	**58,900**
US Airways	**Year 2003***	**5,312**	**5,356**	**-44**	**-174**	**-0.8%**	**-3.3%**	**85,673**	**62,408**	**72.8%**	**44,373**	**26,797**
	Apr-Jun 04	1,957	1,874	83	34	4.2%	1.7%	24,991	19,336	77.4%	25,953	26,880
	Jul-Sep 04	1,799	1,976	-177	-232	-9.8%	-12.9%	25,462	19,382	76.1%	14,274	26,835
	Oct-Dec 04	1,660	1,802	-142	-236	-8.6%	-14.2%	24,514	17,622	71.9%	14,097	24,628
	Year 2004	**7,117**	**7,495**	**-378**	**-611**	**-5.3%**	**-8.6%**	**98,735**	**72,559**	**73.5%**	**55,954**	**24,628**
	Jan-Mar 05	1,628	1,829	-201	-191	-12.3%	-11.7%	24,976	17,779	71.2%	14,068	23,696
JetBlue	**Year 2003**	**998**	**830**	**168**	**104**	**16.8%**	**10.4%**	**21,950**	**18,550**	**84.5%**	**9,012**	**4,892**
	Apr-Jun 04	320	275	45	21	14.1%	6.6%	7,494	6,333	84.5%	2,921	5,718
	Jul-Sep 04	323	300	23	8	7.1%	2.5%	7,950	6,753	84.9%	3,033	6,127
	Oct-Dec 04	334	322	12	2	3.6%	0.6%	8,200	6,802	82.9%	3,179	6,413
	Year 2004	**1,266**	**1,153**	**113**	**47**	**8.9%**	**3.7%**	**30,434**	**25,315**	**83.2%**	**11,783**	**6,413**
	Jan-Mar 05	374	349	26	7	**7.0%**	**1.9%**	8,318	7,136	85.8%	3,400	6,797

***Note**: US Airways' financial results are for the 9 months up to Dec 31, 2003. Operating statistics are for the full year.

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 31/12.

		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 employees
Air France												
YE 31/03	**Year 2002/03**	**13,702**	**13,495**	**207**	**130**	**1.5%**	**0.9%**	**131,247**	**99,960**	**76.2%**		**71,525**
	Jul-Sep 03	3,715	3,598	117	56	3.1%	1.5%	35,255	27,544	78.1%		
	Oct-Dec 03	3,933	3,855	78	35	2.0%	0.9%	33,380	25,329	75.9%		71,900
	Jan-Mar 04	3,668	3,680	-12	16	-0.3%	0.4%	33,917	25,026	73.8%		
	Year 2003/04	**15,024**	**14,855**	**169**	**113**	**1.1%**	**0.8%**	**134,444**	**101,644**	**75.6%**		
KLM												
YE 31/03	**Year 2002/03**	**7,004**	**7,147**	**-144**	**-449**	**-2.1%**	**-6.4%**	**87,647**	**69,016**	**78.7%**	**23,437**	**34,666**
	Jul-Sep 03	1,878	1,725	152	104	8.1%	5.5%	18,905	15,874	84.0%		32,853
	Oct-Dec 03	1,838	1,801	36	10	2.0%	0.5%	17,969	14,378	80.0%		31,804
	Jan-Mar 04	1,677	1,645	32	-24	1.9%	-1.4%	17,963	14,455	80.5%		
	Year 2003/04	**7,157**	**7,011**	**146**	**29**	**2.0%**	**0.4%**	**72,099**	**57,784**	**80.1%**		**31,077**
Air France/												
KLM Group*	Apr-Jun 04	5,394	5,205	189	115	3.5%	2.1%	48,944	38,025	77.7%		
	Jul-Sep 04	6,328	5,964	364	248	5.8%	3.9%	57,668	46,767	81.1%		
	Oct-Dec 04	6,628	5,745	883	83	13.3%	1.3%	54,144	42,042	77.6%	15,934	
BA												
YE 31/03	**Year 2002/03**	**12,490**	**12,011**	**543**	**117**	**4.3%**	**0.9%**	**139,172**	**100,112**	**71.9%**	**38,019**	**51,630**
	Jul-Sep 03	3,306	2,980	333	163	10.1%	4.9%	35,981	27,540	76.5%	9,739	47,702
	Oct-Dec 03	3,363	3,118	244	148	7.3%	4.4%	35,098	25,518	72.7%	8,453	46,952
	Jan-Mar 04	3,386	3,327	164	22	4.8%	0.6%	35,232	24,932	70.8%	8,142	46,551
	Year 2003/04	**13,806**	**13,067**	**739**	**237**	**5.4%**	**1.7%**	**141,273**	**103,092**	**73.0%**	**36,103**	**49,072**
	Apr-Jun 04	3,479	3,208	271	127	7.8%	3.7%	36,150	27,083	74.9%	9,288	46,280
	Jul-Sep 04	3,645	3,213	432	221	11.9%	6.1%	36,639	28,749	78.5%	9,822	46,179
	Oct-Dec 04	3,801	3,589	212	94	5.6%	2.5%	35,723	25,999	72.8%	8,428	45,888
Iberia												
YE 31/12	**Year 2002**	**5,123**	**4,852**	**272**	**174**	**5.3%**	**3.4%**	**55,633**	**40,647**	**73.0%**	**24,956**	**25,963**
	Apr-Jun 03	1,348	1,265	83	60	6.2%	4.5%	13,516	9,982	73.8%	6,472	
	Jul-Sep 03	1,434	1,301	133	93	9.3%	6.5%	14,819	11,846	79.9%	7,073	
	Year 2003	**5,800**	**4,459**	**202**	**180**	**3.5%**	**3.1%**	**56,145**	**42,100**	**75.0%**	**25,613**	
	Jan-Mar 04	1,325	1,356	-32	-1	-2.4%	-0.1%	14,563	10,721	73.6%	6,136	
	Apr-Jun 04	1,461	1,371	90	95	6.2%	6.5%	14,743	11,106	75.3%	6,913	
	Jul-Sep 04	1,593	1,452	141	110	8.9%	6.9%	16,053	12,699	79.1%	7,314	25,839
	Oct-Dec 04	1,660	1,605	55	74	3.3%	4.5%	15,700	11,398	72.6%	6,329	24,783
Lufthansa												
YE 31/12	Apr-Jun 03	4,423	4,214	209	-39	4.7%	-0.9%	30,597	22,315	71.7%	10,758	
	Jul-Sep 03	4,923	4,783	140	-20	2.8%	-0.4%	32,895	24,882		12,020	
	Year 2003	**20,037**	**20,222**	**-185**	**-1,236**	**-0.9%**	**-6.2%**	**124,000**	**90,700**	**73.1%**	**45,440**	**94,798**
	Jan-Mar 04	4,742	4,883	-141	76	-3.0%	1.6%	31,787	23,030	72.5%	11,414	93,479
	Apr-Jun 04	5,269	5,045	224	-28	4.3%	-0.5%	36,440	26,959	74.0%	13,336	
	Jul-Sep 04	5,511	5,164	347	154	6.3%	2.8%	38,115	28,883	75.8%	14,053	92,718
	Year 2004	**25,655**	**24,285**	**1370**	**551**	**5.3%**	**2.1%**	**140,648**	**104,064**	**74.0%**	**50,300**	**90,763**
SAS												
YE 31/12	Apr-Jun 03	1,906	1,705	201	8	10.5%	0.4%	12,278	7,855	64.0%	5,128	
	Jul-Sep 03	1,941	1,715	131	91	6.7%	4.7%	12,543	8,681	69.2%	8,301	34,856
	Year 2003	**7,978**	**8,100**	**-122**	**-195**	**-1.5%**	**-2.4%**	**47,881**	**30,402**	**63.5%**	**31,320**	**34,544**
	Jan-Mar 04	1,652	1,823	-171	-184	-10.4%	-11.1%	11,852	7,031	59.3%	7,238	
	Apr-Jun 04	2,007	1,979	27	13	1.3%	0.6%	13,456	8,960	66.6%	8,879	
	Jul-Sep 04	2,099	1,860	239	9	11.4%	0.4%	13,557	9,198	67.8%	8,591	
	Oct-Dec 04	2,271	2,293	-22	-96	-1.0%	-4.2%	12,667	7,649	60.4%	7,645	32,600
	Year 2004	**8,830**	**8,967**	**-137**	**-283**	**-1.6%**	**-3.2%**	**43,077**	**28,576**	**64.0%**	**32,354**	**32,481**
Ryanair												
YE 31/03	**Year 2002/03**	**910**	**625**	**285**	**259**	**31.3%**	**28.5%**			**84.0%**	**15,740**	**1,900**
	Apr-Jun 03	280	220	57	46	20.4%	16.4%			78.0%	5,100	2,135
	Jul-Sep 03	407	237	170	148	41.8%	36.4%				5,571	2,200
	Oct-Dec 03	320	253	67	51	20.9%	15.9%				6,100	2,356
	Year 2003/04	**1,308**	**978**	**330**	**252**	**25.2%**	**19.3%**			**81.0%**	**23,133**	**2,300**
	Apr-Jun 04	366	288	78	64	21.3%	17.5%			83.0%	6,600	2,444
	Jul-Sep 04	516	305	211	181	40.9%	35.1%			90.0%	7,400	2,531
	Oct-Dec 04	402	335	68	47	16.9%	11.7%			84.0%	6,900	2,671
easyJet												
YE 30/09	**Year 2001/02**	**864**	**656**	**111**	**77**	**12.8%**	**8.9%**	**10,769**	**9,218**	**84.8%**	**11,350**	**3,100**
	Oct-Mar 03	602	676	-74	-76	-12.3%	-12.6%	9,594	7,938	82.2%	9,347	
	Year 2002/03	**1,553**	**1,472**	**81**	**54**	**5.2%**	**3.5%**	**21,024**	**17,735**	**84.1%**	**20,300**	**3,372**
	Oct-Mar 04	803	861	-58	-36	-7.2%	-4.5%	10,991	9,175	83.3%	10,800	
	Year 2003/04	**1,963**	**1,871**	**92**	**74**	**4.7%**	**3.8%**	**25,448**	**21,566**	**84.5%**	**24,300**	

Note: Annual figures may not add up to sum of interim results due to adjustments and consolidation. * = Preliminary consolidated figures for Air France Group from May-June, KLM Group from May-June

		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 employees
ANA												
YE 31/03	**Year 2001/02**	9,714	9,529	185	-76	1.9%	-0.8%	87,908	57,904	64.7%	49,306	
	Apr-Sep 02	5,322	5,194	127	-69	2.4%	-1.3%	44,429	29,627	66.7%	25,341	
	Year 2002/03	10,116	10,137	-22	-235	-0.2%	-2.3%	88,539	59,107	66.7%	50,916	14,506
	Apr-Sep 03	5,493	5,362	131	186	2.4%	3.4%	32,494	19,838	61.1%	22,866	
	Year 2003/04	11,529	11,204	325	234	2.8%	2.0%	87,772	55,807	63.6%	44,800	20,530
Cathay Pacific												
YE 31/12	**Year 2002**	4,243	3,634	609	513	14.4%	12.1%	63,050		77.8%		14,600
	Jan-Jun 03	1,575	1,672	-97	-159	-6.2%	-10.1%	26,831		64.4%	4,019	14,800
	Year 2003	3,810	3,523	287	168	7.5%	4.4%	59,280	42,774	72.2%	12,322	14,673
	Jan-Jun 04	2,331	2,046	285	233	12.2%	10.0%	35,250		76.1%	6,404	
	Year 2004	5,024	4,350	674	581	13.4%	11.6%	74,062	57,283	77.3%	13,664	15,054
JAL												
YE 31/03	**Year 2001/02**	9,607	9,741	-135	-286	-1.4%	-3.0%				37,183	
	Year 2002/03	17,387	17,298	88	97	0.5%	0.6%	145,944	99,190	68.0%	56,022	
	Year 2003/04	18,398	19,042	-644	-844	-3.5%	-4.6%	145,900	93,847	64.3%	58,241	
Korean Air												
YE 31/12	**Year 2001**	4,309	4,468	-159	-448	-3.7%	-10.4%	55,802	38,452	68.9%	21,638	
	Year 2002	5,206	4,960	246	93	4.7%	1.8%	58,310	41,818	71.7%		
	Year 2003	5,172	4,911	261	-202	5.0%	-3.9%	59,074	40,507	68.6%	21,811	
Malaysian												
YE 31/03	**Year 2001/02**	2,228	2,518	-204	-220	-9.2%	-9.9%	52,595	34,709	66.0%	15,734	21,438
	Year 2002/03	2,350	2,343	7	89	0.3%	3.8%	54,266	37,653	69.4%		21,916
	Year 2003/04	2,308	2,258	50	121	2.2%	5.2%	55,692	37,659	67.6%	15,375	20,789
Qantas												
YE 30/06	**Year 2001/02**	6,133	5,785	348	232	5.7%	3.8%	95,944	75,134	78.3%	27,128	33,044
	Jul-Dec 02	3,429	3,126	303	200	8.8%	5.8%	50,948	40,743	80.0%	15,161	34,770
	Year 2002/03	7,588	7,217	335	231	4.4%	3.0%	99,509	77,225	77.6%	28,884	34,872
	Jul-Dec 03	4,348	3,898	450	269	10.3%	6.2%	50,685	40,419	79.7%	15,107	33,552
	Year 2003/04	7,838	7,079	759	448	9.7%	5.7%	104,200	81,276	78.0%	30,076	33,862
	Jul-Dec 04	5,017	4,493	524	358	10.4%	7.1%	57,402	43,907	76.5%	16,548	35,310
Singapore												
YE 31/03	**Year 2001/02**	5,399	4,837	562	395	10.4%	7.3%	94,559	69,995	74.0%	14,765	29,422
	Year 2002/03	5,936	5,531	405	601	6.8%	10.1%	99,566	74,183	74.5%	15,326	30,243
	Year 2003/04	5,732	5,332	400	525	7.0%	9.2%	88,253	64,685	73.3%	13,278	29,734
	Apr-Jun 04	1,588	1,409	179	159	11.3%	10.0%	25,249	18,167	71.9%	3,800	
	Jul-Sep 04	1,780	1,587	193	215	10.8%	12.1%	26,357	19,959	75.7%	4,050	
	Oct-Dec 04	1,956	1,697	259	291	13.2%	14.9%	26,768	20,274	75.7%	4,201	

Note: Annual figures may not add up to sum of interim results due to adjustments and consolidation. 1 ASM = 1.6093 ASK

AIRCRAFT AVAILABLE FOR SALE OR LEASE - MONTH END

	Old narrowbodies	Old widebodies	Total old	New narrowbodies	New widebodies	Total new	Total
Dec-1999	243	134	377	101	53	154	531
Dec-2000	302	172	474	160	42	202	676
Dec-2001	368	188	556	291	101	392	948
Dec-2002	366	144	510	273	102	375	885
Dec-2003	275	117	392	274	131	405	797
Dec-2004	185	56	241	194	48	242	483
Mar-2005	193	51	244	187	40	227	471

AIRCRAFT SOLD OR LEASED

	Old narrowbodies	Old widebodies	Total old	New narrowbodies	New widebodies	Total new	Total
1999	582	230	812	989	170	1,159	1,971
2000	475	205	680	895	223	1,118	1,798
2001	286	142	428	1,055	198	1,253	1,681
2002	439	213	652	1,205	246	1,451	2,103
2003	408	94	502	1,119	212	1,331	1,833
2004	321	177	498	1,815	325	2,140	2,638
Mar-2005	18	8	26	160	18	178	204

Source: *BACK* **Notes:** *As at end year; Old narrowbodies = 707, DC8, DC9, 727,737-100/200, F28, BAC 1-11, Caravelle; Old widebodies = L1011, DC10, 747-100/200, A300B4; New narrow-bodies = 737-300+, 757. A320 types, BAe 146, F100, RJ; New widebodies = 747-300+, 767, 777. A600, A310, A330, A340.*

EUROPEAN SCHEDULED TRAFFIC

	Intra-Europe			North Atlantic			Europe-Far East			Total long-haul			Total Int'l		
	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 %
1997	174.8	110.9	63.4	176.5	138.2	78.3	130.4	96.9	74.3	419.0	320.5	76.5	621.9	450.2	72.4
1998	188.3	120.3	63.9	194.2	149.7	77.1	135.4	100.6	74.3	453.6	344.2	75.9	673.2	484.8	72
1999	200.0	124.9	62.5	218.9	166.5	76.1	134.5	103.1	76.7	492.3	371.0	75.4	727.2	519.5	71.4
2000	208.2	132.8	63.8	229.9	179.4	78.1	137.8	108.0	78.3	508.9	396.5	77.9	755.0	555.2	73.5
2001	212.9	133.4	62.7	217.6	161.3	74.1	131.7	100.9	76.6	492.2	372.6	75.7	743.3	530.5	71.4
2002	197.2	129.3	65.6	181.0	144.4	79.8	129.1	104.4	80.9	447.8	355.1	79.3	679.2	507.7	74.7
2003	210.7	136.7	64.9	215.0	171.3	79.7	131.7	101.2	76.8	497.2	390.8	78.6	742.6	551.3	74.2
2004	220.6	144.2	65.4	224.0	182.9	81.6	153.6	119.9	78.0	535.2	428.7	80.1	795.7	600.7	75.5
Apr-05	25.1	17.2	66.3	18.6	15.3	82.1	13.6	10.8	79.3	45.8	36.5	79.7	68.1	51.6	75.7
Ann. chng	4.4%	1.7%	-1.8	0.5%	-0.4%	-0.8	8.5%	12.9%	3.1	5.3%	5.0%	-0.2	4.8%	4.1%	-0.6
Jan-Apr 05	96.9	60.2	62.3	68.5	54.1	79.0	53.2	41.8	78.6	177.2	141.1	79.6	261.1	194.4	74.5
Ann. Change	2.8%	3.8%	0.6	0.3%	0.8%	0.4	10.9%	11.8%	0.6	5.0%	6.0%	0.8	4.6%	5.9%	0.9

Source: AEA

US MAJORS' SCHEDULED TRAFFIC

	Domestic			North Atlantic			Pacific			Latin America			Total Int'l		
	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 %
1997	953.3	663.7	69.6	138.1	108.9	78.9	122.0	91.2	74.7	71.3	46.4	65.1	331.2	246.5	74.4
1998	960.8	678.8	70.7	150.5	117.8	78.3	112.7	82.5	73.2	83.5	52.4	62.8	346.7	252.7	72.9
1999	1,007.3	707.5	70.2	164.2	128.2	78.1	113.2	84.7	74.8	81.3	54.3	66.8	358.7	267.2	74.5
2000	1,033.5	740.1	71.6	178.9	141.4	79.0	127.7	97.7	76.5	83.0	57.6	69.4	380.9	289.9	76.1
2001	1,025.4	712.2	69.5	173.7	128.8	74.2	120.1	88.0	73.3	83.4	56.9	68.2	377.2	273.7	72.6
2002	990.0	701.6	70.9	159.0	125.7	67.2	103.0	83.0	80.5	84.1	56.8	67.5	346.1	265.5	76.7
2003	963.1	706.6	73.4	148.3	117.6	79.3	94.8	74.0	80.5	84.2	59.3	70.5	327.2	251.0	76.7
2004	1,014.5	763.6	75.3	164.2	134.4	81.8	105.1	87.6	83.4	96.4	68.0	70.5	365.6	289.8	79.3
Apr- 05	83.6	64.8	77.5	14.0	11.6	83.2	9.4	7.3	77.7	9.1	6.4	70.7	32.5	25.4	78.1
Ann. Change	-0.3%	0.2%	0.4	8.2%	8.6%	0.3	16.7%	13.4%	-2.3	12.2%	14.2%	1.2	11.7%	11.3%	-0.2
Jan-Apr 05	329.4	238.9	75.5	52.1	41.0	78.0	37.3	30.0	80.5	36.9	27.0	73.2	126.3	98.0	77.6
Ann. Change	-0.5%	4.1%	3.4	8.4%	10.4%	1.4	14.6%	10.7%	-2.8	13.6%	17.3%	2.3	11.7%	12.3%	0.4

Note: US Majors = Aloha, Alaska, American, Am. West, American Transair, Continental, Cont. Micronesia, Delta, Hawaiian JetBlue, MidWest Express, Northwest,Southwest, United and US Airways **Source**: ATA

JET ORDERS

	Date	Buyer	Order	Delivery	Other information/engines
Boeing	11 May	China Southern	12 x 737-700 33 x 737-800	2006-08	
	12 May	Ryanair	70 x 737-800	2008-12	plus 70 options
	24 May	Air France	5 x 777F	4Q 2008	plus 3 options
	25 May	SALE	20 x 737NG	2006-09	plus 20 options
	31 May	Ethiopian Airlines	5 x 787		converted options
Airbus	17 May	Sichuan Airlines	2 x A319 6 x A320	2005-08	IAE V2500
	19 May	Sagawa Express	A330-600F	11/2006	
	21 May	Cebu Pacific	12 x A319	2005-07	
Embraer	12 May	Copa	2 x ERJ190	4Q 2006	
	06 June	Flybe	14 x ERJ195	08/06 - 11/07	plus 12 options

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

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