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WORLDWIDE AVIATION MARKETING AND MANAGEMENT SERVICE

DECEMBER 2013

Newsletter

Market Comment

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American International Group (AIG) agreed to sell its **International Lease Finance Corp.** aircraft-leasing unit, to the Netherlands-based **AerCap Holdings NV** for \$3 billion in cash and 97,560,976 **AerCap** shares worth approximately \$2.4 billion. The Dutch lessor will control the merged business, and **AIG** will hold 46 percent. After the sale, **AIG** will focus on its core insurance business, but will appoint two **ILFC** board members. The transaction must be approved by various regulators and the **AerCap** shareholders. **AIG** expects to close the sale in the second quarter of 2014. The combined company will have 1,329 airplanes in its fleet, including **Airbus** A320 and A330, and **Boeing** 737NG, 777 and 787 aircraft. The total assets are worth \$41 billion. **AerCap** will also take over **ILFC's** order book, which is valued at \$25 billion. The two companies (mainly **ILFC**) have 385 planes on order, with contracts for 77 787s, 29 A350s and 155 A320neo single-aisle aircraft. The deal culminates in **AIG's** four-year attempt to sell the aircraft leasing business. Most recently, a group of Chinese investors, led by **P3 Investments Ltd.** (Hong Kong), offered to buy 90 percent of **ILFC** for \$4.7 billion, but it failed to find the financing needed for the purchase. **AerCap** will retain its name for the combined company, and **ILFC** will be a wholly owned subsidiary of **AerCap**. After the purchase, the company will sell some of its older aircraft to other lessors. **ILFC** still has early model **Airbus** A320s, A330s and A340s, **Boeing** 737 Classics, 747-400s, 757s and 767s, as well as **Fokker** F100s, **MCD** MD-80s and DC-10Fs in its portfolio. It had to record big write-downs on the value of its older planes in recent years. **AerCap** is acquiring early delivery slots for **Boeing** 787s and **Airbus** A320neos and A350s, which will command top rental fees. **AerCap's** CEO **Aengus Kelly** said, "We're creating the industry leader. This transaction presents a unique strategic opportunity to bring together the outstanding and experienced personnel from both companies and two attractive portfolios of modern aircraft on lease to a highly diversified customer base. Further, we believe **AerCap** will now have the most attractive order book in the industry. The order book is the jewel in the crown. Given the associated delays with those planes, especially the 787, the pricing and the delivery slots are unbeatable."

AerCap does not have \$3 billion in cash lying around so it arranged \$2.75 billion in financing from **UBS AG** and **Citigroup**, and the lessor will use some of its own cash to fund the purchase. The deal is valued at \$26 billion which includes the assumption of **ILFC's** debt of \$21

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billion. **AIG** will provide a \$1 billion unsecured revolving credit facility to **AerCap**. **AerCap**'s largest investor, **Waha Capital PJSC**, Abu Dhabi, has agreed to back the transaction.

ILFC was founded in 1972 by **Steven Udvar-Hazy**, and it led the creation of a leasing industry that now accounts for 40 percent of the \$100 billion per year market for new airliners. Mr. **Hazy** sold the company to **AIG** in 1990 for \$1.16 billion. He ran **ILFC** until 2010, when he and some managers quit and founded **Air Lease Corp**. **ILFC** appointed former **Airbus** executive **Henri Courpron** to run the company. His role under **AerCap** was not reported when the deal was announced. **AerCap** will maintain an office at **ILFC**'s headquarters in Los Angeles, but the combined business will be run mainly out of **AerCap**'s Schiphol and Dublin offices. **AVMARK** wonders why **AerCap** did not assume the **ILFC** brand. **AerCap** was founded in 2005, and it currently owns 250 aircraft and manages another 87 for third party investors. **AerCap**'s fleet is valued at approximately \$10 billion. **ILFC** is nearly four times larger, and has much greater name recognition.

ILFC reported a net income of \$410.3 million in 2012, but it posted a \$599.2 million loss in the first three quarters of 2013 due to writing down the value of older widebody aircraft. Under **AIG**'s ownership, the leasing company was able to borrow at low rates, but that advantage ended when the parent company was brought low by losses from subprime mortgages. **General Electric**'s **GECAS** is still the world's largest aircraft lessor and has more than 1,630 airplanes in its owned and managed fleet. As of September 30, 2013, the assets were worth \$47 billion.

The Sale of ILFC ends a period of uncertainty in the leasing industry. The combined company is not a lot larger than **ILFC**, but it has a solid financial foundation. **AIG** was able to pay back the \$182 billion **U.S. Government** bailout, but the insurance company lost its appetite for the aircraft leasing business. **AIG** sold **ILFC** for less cash, but also it retained more of **ILFC**'s equity. It was fortunate to find a better-financed buyer than the Chinese **P3 Investments** group, and very fortunate not to have sold **ILFC** during the bottom of the aviation market. **AerCap** is lifted to the forefront of the leasing market and has hundreds of the latest generation of airliners on order. It will have to sell off the dregs of the oldest jets, but **ILFC** has already written them down to near scrap value. The old iron may still turn **AerCap** a profit when it is sold off. Having lived through the bankruptcy and dissolution of Ireland's **Guinness Peat Aviation (GPA)**

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several recessions ago, **AVMARK** is glad the aviation industry does not have to see that again. When **GPA** crashed in flames, it took aircraft values with it, by throwing hundreds of modern airplanes on the market. Some banks and airlines lost a lot of money. It is good that **ILFC's** fall from grace caused a ripple and not a crater.

Airbus Orders

Airbus Sold 108 New Aircraft and Delivered 58 in November. Its backlog was boosted by new orders announced during the **Dubai Airshow**. The backlog stood at 5,434 at month's end, and represented more than eight years of production. The delivery of 58 aircraft raised 2013's delivery total to 562 (to 90 customers), which was 9 percent higher than the same 11-month period in 2012. **Etihad Airways** led the November booking with its order for 10 A320neo and 26 A321neo narrowbodies, one A330-200F freighter, 40 A350-900s, and 10 A350-1000s. A350 sales surpassed the 800 mark (a total of 814), and the combined A320neo Family orders exceeded 2,500 (totaling 2,523) for the first time. **Qatar Airways** signed a contract for five A330-200Fs at the **Dubai Airshow**, adding to the shrinking backlog of **Airbus'** only purpose-built freighter. The A330-200F will become the backbone of **Qatar Airways'** cargo fleet, which currently operates three A330Fs and five 777Fs.

European leasing company, **Aerospace International Group**, started the month with its purchase of 10 current-engine-option A320s and four A321s. **Lerner Enterprises, LLC** (a Washington DC-area real estate developer) bought one A319ceo, and leased it to **American Airlines**. A private customer ordered one ACJ320 corporate jet. The new sales raised this year's bookings to 1,373, more than double **Airbus'** initial target of 600, and was more than twice its production for the year. **Airbus** recorded the cancellation of eight A330-200Fs from **OH-Avion**. The freighters were originally ordered by **Avion Aircraft Trading** in 2007, and were intended for **Icelandair**. The failure of the Icelandic banks and resulting economic depression killed the deal. After counting the 59 cancellations, **Airbus'** net orders for the year were 1,314 as of November 30. In November, the manufacturer delivered 45 A320 Family airliners, nine A330s and four A380s, three of

Airbus Orders, Deliveries and Backlog November 2013

NOV ORD	NOV DEL	NOV CANX	TOTAL ORD	TOTAL DEL	BACK LOG
			A318		
-0-	-0-	-0-	79	79	-0-
			A319		
1	4	-0-	1,516	1,393	123
			A320		
21	32	-0-	6,532	3,510	3,022
			A321		
30	9	-1	1,949	865	1,084
			A330		
6	9	-8	1,284	1,033	251
			A350		
50	-0-	-0-	814	-0-	814
			A380		
-0-	4	-0-	259	119	140
This Month			This Year		BL
108	58	-9	1,314	562	5,434

Airbus sold 13,626 aircraft and delivered 8,192 as of November 30, 2013. Fifty-nine orders have been cancelled. Total orders, deliveries and backlog include cancellations and order changes. Airbus expects to deliver 620 aircraft in 2013.

which went to **Emirates Airline** (a new record).

Emirates signed a commitment to buy 50 more A380-800s at the **Dubai Airshow 2013**. The Dubai flag carrier has 41 A380s in service and another 49 in order from previous contracts. The new deal was list priced at \$20 billion (\$400 million each). It is very apparent that **Emirates** will pay much less than the list price for bailing out the A380 program, after a prolonged sales slump. The airline's current A380s are powered by **Engine Alliance** GP7200s, but it did not specify an engine type for the newest batch. The delivery dates were not announced. **Airbus** said the re-order confirmed the continued strong demand for very large aircraft in the Middle East, and that they are needed to meet the region's higher than average traffic growth. **Emirates** now accounts for 45 percent of the 309 A380s that have been ordered since the program's launch in December 2000.

Qatar Airways ordered five A330-200F freighters at the **Dubai Airshow**, and it optioned eight more, for a total commitment worth \$2.8 billion (\$215.4 million each). The first two A330Fs will be delivered in 2014. **Qatar** has not selected an engine yet, but it currently leases three **Rolls-Royce** Trent 772B-60 engined A330Fs from **BOC Aviation**. The Doha-based airline also operates 16 A330-200s and 13 -300s, which are powered by **GE** CF6-80E engines. The A330-200F can carry a payload of 70 tons for up to 4,000nm. At the end of November, **Airbus** had sold 40 A330Fs, and delivered 25 of them.

Etihad Airways placed the first order for the first regional version of the A350-900, when it bought 40 A350-900s and 10 -1000s. The national airline of **Abu Dhabi** is buying 24 A350 Regionals and another 16 long-range A350-900s. It also purchased one A330-200F, 26 A321neos and 10 A320neos in a deal worth \$26.9 billion. All the A350s will be powered by **Rolls-Royce** Trent XWB engines. **Etihad** said the single-aisle A321neos will be fitted with **CFM International** LEAP-1A powerplants, switching from the **IAE** V2533-A5 engines which power its current A321s. The first of the aircraft will start arriving in 2018. The contract also includes options on another 30 unspecified aircraft, taking the potential order to 117 jets. The carrier will move aircraft between its several equity alliance partners, such as **Air Serbia**, which is taking delivery of the 10 A320neos. **Etihad** now has 86 aircraft in its fleet, including 23 A320 Family aircraft, 25 A330s and 11 A340s.

Airbus' Latest Global Market Forecast (GMF) for Brazil. According to the latest **Airbus GMF**, Brazil's rapidly growing air travel market will need 1,324 aircraft by 2032. The forecast calls for delivery of 896 single-aisle, 353 twin-aisle and 75 very large aircraft (VLA) to meet the rising demand from domestic and international carriers in Brazil. These airplanes will nearly triple the in-service fleet from the current 480 to more than 1,320 aircraft by 2032. The country's gross domestic product (GDP) is growing at 4 percent annually, which is higher than the world average of 3.1 percent. At the current growth rate, Brazil's economy will more than double over the next 20 years. Its air travel will follow suit, and grow at an annual rate of 6.8 percent, nearly 50 percent more than the world average of 4.7 percent. Brazil accounts for 35 percent of all of Latin America's air traffic. Brazil's domestic traffic more than doubled since 2000, and international traffic alone increased at by 87 percent. Unfortunately for Brazilian airlines, they were not able to capture their share of the traffic to Europe and North America. **Airbus** suggested that the VLA was the best airplane to serve South America's busiest airport in terms of long-haul traffic, Sao Paulo's **Guarulhos International Airport**. It said the A380 would be an ideal aircraft for cities with high density traffic including Rio, to alleviate traffic congestion and accommodate the tourism flows from the upcoming **World Cup** and the **Olympic Games**.

Air Asia X Ordered 25 Extended-Range A330-300s, worth \$6 billion (\$240 million each) on December 18. The first will be delivered in 2015, and they will operate non-stop service between the airline's base in Malaysia and cities in Europe. This was the largest A330 order from a single purchase agreement in **Airbus** history and it increases the carrier's firm order total to 51 of the type. **Air Asia X** will also lease another six A330-300s from **International Lease Finance Corporation (ILFC)**. The airline currently operates 16 A330-300s on services from Kuala Lumpur to Asia, the Middle East and the Pacific. The carrier also has 10 A350-XWB aircraft on order. The low-cost carrier wants a share of the projected growth in passenger traffic in the Asia-Pacific region, and wants to have the youngest fleet in the Asia-Pacific market, (under five years) through 2019. Chairman **Tony Fernandes** said, "The aircraft orders would further cater to our expansion plans in Malaysia, and the proposed new **Thai AirAsia X** hub as well as other long-haul ventures planned across Asia. The developments will complement the **AirAsia Group's** long-term vision of developing its presence in key markets in Asia and strengthen the connectivity between long-haul and short-haul low-cost network." The **AirAsia Group** is one of **Airbus's** largest airline customers having now ordered 536 aircraft from the manufacturer. These include 475 A320 Family single-aisle aircraft for **AirAsia's** short-haul operations, plus the 51 A330s and 10 A350-900s for **AirAsiaX**. The twin engine A330 has won more than 1,280 orders as of mid-December.

Monarch Airlines to Order 60 Single-Aisle Jets by February. The U.K. charter carrier intends to become a low-cost carrier and compete with **easyJet**, **Ryanair**, etc. The airline is looking at offers from **Airbus**, **Boeing** and **Bombardier**. The new jets will be delivered by 2024. The airline may buy **Bombardier** CSeries planes for use on new lower-density routes while the Airbus A320neo Family or Boeing 737 MAX jets would fly trunk routes. The airline currently operates a short-haul fleet of eight A320s, 21 A321s and three 757s, and a widebody fleet of two A300-600s and two A330-200s. **Monarch's** CEO said his rivals are expanding and replacing aircraft, but they are less focused on growing their U.K. services.

Kuwait Airways signed a Memorandum of Understanding (MoU) to buy 15 A320neo Family aircraft and 10 A350-900s. The national airline of Kuwait intends to renew its fleet with new **Airbus** aircraft. It currently operates five 20-year-old A300B4-605Rs, three equally old A310-308s, and three elderly A320-212s. Its four A340-313s were delivered in 1995. **Kuwait Airways** also flies one 1994 model 747-469M and two 777-269s that were built in 1998. It has not acquired any new airplanes since it recovered from the first Gulf War, and has one of the oldest fleets in the Middle East, only surpassed by airlines from countries under **United Nations** sanctions, like Iran. The airline picked two aircraft types that will not enter service until late in the decade, which will not improve the average fleet age for nearly five years. The new aircraft will be delivered from 2019 until the end of 2022. In the meantime, **Kuwait** will lease seven A320s and five A330-200s, but it did not reveal the lessor or value of the lease agreement. In May, the airline's chairman announced that the company would lease 22 airplanes, including 10 A320s, two A321s and 10 A330-200s. It is not known why 10 aircraft were dropped in the intervening six months, but the airline may lease five used A320s and five used A330s, as well as new airplanes. The company said it will start to receive the leased planes in July 2014. The last of the Airbuses will arrive in 2015. **Kuwait** wants to retire 11 aircraft from its fleet of 17, and retain its A340s and 777s. The order comes a year after the airline won a \$500 million settlement from **Iraqi Airways** to end a 20-year long lawsuit to recover damages caused when **Saddam Hussein's** army seized aircraft and parts during the Iraqi occupation of Kuwait in 1990. The airline may issue Islamic bonds or sukuk to finance the ordered and leased aircraft. The value of the agreements with **Airbus** and the un-named

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lessors were not announced. A spokesman for **Kuwait Airways** said "Part of this will be from the firm's capital and another will be financed through loans. Certainly, bonds or sukuk will be issued depending on the decision by the board of directors."

Air Caraïbes Atlantique Airlines, Guadeloupe and Martinique, signed a firm contract for three **Airbus A350-1000s** valued at \$996 million (\$298.8 million each) at list price. The airline will also lease three smaller A350-900s from **International Lease Finance Corp.** The A350s will be delivered from 2016 through 2022. The A350-1000s will seat 439 passengers in three classes, and the -900s will carry 387 passengers. **Air Caraïbes** competes with **Air France** and **Corsair** on routes between France and Caribbean destinations with one A330-200 and four leased A330-300s, and it operates three ATR 72-500s on inter-island routes.

EADS Chief Executive Tom Enders said the A350 development was "progressing well" and **EADS** plans to deliver the first A350-900s in the second half of 2014. Finance Director **Harald Wilhelm** said the A380 program would breakeven in 2015, now that **Emirates** committed to buy 50 more superjumbo jets. Prior to the **Dubai Airshow**, analysts doubted that **Airbus** would meet the goal due to a shortage of orders. The European aerospace company said it would cut 5,290 jobs through 2017 as the defense and space activities are merged into **EADS Defense and Space**. **EADS** is rebranding the company as **Airbus Group** in 2014, and will change its stock symbol to "AIR".

Boeing Orders

Boeing Sold 110 New Aircraft in November, including 34 737s, 46 777s, and 30 787s. The orders were led by **Etihad Airways** at the **Dubai Airshow**. The airline signed contracts for 25 777X, one 777F and 30 787-10s at the show. **Lufthansa** finalized its commitment for 20 recently launched 777-9X aircraft, and took options for another 14. **Southwest Airlines** ordered 20 more 737 MAX 8s during the month. One **Business Jet / VIP Customer** contracted for one 737-BBJ. One **Unidentified Customer** purchased three 737-700s, another **Unidentified Customer** bought six 737 MAX aircraft, and a third unnamed operator bought four

Boeing November 2013 Orders, Deliveries

NOV ORD	NOV DEL	NOV CANX	TOTAL ORD	TOTAL DEL	BACK LOG
			737		
34	34	-30	11,279	7,823	3,456
			747		
-0-	1	-0-	1,530	1,476	54
			767		
-0-	1	-0-	1,108	1,060	48
			777		
46	9	-0-	1,519	1,156	363
			787		
30	5	-0-	1,012	103	909
This Month			This Year		BL
110	50	-30	1,054	580	4,830

Boeing sold 23,978 aircraft and delivered 19,148 as of November 30, 2013.

The Current Program includes sales and deliveries of 737s, 747s, 767s, 777s and 787s.

Sales totals are net – minus 175 cancellations. Boeing expects to deliver from 635 to 645 aircraft in 2013,

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737 MAX. **Boeing** announced that **TUI Travel PLC** was the customer for two 787s which were booked as 'unidentified' earlier in 2013.

Boeing lost 30 737 orders in November, for a total of 161 737 cancellations, but it sold 958 new 737s. The manufacturer sold a total of 1,229 new aircraft this year and lost 175 existing orders, for a net total of 1,054 orders as of November 30. Its backlog stood at 4,830, at the end of the month.

Boeing Delivered 50 Aircraft in November, including five 787s. It also handed over 34 737NGs, one 747, one 767F, and nine 777s.

In December, an **Unidentified Customer** ordered 17 737s, for a total of 797 737 sales this year. **Boeing** reported that **Air China Cargo** was the customer for eight 777Fs that were booked as 'unidentified' in March 2013. **British Airways** finalized its commitment for 18 787s. As of December 10, **Boeing** had sold a net of 182 787s in 2013. In mid-month, two new 767 orders were placed by an **Unidentified Customer**.

Southwest Airlines announced its order for 20 737 MAX 8s in November. **Southwest** now has firm orders for 30 MAX 7 and 170 MAX 8 aircraft, and options for another 191, to be delivered from the third quarter of 2017 through 2027.

TUI Travel ordered two additional **Boeing** 787-8s, raising its commitment to 15 GE-powered 787s. The new 787s will be delivered in 2016. The purchase was originally attributed to an unidentified customer on **Boeing's Orders & Deliveries** website. **TUI Travel** owns six airlines, and four of them, **Arkefly**, **Jetairfly**, **Thomson Airways**, and **TUI Fly Nordic**, will operate 787s. **TUI** said it will pay considerably less than the list price of \$424 million (\$212 million each) as a result of various concessions, allowances and support from **Boeing**.

Air Canada announced it will buy 61 **Boeing** 737 MAX aircraft, option 18 more and take purchase rights for 30 as part of its narrow-body fleet renewal plan. The 737 MAX will replace **Air Canada's** mainline fleet of 78 **Airbus** A320 Family aircraft. The firm orders will be filled between 2017 and late 2021. **Air Canada's** 33 737 MAX 8s and 28 MAX 9s are worth \$6.5 billion at list prices (\$103.7 million for each MAX 8 and \$109.9 million per MAX 9), and the orders will be posted to the **Boeing**

Etihad Airways signed a firm order for 17 777-9Xs and eight 777-8Xs, 30 787-10s and one 777F freighter on the first day of the **Dubai Airshow**. The airline was the launch customer for the 777-8X, and took options and purchase rights on 12 more of the type. **Boeing** expects to deliver the first 777Xs around the end of the decade. **Etihad** signed a firm order for 30 787-10s and placed options and purchase rights for 12 787-10s. The airline had already ordered 41 787-9s. They will be delivered from 2014 through 2019. The carrier ordered its fourth 777F freighter and took two options. The airline operates 17 777-300ERs, three 777Fs and one leased 747-8F freighter. It has one more 777-300ER on order. The total commitment for 82 widebodies was valued at \$25.2 billion at list prices. The 50 777X aircraft were list priced at \$19 billion (\$380 million each).

The Etihad Airways Order for 30 787-10 Dreamliners, valued at \$8.7 billion at list prices, pushed Dreamliner sales to 1,012 from 60 customers worldwide. **Etihad** now has 71 787 Dreamliners on order and is the world's largest airline customer for the airplane. Its first 787-9 will be delivered in mid-2014, and the first 787-10 is due in 2018, one year after the first flight. **Boeing** said the Dreamliner family reached the sales milestone faster than any other widebody airplane in aviation history. The 787 was launched in April 2004, and received its 1,012th order in 115 months, about eight years faster than the **Boeing** 777.

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Orders and Deliveries website when the firm contract is signed. This is the first time a major airline has chosen **Boeing** 737 aircraft to replace its **Airbus** narrowbodies. It usually goes the other direction, where airlines supplanted their 737 Classics with A320 Family aircraft. This is a big win for **Boeing**, especially since **Air Canada** never bought the 737 before (its merger with **Pacific Western Airlines** added 44 737-200Advs in April 2001, but they were quickly sold off). **Airbus** also offered the flag carrier its re-engined A320neo which will be ready for delivery two years sooner than the MAX, but the airline turned them down. **Air Canada** currently flies **Boeing** widebody jets, such as the 767-300ER, the 777-300ER and the 787 Dreamliner. It operates the 97-seat Embraer E190 on short-haul routes.

Cathay Pacific Airways Became Asia's First 777X Customer when it ordered 21 777-9X aircraft valued at \$7.5 billion at current list prices. The GE9X-powered jets will be delivered between 2021 and 2024. The 777X program was launched at the **Dubai Airshow** where it garnered a record 259 orders and commitments worth \$95 billion at list prices. **Boeing** said the 777X had the largest product launch in commercial jetliner history by value and it is targeted for first delivery in 2020.

John Slosar, CEO of **Cathay Pacific Airways** said, "The 777-9X promises us improved payload range capability and reduced operating costs, in addition to a significant reduction in environmental emissions. We think it will be an ideal fit for long-haul destinations in North America and Europe, in particular those routes where we carry high volumes of passengers and cargo each day. **Cathay Pacific** is committed to modernizing its fleet to provide a superior experience to passengers. The 777-300ER has done a superb job for us and **Cathay Pacific** is now the second largest operator of this type. We are now delighted to be an early customer for this next generation of the 777 aircraft." The 777X family features a new composite wing, all-new engines and superior aerodynamics that will result in greater fuel efficiency. The 777-9X seats 400 passengers. Hong Kong's flag carrier operates five 777-200s, 12 777-300s, 38 777-300ERs (12 more on order), and an all-**Boeing** cargo fleet that includes 13 747-400F and 13 747-8F freighters.

Air Canada assuredly negotiated discounts off the list prices and its agreement with **Boeing** requires the manufacturer to buy up to 20 of the carrier's 45 E190s. The airline said the E190s will be replaced with leased narrow-body aircraft until **Air Canada** takes delivery of the 737s. The airline has been negotiating with **Bombardier** about acquiring 100- to 149-seat CSeries jets. If that happens, **Boeing** will have facilitated the sale by taking unwanted E-Jets as trade-ins. The E190s will be offered for lease or sale by its in-house leasing company, **Boeing Capital Corp.** **Air Canada** will review its options for the other 25 E190s that are not being acquired by **Boeing**, including continuing to operate them or replacing them with a yet to be determined number of aircraft in the 100 to 150 seat range, i.e. the CSeries. The new MAX jets will be much more efficient than the A320s that they are replacing. **Air Canada's** oldest A320s were delivered in 1990. The airline's average fleet age as of December 2012 was about 13 years, while its rival, **WestJet**, has an average fleet age of about 7 years. **WestJet** is also buying 65 737 MAX aircraft for \$6.3 billion.

Regional Report

American Airlines Group ordered 30 CRJ900 NextGen aircraft from **Bombardier Aerospace** and took options for an additional 40. Based on the list price, the firm order contract was valued at approximately \$1.42 billion (\$47.3 million each) and could increase by another \$1.96 billion (\$49 million each) if all the options are converted into firm orders. The airline expects to begin taking

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delivery of the CRJ900s in the second quarter of 2014, and they will be operated by **US Airways'** subsidiary **PSA Airlines**. The manufacturer said, "American Airlines becomes the first customer to benefit from the latest enhancements to the CRJ900 NextGen regional jet." Improvements to the aircraft's powerplant, weight reduction and upgraded avionics offer a 5.5 percent fuel burn reduction over the earlier generation CRJ900, and up to 5 percent lower fuel burn than the competition in the same seat class, **Bombardier** said. To date, **Bombardier** has sold 1,812 CRJ Series aircraft, including 339 CRJ900 and CRJ900 NextGen aircraft. This was the manufacturer's biggest deal since **American's** rival **Delta Air Lines** ordered 40 CRJ900 NextGen aircraft last year, and optioned to buy another 30 airplanes to replace older 50-seat regional jets.

China Express Airlines placed a firm \$134 million order for three CRJ900 NextGen aircraft in December. The airline conditionally purchased five more CRJ900 NextGens and took options on an additional eight aircraft. The regional carrier's order would increase to \$733 million (\$45.8 million each) if all options were exercised. **China Express**, based in Guiyang, Guizhou, expects to triple its route system to approximately 90 destinations, covering 60 percent of China's regional cities. The airline currently operates a fleet of five CRJ200 and six CRJ900 NextGen aircraft. It was the first to operate the CRJ900 aircraft in China. More than 140 **Bombardier**-built commercial and executive aircraft are currently operating in greater China.

Iraqi Airways signed a firm order to acquire up to 16 **Bombardier** CS300s in December, following its letter of intent signed at the **Dubai Airshow** in November. The airline firmly ordered five CS300s and took options on another 11. The firm orders are worth \$387 million (\$77.4 million each) at list prices, and the options are valued at \$873 million (\$79.4 million each) if they are confirmed. With the **Iraqi** order, **Bombardier** holds firm orders for 182 C-Series aircraft and 237 commitments for the type. The manufacturer is still 123 orders short of its target of 300 firm orders by the time the C-Series enters service in September 2014. **Bombardier** is in "advanced talks with many potential customers amid a resurgence in activity" in recent weeks, several would-be buyers are hesitant to place orders until they see the results from test flights, the company said. Many potential customers are waiting to see the data points coming from the flight-testing program. The sale of 30 C-Series jets to **Porter Airlines** is dependent on the **Toronto City Council's** approval of the extension of the runway and the repeal of a ban on jets at **Billy Bishop Airport**.

Nantong Tongzhou Bay Aviation Industry signed a Letter of Intent (LoI) to acquire 30 Q400 NextGen aircraft. They will be used to launch commercial airline operations as **Sutong Airlines**, based in Nantong, Jiangsu, China. The airline will start operations in 2015. Based on the list price, a firm order would be valued at approximately \$995 million (\$33.17 million each).

Air Côte d'Ivoire confirmed its purchase agreement for two Q400 NextGens, worth \$69 million (\$34.5 million each) at current list prices. The order was announced at the **Dubai Airshow**, and includes options for two additional Q400s, which are priced at \$36 million each. **Bombardier** now has 14 customers and operators, and more than 50 aircraft in service or on order in Africa. The company captured 100 percent of the market share over the last two years in the 20- to 99-seat turboprop segment. The manufacturer has now booked 480 firm orders for Q400 and Q400 NextGen turboprops.

American Airlines Group Ordered 60 Embraer E175 Regional Jets to upgrade its fleet in order to lower operating costs. The airline took options for an additional 90 Embraer airplanes. The 60 E-Jets were valued at \$2.5 billion (\$41.67 million each), and deliveries will begin in the first quarter of 2015. The firm orders will be included in Embraer's fourth-quarter 2013 backlog. American's agreement with its pilots' union allows the airline to buy large regional jets and to have them operated by regional airline partners. The E175s will be fitted with 12 First Class, 20 Main Cabin Extra and 44 Main Cabin seats, for a total of 76 seats. Embraer said it expected a "good year" for E-Jet sales in 2014, identifying Eastern Europe and Russia as the most promising regions for new business. This year Embraer secured more than 700 firm orders and options from U.S. airlines for its E-Jets and the next-generation E-Jet-E2s. It expects to deliver even more commercial jets than in 2013, when the company ramped up production to fill its burgeoning order book. Embraer continues to invest in the E-Jets family, and is enhancing the E175, with new wingtips, systems optimization, and aerodynamic refinements that will lower fuel burn by up to 5 percent. Longer maintenance intervals and component improvements will increase aircraft productivity and lower maintenance costs, the company said.

ATR Sales. Avation PLC, a Singapore-based aircraft leasing company, signed a contract to exercise five of its options for ATR 72-600s, valued at approximately \$120 million (\$24 million each), based on catalogue prices. The airline reserved five more ATR options, and it now has 10 options and 17 Purchase Rights. Deliveries of the five aircraft will take place in 2015. The lessor has 14 firm ATR72-600 orders to be filled by the end of 2015, and has 13 ATR 72s in service. Avation sees strong demand for this aircraft type, which was important in its decision to exercise the purchase options.

Bangkok Airways said it inked an agreement to buy nine ATR 72-600s from the airframer as part of the Thai regional carrier's fleet renewal plans. The airline operates eight ATR 72-500s that were built between 2001 and 2008 on domestic routes. It flies 16 Airbus A319s and A320s to neighboring countries. The carrier told the press that it was interested in replacing them with the A320neo or the Boeing 737 MAX.

British Airways' wholly owned regional subsidiary, **BA CityFlyer**, ordered its ninth E190 jet in November. The firm order was included in Embraer's 2013 fourth quarter backlog. The E-Jets are operated from **London City Airport**, and are configured with 98 seats. Since entering revenue service in 2004, Embraer has sold more than 1,350 E-Jets, and delivered more than 1,000.

RUAG Aviation Sold 10 Dornier 228s to the Venezuela Government. The manufacturer will deliver eight Dornier 228 New Generation turboprops and sell two refurbished Do228-212s to the **Venezuelan Air Force**. The 19-seaters will be configured for passenger transport and used to connect remote villages with regional hubs across the country. The government is Latin America's first fleet customer for the Dornier 228NG since the program was re-launched in late 2010. The contract was signed in Caracas, and includes training, spare parts and ground support equipment.

Engine News

VietJet Air, Vietnam's first privately-owned budget carrier, agreed to buy 40 CFM56 engines from **CFM International** for \$800 million. The deal will cover 28 engines for the Airbus A320ceo and 12

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for the A321ceo. The order was part of **VietJet's** \$9 billion agreement with **Airbus** to buy 92 A320 Family aircraft in September. The planes will be delivered over the next eight years. **VietJet** intends to list its shares on either the Hong Kong or Singapore stock markets in 2015 to fund its expansion beyond Vietnam.

Airbus and Rolls-Royce intend to reconfigure the Trent 500 engine to lower operating costs and boost the A340-600's market appeal. **Andreas Hermann**, VP of freighters and A340 asset management at **Airbus** told a meeting of appraisers, bankers, brokers, financiers and lessors that "The key message is that it is not only one party, it's all parties who are very committed to the A340 program." **Airbus** said the A340-600 burns 12 percent more fuel than the similarly sized 777-300ER, but the four-engined aircraft can be competitive because of its lower ownership costs, which currently average \$850,000 per month. **Rolls-Royce** pledged to lower engine maintenance costs for four Trent 500s to the level of what two **General Electric** GE90-115Bs (on the 777) cost to maintain. **Airbus** is now offering a 475-passenger, high-density seating configuration for the A340-600 by raising the certified limit from the current 440 seats. The airplane can be fitted with a one-class, all-economy eight-abreast layout using 18 inch wide seats that do not "compromise the comfort standards," Mr. **Hermann** said. The A340-600 can also be fitted with 18 business-class seats and 457 economy seats that are 16.7 inches wide and are nine seats abreast. The 475-seat certification project requires a 10-12 month lead time and does not need an evacuation test, Mr. **Hermann** reported. "There is market interest and **Airbus** has committed to go ahead and do it. It is not subject to a customer commitment, but we are having discussions and we'll shortly have customers signing up for it," he said. The high-density **Boeing** 747-400s in charter operations burn 20 percent more fuel per trip than the A340-600. It has higher revenue-earning potential and lower ownership costs, but a 475-seat A340 has an overall cost per month advantage of \$557,000, the manufacturer asserted. **Airbus** delivered 131 Trent 500-powered A340-500/600s, and it is remarketing 16 A340s, including seven -300s, four -500s and five -600s, Mr. **Hermann** said, and he expects to deliver them to new customers soon.

Rolls-Royce launched its latest version of the Trent 700, the Trent 700 Regional, which will power the recently announced **Airbus** A330 Regional aircraft. China and South East Asia will be key markets for the aircraft. The Trent 700 is specifically designed for the A330, and delivers the best fuel burn, emissions and noise performance, the manufacturer said. The Trent 700 won 70 percent of new orders over the last four years, and it currently powers every A330 in mainland China. The Trent 700 Regional will feature reduced thrust tailored to the aircraft's regional operations, provide lower maintenance costs and longer time on wing. By providing the right amount of thrust at the right time, engine part life is extended and maintenance costs significantly reduced, **Rolls-Royce** said.

Order Changes and Cancellations

Airbus Order Changes and Cancellations. **Lufthansa** exchanged its last A319 order for its 165th A320 order. The airline has taken delivery of 30 A319s to date. **Qatar Airways** cancelled its six A319 orders and purchased five more A320s for a total of 65.

Boeing's Order Cancellations and Changes. **Southwest Airlines** exchanged orders for 19 737-700s to the 737-800 model in October. Three of the -700s were originally ordered by **AirTran Airways**. In November, **Southwest** cancelled 17 737-700s and three 737-800s and announced an order for 30 737 MAX 8 aircraft. As of November 30, the airline had 56 737-700s, 55 -800s and 200 MAX aircraft on

backorder. In May, **Southwest** launched the 737 MAX 7, when it converted 30 existing Next-Generation 737 orders into orders for the 737 MAX 7. The airline also exercised options for five more 737-800s. At the end of May, **Southwest** had unfilled orders consisting of 180 737 MAX airplanes and 137 Next-Generation 737s. The November order for 20 more 737 MAX 8s raised the total to 200. **SpiceJet**, India, cancelled 12 of the 30 737-800s that it ordered in October 2010, and it now has 18 -800s on backlog. **GOL Transportes Aereos**, Brazil, dropped six 737-800s, and now has orders for 31 -800s, as well as 60 737 MAX. Also in November, **Virgin Australia Airlines** terminated four 737-800 commitments. The airline contracted for 40 -800s in March 2010. Now it has 61 737-800s in service, and has 32 -800s and 23 737 MAX on order. **Lion Air** exchanged three of its 737-900ER orders for three more -800s. The airline group now has 91 -900ERs and 15 -800s on backlog. **CIT Leasing** dropped one -900ER order in favor of another -800. The lessor has 14 -800s and four -900ERs on order. **CIT** also switched five of its 787-8 orders for an equal number of 787-9s in October. **Boeing** identified **British Airways** as the customer for one 777-300ER when it was delivered on October 31, 2013. In November, the manufacturer said **Air China Cargo** ordered eight 777Fs in March, and **FedEx** purchased two 777Fs in December 2011. The orders were previously unidentified.

Airbus celebrated the sale of one A330F freighter to **Etihad** and five to **Qatar Airways** at the **Dubai Airshow**, but it also recorded the cancellation for eight A330Fs by **OH-Avion** resulting in the net loss of two orders. The aircraft were originally ordered in 2007 by **Avion Aircraft Trading**, for lease to **Icelandair**, but the deal fell through. The only lessors with outstanding A330F orders are **Intrepid Aviation** with two on backlog and **Synergy Aerospace** which has three firm orders. **Intrepid** originally ordered 20 A330Fs but exchanged 18 of them for passenger A330s. It is highly likely that **Intrepid** will do the same with its last two freighter orders. **Synergy Aerospace** is tied to **Avianca** and its cargo subsidiary **Tampa Cargo**. Both airlines operate four A330Fs. **Synergy** ordered the three A330Fs and six A330-200s for its airline affiliates at the **Farnborough Air Show** in 2012.

Leasing Companies

International Lease Finance Corporation (ILFC) announced that it will lease three new **Airbus** A350-900 XWBs to French Caribbean carrier **Air Caraïbes Atlantique Airlines**. The aircraft are tentatively scheduled for delivery between 2016 and 2018, and will be operated on the airline's long-haul route network. The A350-900 XWBs will be powered by two new-generation **Rolls Royce** Trent XWB engines. **Air Caraïbes** was founded in 2000 as the French airline of the Caribbean, and it serves an extensive inter-Caribbean islands route network with ATR 72s, and a trans-Atlantic network with five A330s. **ILFC** currently leases two A330-300s to **Air Caraïbes**.

ILFC signed an agreement with **Air Calédonie International (Aircalin)**, New Caledonia's international airline, to lease one used **Airbus** A320-200. The aircraft will support the airline's efforts to meet growing demand for air travel in the region, and it will join **Aircalin's** sole A320 in the middle of 2014. The aircraft will be equipped with **IAE** V2500 engines and configured with eight business and 150 economy class seats. It will operate on **Aircalin's** regional network, which connects its Nouméa base with Japan, Australia, New Zealand and major South Pacific Islands.

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GE Capital Aviation Services (GECAS) will lease four 777-300ERs to **China Airlines** with deliveries scheduled to begin in 2014. **GECAS** also leases eight E190s to **Mandarin Airlines**, a subsidiary of **China Airlines**. **GECAS** signed a lease agreement with South Korean low-cost carrier **Jeju Air** for two new 737-800s. The aircraft will be delivered in 2014. **Jeju Air** currently operates 13 737-800s, having acquired its first in 2008. The airline flies three domestic and 15 international routes and has grown by 30 percent per year since 2010.

BOC Aviation will lease four new A320-200s to **Volaris** by May 2014. **Volaris** is leading low-cost carrier in Mexico, and a new **BOC** customer. The airline grew its fleet from four aircraft in 2006 to 44 A319s and A320s today. **Volaris** offers services to 33 domestic and 12 U.S. cities.

AWAS will lease two new A320s from its order pipeline to **ANA Holdings** for operation by **Vanilla Air**, ANA's low-cost regional subsidiary. **Vanilla Air** is based in Narita and will commence services to Naha (Okinawa), Sapporo, Seoul and Taipei in late December 2013. **AWAS** agreed to lease a fourth new Sharklet-equipped A320 to **Vietjet Air** in 2014. **Vietjet** is expanding its low-cost operations from Vietnam's three major economic and tourist hubs to Ho Chi Minh City, DaNang and Hanoi. The airline plans to expand into Southeast and North Asian nations which will include regional destinations such as Busan, Bangkok, Kuala Lumpur, Seoul, Singapore, Taipei, Japan, Hong Kong and China. It is the first private airline in Vietnam to be licensed to operate domestic and international flights.

SMBC Aviation Capital signed lease agreements with **All Nippon Airways** for three **Airbus A320-200s**. These aircraft were part of the **SMBC's** direct order book with **Airbus**.

Norwegian Long Haul signed an agreement to lease two new **Boeing 787-9s** from **MG Aviation**. The two aircraft will be delivered in the first quarter of 2016 and will join a fleet of eight owned and leased 787-8s. **Norwegian's** CEO **Bjorn Kjos** said, "We are not thinking of stopping at 10 Dreamliners... How many Dreamliners we will have in 2020 depends on how many we can get hold of in 2016 to 2017. There is limited availability." Management decided the aircraft's technical advances outweighed its operating problems the budget carrier said. Its first two Dreamliners broke down more than half a dozen times this autumn. The airline put its third 787-8 into service in November and has five more -8s on order, four will be delivered in 2014 and the last in 2015. **MG Aviation** is a previously unknown, Albany, New York-based leasing company owned by **Jordache Enterprises**. The **Jordache** clothing company was founded by the **Nakash** family, which owns **ExcelAire**, a New York-based executive jet charter company. The family recently bought **Arkia Israeli Airlines**. The airline said it purchased two

Finnair's Sales and LeaseBack. The Finnish flag carrier intends to sell and leaseback two **Airbus A330-300s** and **A350-900s** with **GECAS** in the first half of 2014 and the second half of 2015, respectively. The contract is valued at approximately €320 million (\$438.4 million). The airline signed a Memorandum of Understanding (MoU) with global aircraft leasing and financing company **Novus Aviation Capital** to sell and leaseback two other A330-300s in the first half of 2014. The deal is worth approximately €110 million (\$150.7 million). The lease terms are 12 years on average and can be extended. The financing is a part of **Finnair's** long-haul fleet renewal program, which will see its current A330 and A340-300 fleet replaced by new A350s. The airline said the retirement of the eight A330s and seven A340s is not expected to have an impact on its earnings in the next two years. **Finnair** ordered eleven A350s and optioned eight additional aircraft.

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787-9s, but **Boeing** does not list the order on its *Orders & Deliveries* web page. It is assumed that **Norwegian's** 787-9s will come from **Arkia's** backlog.

Airline News

Alitalia Saved for Now. The Italian flag carrier succeeded in raising the €300 million (\$412 million) it needed to keep it flying over the Christmas holiday. The **Italian Government** engineered a rescue package to keep **Alitalia** in the air until it can find a new partner willing to invest in revamping its operations and making it more profitable. The state-owned postal service was committed to buy up to €75 million in unsubscribed shares, but the size of the purchase was not known. The airline is losing around €700,000 per day, and has a net debt of more than €800 million to Italian banks including **UniCredit** and **Intesa Sanpaolo**, troubled **Monte dei Paschi di Siena** and **Banca Popolare di Sondrio**, several aircraft leasing companies and fuel supplier **Eni**. **Alitalia** has enough cash to operate for three months. The airline is talking to **Etihad Airways** about a possible investment of €300 million (\$412 million) for approximately 40 percent of the Italian carrier. **Etihad** has been looking at the airline's books for a month. It would like access to Europe's fourth-largest travel market, competitive airport slots, and the 25 million passengers **Alitalia** carries a year. **Etihad** spokesman had no comment about a potential deal. **Air France-KLM**, with a 7 percent stake, may return with an offer in 2014 if **Alitalia** restructures its debt. **German Efromovich**, the owner of the Colombian airline **Avianca**, said he was interested in buying **Alitalia**, or **LOT Polish Airlines**, or perhaps he will create a new European airline. He offered to buy **TAP Air Portugal** in 2012, but was rebuffed by the **Portuguese Government**. **Avianca** would not participate in Mr. **Efromovich's** European ventures. If **Alitalia** finds a foreign investor, it will need to concentrate on its lucrative long-haul routes and let the low-cost carriers take over much of the regional and domestic services. It needs a strategic partner to pay for the twin-engined widebodies necessary to expand its long-haul fleet of 12 A330-200s and 10 777-200ERs.

IATA Posts December Jet Fuel Prices. The association updates the world's average jet fuel price each week. On December 13, the average price of fuel was \$2.975 per gallon. The fuel price was \$2.903 per gallon on November 1. The December price was 3.5 percent higher than in November, and was the same as in December 2012. The price of fuel is affected by location. It was only \$2.920 in the Middle East region and was as high as \$3.024 per gallon in Latin America. **IATA** forecast that the global airline industry's fuel bill will total \$124.4 billion in 2013. This was a decrease of \$3 billion over 2012.

The World's Largest Airline, American Airlines Group, was founded by the merger of **American Airlines** and **US Airways** on December 9, after 10 tumultuous months. This should be the last major consolidation among the U.S. mainline airlines. It began with the merger of **Delta Air Lines** and **Northwest Airlines** in 2008, followed by the creation of **United Continental Airlines** in September 2010. After the merger, four airlines **American**, **Delta**, **Southwest** and **United** carry approximately 85 of all passenger traffic in the U.S. **US Airways** and **American Airlines** will slowly integrate their operations. Beginning January 7, 2014, the two will offer reciprocal frequent flier benefits, and then they will begin code sharing in February 2014. By the end of that month, all flights will carry an **American** flight number. On March 30, **US Airways** will drop out of the **Star Alliance** and join the **oneworld** alliance a day later. The **Department of Transportation** will issue **American Airlines Group** a single operating certificate by the end of 2015. The group had to shed 52 slot pairs at **Washington National Airport**, 17 pairs at **New York LaGuardia Airport**, and two gates and associated facilities at airports in Boston, Chicago, Dallas, Los Angeles and Miami by March 2014. **American Airlines Group** is

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listed as **AAL** on the **Nasdaq** stock exchange, and now operates nearly 6,700 daily flights to 336 cities in 56 countries, with a fleet of 1,511 mainline and regional jets and more than 100,000 employees. **Doug Parker** is the airline's chief executive officer and learned some lessons when he merged **America West Holdings Corp.** into the larger **US Airways** in 2005. He won the approval of new union contracts before this merger and will use **American's** reservation system. That should ensure labor peace, predictable costs and fewer technological glitches, all problems that plagued the prior merger.

Southwest Airlines plans to bid aggressively for all 52 pairs of the takeoff and landing slots at **Washington National Airport** that **American Airlines Group** is divesting. One of their vice presidents, **Robert Jordan**, said, "We are very interested in picking up as many **DCA (National)** slots as we can." He said **Southwest** needs a critical mass of slots to compete effectively and influence fares at the airport. The airline already has 32 slots that it acquired with **AirTran** in 2011. **JetBlue Airways** has expressed interest in acquiring slots at **National**, as well.

Southwest Airlines and Virgin America will buy the 17 pairs of take-off and landing slots at New York's **LaGuardia Airport** that **American Airlines Group** had to sell as part of the merger. **Southwest** agreed to buy 11 of the slot pairs and **Virgin America** will buy the other six pairs. The **Department of Justice (DOJ)** argued that the slot and gate sales should give low cost competitors access to the country's busiest airports and the two other mega-carriers **Delta** and **United** were excluded from the sale. The **DOJ** also required that **American** relinquish two gates each at **Boston Logan Airport, Chicago O'Hare Airport, Dallas Love Field, Los Angeles Airport and Miami Airport** and that they would be sold on "commercially reasonable terms" to the buyers. In a side agreement with the **Department of Transportation**, **American** agreed to dedicate their commuter slots at **Washington National Airport** to medium, small and non-hub cities. **Southwest** said it would use some of the **LaGuardia** slots to provide direct flights from Dallas to New York. The airline also intends to bid on more gates at **Love Field**, where it is already the dominant airline.

China Airlines and Singapore's Tigerair formed a joint venture called **Tigerair Taiwan**. The new carrier should be launched at the end of 2014, and **China Airlines** will control 90 percent of the low-cost carrier (LCC). It will be capitalized at 2 billion New Taiwan dollars (\$85 million). Taiwan's first LCC needs permission from the Taiwan **Civil Aeronautics Administration (CAA)**. **China's** Chairman **Sun Huang-hsiang** said, "China Airlines' knowledge of the Taiwan market as well as **Tigerair's** LCC DNA should stimulate demand in the civil aviation market here, usher in a new era for the local aviation industry." The new carrier will fly to major destinations in East Asia, including Hong Kong, Macau, China, and Taiwan. The aircraft type was not mentioned, but **Tigerair** and its affiliates operate A320s, and have 11 more in backlog. **Tigerair Taiwan** plans to operate 12 airplanes by 2017, and is expected to be profitable by that date. Rival **TransAsia Airways**, Taiwan, said it was planning to start a low-cost operation that would serve destinations in Japan, Thailand, and Singapore. **Tigerair** and Indian discount carrier, **SpiceJet**, announced a three-year agreement that would allow flight connectivity between the airlines. **Tigerair** also signed an alliance with **Scot** to expand their cooperation.

Qantas Airways is Forecasting a Loss before tax and one-time items of A\$250 million to A\$300 million (\$222 million to \$267 million) in the second half of 2013 due to falling ticket prices and rising fuel costs. The airline claims that it needs foreign capital to compete with **Virgin Australia**. Its inability to sell more shares to foreign investors and to move maintenance work off shore is due to the 1992-era

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Qantas Sale Act that limits total ownership by foreign entities to 35 percent and a single foreign investor can hold only 25 percent of the Australian flag carrier. The law restricts where it can locate its operations and the proportion of foreign board members. In response to **Qantas** plea for relief, Prime Minister **Tony Abbott** said the government would make the changes it sees as necessary and it will work constructively with the airline. The government may remove shareholding restrictions, including a takeover by a foreign airline, Mr. **Abbot** said. The airline intends to cut 1,000 jobs and will try to save A\$2 billion (\$1.8 billion). Its major domestic competitor, **Virgin Australia** is not limited by the 1992 law and is partially owned by **Air New Zealand**, **Etihad Airways** and **Singapore Airlines**. **Standard & Poor's** downgraded **Qantas** to junk after the loss forecast, citing competition from **Virgin** and its well-capitalized shareholders. **Qantas** spokesman **Luke Enright** said, "Access to foreign capital has become a major factor in this market and **Qantas** is denied the same access as its competitors." **Virgin Australia's** shareholders were "pumping money in to continue a loss-making business" **Qantas** CEO **Alan Joyce** said, when they promised to support a A\$350 million (\$311.5 million) capital floatation by **Virgin**. **Virgin's** founder **Richard Branson** said **Qantas** was suffering from "self-inflicted wounds. What they need to do is get their own house in order and stop complaining when the competition gets too hot."

Scoot, Singapore, Will Launch a Joint Venture with Thailand's Nok Air. Both carriers wish to expand through tie-ups rather than battle for cost-conscious travelers amid intense competition from **AirAsia**, **Lion Air** and **Jetstar Airlines**, the other budget airlines in the region. The overcapacity in Southeast Asia is driving down ticket prices, so the airlines need to grow to increase revenue. **Scoot's** Thai venture will require an initial investment of 2 billion baht (\$62 million). Asian low-cost carriers have increased their market share faster than anywhere else in the world. Their capacity rose 29 percent in the first half of 2012, compared with 0.8 percent in Europe and 1.5 percent in North America. Travel on Asian discount airlines has tripled since 2008, rising from 37 billion revenue passenger kilometers (RPK) to 114 billion RPK in 2012.

Bankruptcy of the Month

Belle Air Albania's privately-owned, low-cost airline ceased operations on November 24, after eight years of service. Its website said it was "obliged to temporarily suspend its operations due to the general economic situation, the decline of the purchasing power, recession in the markets it operates, as well as from the freezing for over 18 days of its bank accounts." Albania's Minister of Transport and Infrastructure, **Edmond Haxhinasto**, said the closure was "a result of the bad management of the company, lack of transparency and continuous failure to pay obligations to state institutions, even though it has been operating in a privileged situation by controlling 50 percent of the market." **Belle Air** flew routes between the capital Tirana and Italian cities, Athens, Brussels, Heraklion and London. **Blue Panorama Airlines** assisted stranded **Belle Air** passengers and operated flights from several Italian cities to Tirana. The **Albanian Government** will open the aviation market to other operators in order to offer to Albanian citizens "a qualitative and low-cost service." Rival **Albanian Airlines** was founded in 1992 and operates three BAe 146s.

Global Aviation Holdings received a \$51 million loan from **Cerberus Business Finance LLC**, as agent for first-lien lenders and intended buyer of the business. Prior to filing for Chapter 11 protection on November 12, **Global** was the U.S. military's largest air-charter service. It is the parent of **World**

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Airways and North American Airlines. It owes \$165.2 million in secured debt, including \$39 million owed to first-lien lenders, \$85 million to second-lien creditors, and \$41.2 million owed on a third-lien loan. The airline has assets and debt which both exceed \$500 million. **Global** emerged from a previous bankruptcy in February and the second- and third-lien debt was created as part of the distribution to prior creditors. Holders of that debt also own about 66 percent of the stock. The airline's union workers owned 25 percent of the stock in return for contract concessions. **Global** will return six of its 14 aircraft to lessors.

Technical

Turkish Airlines was the first European airline to retrofit Sharklet wingtip devices to its A320 Family aircraft. The wingtips were installed by **Turkish Technic MRO**, in Istanbul, which will mount Sharklets on to another eight A321s over the next few weeks. **Airbus** said the aerodynamic upgrade will reduce fuel costs by up to four percent and CO₂ emissions by 900 tons annually, and will increase mission range by up to 100 nautical miles. The Sharklet retrofit option is being offered for newer aircraft delivered with the latest production standard of wings which are already capable of being fitted with Sharklets without any additional structural reinforcements. **Airbus** also launched the ñin-service retrofit program, which allows Sharklets to be fitted on older A320s which have the previous design of wing structure. This includes a reinforcement of the wing structure and will be available for operators in 2015.

Ethiopian Airlines' 787-8 Dreamliner (ET-AOP) should be repaired by Christmas. The airplane's upper rear fuselage was substantially damaged by fire on July 12, while the plane was parked on a remote stand at **Heathrow Airport**. **Boeing's** and **Ethiopian's** engineers have been working on the repair since September. They removed the aircraft's vertical stabilizer and erected a temporary tent structure around the fuselage. **Boeing** cut out the damaged fuselage area and replaced it with a composite section that was bolted to the airframe. The tail was recently reinstalled and the plane is scheduled to fly again on December 22.

Cargo Pallet

Aeronautical Engineers (AEI) completed the Preliminary Design Review (PDR) for the Passenger to Freighter Conversion Program for its CRJ200SF special freighter aircraft. This establishes the basic design features of the freighter. The conversion program was launched in February 2013 and should be completed by mid-2015. **Commercial Jet** in Miami, Florida, will perform the conversion and touch work will start in June 2014.

Kahala Aviation, Ireland, picked up one of its two options to convert high gross weight 737-400 (SN 25372) into a freighter. The plane was built in 1992 and is currently undergoing modification at **Commercial Jet Services** in Dothan Alabama. The 737-400 will be converted on a speculative basis and available for lease in April 2014. Two 737-400s have been converted for **Kahala** to date.

Cargolux struck a deal with a group of Chinese investors, who will purchase the **Luxembourg Government's** 35 percent share of the cargo airline. The association with **Henan Civil Aviation Development and Investment (HNCA)** would allow **Cargolux** to profit from trade between Asia and Europe. Luxembourg bought back **Qatar Airways'** shares in December 2012 for \$117.5 million, and can be expected to see its investment returned in full. **Cargolux's** other shareholders include Luxembourg's flag carrier **Luxair** (43.4 percent) and state-owned banks **BCEE** (10.9 percent) and **SNCI** (10.7 percent).

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Aeronautical Engineers redelivered the sixth 737-400SF 11 Pallet freighter (SN 25181) to the **ASL Aviation Group**. It will enter service with **Europe Airpost** in support of the **French Post Office**. The conversion was performed by **Commercial Jet** in Florida. This is **AEI's** 17th freighter redelivery in 2013. Six more are scheduled for this year.

Aeronautical Engineers chose **AIROD Aerospace Technology (AAe)** in Kuala Lumpur, Malaysia, as its fifth authorized **AEI Conversion Center (ACC)**. AAe has a seven hangar MRO facility and will begin providing **AEI 737-300SF** and **737-400SF** Passenger to Freighter (PTF) conversions in the first quarter of 2014. **AEI** now has a total of 10 conversion lines spread over five facilities in Asia and the U.S.

Military Market

Boeing Delivered the 13th Production **P-8A Poseidon** to the **U.S. Navy**, on December 4. The plane joined the other P-8As at **Naval Air Station Jacksonville** in Florida, where it is being used to train **Navy** crews. It is the last aircraft from the **Navy's** second low-rate initial production (LRIP) contract awarded in November 2011. The first of the Lot 3 aircraft will be delivered in 2014. **Boeing** received four LRIP contracts for 37 P-8As, awarded in 2011, 2012 and 2013. The **Navy** plans to purchase 117 P-8As, and it deployed the first P-8As in December 2013. They will replace the **Navy's Lockheed P-3** fleet.

The **U.S. Navy's** First Six **Boeing P-8A Poseidons** became operational in December. The new maritime patrol and reconnaissance aircraft arrived in **Kadena Air Base**, Okinawa, Japan, and will be deployed by the **War Eagles** of **Patrol Squadron 16 (VP 16)**. The **Naval Air Systems Command (NAVAIR)** recently announced that the P-8A achieved initial operational capability. The jets replace the aging **Lockheed P-3C** which was based on the 1950s-era turboprop-powered **Lockheed L188 Electra**. The first P-3s entered service in 1962, and are nearing the end of their life cycle. The P-8A is derived from the Next-Generation 737 airframe, and mates the -800 fuselage with the wings of a 737-900. Powered by CFM56-7 engines, the P-8A features flight management and storage management systems from **GE Aviation** and a directional infrared countermeasures system supplied by **Northrop Grumman**. The P-8A will strengthen situational awareness for maritime surveillance pilots as countries continue to build and purchase "advanced, quiet and extremely hard to find submarines," the **Navy** reported.

France's Armée de l'Air accepted its second A400M Atlas tactical transport from **Airbus Military** on November 6. The aircraft (SN 008) joined the first Atlas (SN 007) at the 1/61 "Touraine" squadron at the **French BA 123** air base in Saint-Jean-de-la-Ruelle, near Orléans, France. The French ordered 50 A400Ms for delivery from 2014 through 2019. **Airbus Military** is also poised to deliver the first of 10 A400Ms to the **Turkish Air Force**, which will become the second customer nation to receive the type. The manufacturer has export delivery slots available during 2016 so **Airbus Military** flew one of its A400M development aircraft to the **Dubai Airshow** to drum up some orders from Middle Eastern nations. The **Europrop International** TP400-D6-powered airlifter has a maximum payload capacity of 37 tons and can fly more than 3,300 kilometers (2,050 miles) without refueling. **Airbus Military's** five development A400Ms have completed the type's 2,000th flight in October. The first test aircraft flew on December 11, 2009. The development fleet has clocked 5,665 flight hours.

The **Spanish Air Force** said it will deploy half of the 27 A400M Atlas tactical transports that it ordered from **Airbus Military**. It may make up some of the difference by ordering three A330 MRTT multi roll

tanker transports. At a military airlift conference, a Spanish general explained that due to budget restrictions the Air Force planned to operate and maintain only 14 A440Ms. Spain's first A400M is due in January 2016, and will be delivered at a rate of four or five per year until 2022. The surplus may be offered for sale or simply cancelled before delivery. Europe's OCCAR procurement agency said that none of the partner nations, Belgium, France, Germany, Spain, Turkey and the U.K., has sought to reduce their share of 170 A400M orders. The **Spanish Air Force** hopes to buy three A300 MRTTs as its share of a pooled tanker fleet being proposed by the **European Defense Agency**. The MRTTs would replace the air force's four **Boeing KC-707s**, and will also be used as VIP transports. No funding has yet been allocated for the possible A330 order.

Peru Buys Two Alenia Aermacchi C-27Js. The government finalized its \$100 million (\$135 million) order for two C-27J Spartan tactical airlifters for its air force. The deal included a substantial logistic support package, technical assistance, training for pilots, crew and ground engineers and a set of special equipment that have been chosen by the customer. The **Peruvian Air Force** decided the C-27J was the only aircraft in its class interoperable with heavier airlifters already in service in Peru, and it had the capability to operate on a large number of airfields where its competitor is unable to land. Peru evaluated the **EADS-CASA C295**, the **Antonov An-70**, and the improved version of the An-32 before choosing the more capable and expensive Spartan. With this contract Peru becomes the 11th customer of the C-27J Spartan.

Russia's Ilyushin Il-76MD-90A completed its initial flight-test program and was returned to **Aviastar SP** for modifications. The **Ilyushin** design bureau and the **Defense Ministry** at the **Zhukovsky** flight research center near Moscow operated 38 test flights. **Aviastar** said they tested the aircraft's flightdeck display and navigation, fuel system, autopilot and radio communications. The Il-76MD-90A was flown at its maximum all-up weight of 210 tons and maximum landing weight of 170 tons to test aircraft's absolute airspeed and g-limits. They also performed multiple engines-out aborted landings at **Zhukovsky**. The second set of flights will test and validate communications systems, defensive aids and internal and external video cameras. They will test the defensive flight systems, as well as load delivery systems. The Il-76MD-90A features new wing, fuel-efficient **Aviadvigatel PS-90A** high-bypass turbofan engines, strengthened undercarriage, an updated two-man glass cockpit and avionics, and a new navigation system, **Aviastar** said. The first production Il-76MD-90A is in final assembly, and will be delivered in 2014. The second airframe has been built and is being fitted with subsystems, and a third airframe is under construction. The **Russian Defense Ministry** ordered 39 of the modernized transports (worth \$4.5 billion or \$115.4 million each) in October, 2012. The Russian military export agency **Rosoboron-export** announced China's order for 12 Il-76MD aircraft, in June, 2013.

The **Israeli Defense Ministry** is looking at the possible lease of **Boeing KC-46A** tankers to replace the eight converted **Boeing KC-707s** now used by the **Israeli Air Force (IAF)**. The **U.S. Air Force** offered to supply three surplus KC-135Es worth around \$200 million, but the **IAF** wanted the more-capable KC-135R model which is powered by CFM56 engines. Now the government is considering the lease of the KC-46A which is still under-development. They point to **Boeing's** lease of C-17 strategic transports to the U.K. **Royal Air Force** as the basic model for the evaluation. The first of four test aircraft will fly in mid-2014, and the **USAF** plans to acquire 179 KC-46As by 2027 to replace its oldest KC-135s. **AVMARK** wonders why the **IAF** does not buy several **Israeli Aerospace Industries** 767 MMTT Multi

Mission Tanker Transports that are similar to the one built for the **Colombian Air Force**. The **IAI** converted tanker offers wing mounted refueling pods, and a side cargo door and is available now, while it seems unlikely that the **U.S. Air Force** would want to give up any of its early delivery KC-46 slots.

AIRCRAFT DELIVERIES & SALES

Airbus

Airbus A318 & A319. American Airlines leased one -112/W (SN 5827) from **Aviation Capital Group**, and -115/W (SN 5842) from **Lerner Enterprises** in November. **Sichuan Airlines** acquired -133/W (SN 5868) from **China Aircraft Leasing Co. (CALC)**. A **Private Operator** received ACJ319-115X/W (SN 5792). **Avianca Brasil** acquired its 15th and last A318-121 (SN 3642) from **LAN Airlines** in December. The airplane, like its sister ships, was overhauled and repainted by **Mexicana MRO**.

Airbus A320. Airbus delivered 32 A320s in November. **AirAsia** accepted two -216/Ws (SN 5846 & 5863) and leased the second to **Indonesian AirAsia**. It leased two more -216/Ws (SN 5839 & 5851) to **Thai AirAsia**. **Qantas Airways** took delivery of five -232/Ws and leased three -232/W (SN 5853, 5858 & 5871) to **Jetstar Airways**, and two -232s (SN 5835 & 5850) to **Jetstar Indonesia**. **AWAS** leased the first -216/W (SN 5844) to **Vanilla Air**, Japan's newest low-cost carrier, and the third of nine -232/Ws (SN 5857) to **Thai Smile**. **Tianjin FAL** delivered one -214 (SN 5731) to **Shenzhen Airlines**, one -232/W (SN 5711) to **China Eastern Airlines**, and two -214s (SN 5722 & 5740) to **Hainan Airlines**.

Hainan's first was leased to **Capital Airlines Beijing**, and the second went to **China West Air**. **China Eastern Airlines** also leased -232/W (SN 5852) from **Air Lease Corp**. **LATAM Airlines Group** took delivery of two -214/Ws (SN 5845 & 5859). The first was leased to **TAM**, and the second is operated by **LAN Airlines**. **Avolon Aerospace** leased -214/W (SN 5879) to **Pegasus Airlines**. **GE Capital Aviation Services** leased new -214/W (SN 5862) to Japanese low-cost carrier **Star Flyer**, and **BOC Aviation** leased -233/W (SN 5819) to **Volaris**. **SMBC Aviation Capital** leased one -214/W (SN 5830) to **Garuda/Citilink**, Indonesia, and -214 (SN 5873) to **Aeroflot**. **Aviation Capital Group** leased its second -214/W (SN 5841) to **Oceanair/Avianca Brasil**. **Iberia** leased -232 (SN 5856) from **British Airways**. Airbus delivered four -200s to airlines in the Americas, including one -233/W (SN 5840) to **Avianca/TACA International Airlines**, one -232/W (SN 5861) to **Spirit Airlines**, and two -214/Ws (SN 5867 & 5878) to **Interjet**. The Mexican airline sold the two -214s to **GECAS** and

Airbus A321. Airbus delivered nine A321s in November, including the second and third -231/Ws (SN 5854 & 5865) to **JetBlue**. **American Airlines** took delivery of its first -231/W Transcontinental (SN 5834) in November, as part of its fleet renewal program. The A321T is equipped with a three-class cabin, and is leased from **CIT Aerospace**. **Germania** took delivery of its first of two -211/Ws (SN 5843) in November. Both aircraft are equipped with Sharklet wingtips and CFM56 engines. The new A321s will be operated exclusively for the **Alltours** travel agency in a 208-seat, single-class cabin layout. **EVA Air** leased its second Sharklet equipped -211/W (SN 5849) from **GECAS**, and **Air Lease Corp.** leased -211/W (SN 5872) to **Thomas Cook Airlines**. **Philippine Airlines** accepted another -231 (SN 5838), and **Juneyao Airlines** received its second -211/W (SN 5876). **Etihad Airways** acquired -231/W (SN 5836).

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leased them back. **Interjet** originally ordered the A320s in 2006, and sold a total of six of them to **GECAS**. Elsewhere in the world, **Lufthansa** accepted -214/W (SN 5831), **Air Astana** purchased -232/W (SN 5870), and **Air New Zealand** acquired -232/W (SN 5847). **SMBC Aviation Capital** delivered a new A320-214 (SN 5874) on lease to **Peach Aviation** in December.

Airbus A330. **Airbus** delivered three -200s and six -300s in November. **Fiji Airways** accepted its first -243 (SN 1465), and **Hawaiian Airlines** received -243 (SN 1469). **Intrepid Aviation** leased -243 (SN 1466) to **Air Namibia**. **Airbus** delivered two -343Es (SN 1463 & 1467) to **Philippine Airlines**, for a fleet total of 13 A330s. **Saudi Arabian Airlines** accepted its 10th -343E (SN 1462), and **Turkish Airlines (THY)** acquired -303 (SN 1458). **Iberia** leased its fifth -302 (SN 1437) from **BOC Aviation**. It was the first to carry **Iberia's** new livery and was named after Spanish **King Juan Carlos I**. The flag carrier has three more new A330-300s contracted for lease by April 2014. **CIT Aerospace** leased -323E (SN 1464) to **Asiana Airlines**.

GE Capital Aviation Services (GECAS) leased the first of two new A330-302s (SN 1450) to **China Airlines** to help modernize its fleet. The second is scheduled for delivery in 2014. The aircraft came from **GECAS'** existing order book with **Airbus**.

Airbus A380. **Airbus** delivered three A380-861s (SN 133, 134 & 135) to **Emirates Airline** (a new record), for a total of 41. Two -861s (SN 133 & 134) were sold to **Doric Nimrod Air Three Limited** for lease back. They were the 38th and 39th aircraft in **Doric's** asset management portfolio worth \$6.9 billion. **Doric Nimrod Air Three** now manages four A380s for **Emirates**. **Thai Airways International** acquired its sixth and last six -841 (SN 131). **Airbus** has handed over 22 of this year's planned 25 A380s.



AVMARK INC.
WORLDWIDE AVIATION MARKETING AND MANAGEMENT SERVICE

Boeing 737 NG. **Boeing** delivered 34 737s in November, including four -932ER/Ws (SN 31913, 31914, 31920 & 31921) to **Delta Air Lines**. They were part of **Delta's** 100-airplane order placed in 2011. **Alaska Airlines** received three -990ER/Ws (SN 41733, 43292 & 43293), and **United Airlines** accepted two -924ER/Ws (SN 42819 & 42820). **Southwest Airlines** acquired three -8H4/Ws (SN 33939, 36915 & 42526). The **United States Navy** took delivery of its 12th P-8A Poseidon (-8FV/W, SN 42250), and **WestJet** accepted -8CT/W (SN 39088). **Air Lease Corporation** leased one -8U3/W (SN 41310) to **Garuda Indonesia**, and one -89L/W (SN 41311) to **Dalian Airlines**. **Aviation Capital Group (ACG)** leased two -89P/W (SN 39886 & 39887) to **China Eastern Airlines**. The airline also leased -89P/W (SN 39932) from **SMBC Aviation Capital**, and took delivery of -79P/W (SN 39729) from its own backlog (the only -700 to be delivered in November). **ILFC** delivered a new -85C/W (SN 41792) to **Xiamen Airlines**. This aircraft was the

Boeing 717. **Southwest Airlines** plans to retire its last 717-200s by the first quarter of 2015, well ahead of its end-of-2015 deadline to sell the 717s to **Delta Air Lines**. **Delta** is scheduled to take three 717s from **Southwest** each month, with last aircraft arriving in December 2015, under an 88-plane lease agreement that was signed in May 2012. **Delta** said it will stick with the original schedule and take 36 aircraft in both 2014 and 2015. **Southwest** will store the 717s until they are taken over by **Delta**. **Southwest** will replace the 717s with seven new 737-700s and 33 737-800s in 2014 and five -700s and 19 -800s in 2015.

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last of four new -800s, which **ILFC** leased to the airline during 2013 as part of a long-term lease agreement. **Air China** received one -89L/W (SN 40022), **Hainan Airlines** accepted its 67th -84P/W (SN 39205), and **Shenzhen Airlines** took delivery of one -87L/W (SN 39138). Elsewhere in Asia, **EL AL Israel Airlines** took delivery of its second of eight -958ER/Ws (SN 41553) and **flydubai** accepted its 32nd of 50 -8KN/Ws (SN 40261). **Jet Airways** acquired -8AL/W (SN 39068), and **Malaysia Airlines** took delivery of -8H6/W (SN 40152). **Qantas** purchased its 68th -838/W (SN 39365). It has six more on order. **Lion Air** received one -8GP/W and one -9GPER/W (SN 38740 & 38741 respectively). The -9GPER/W was the 100th new 737 to join **Lion Air's** fleet. The airline group had taken delivery of 20 737-800s and 80 737-900ERs, and has 15 -800s, 91 -900ERs and 201 737 MAX aircraft on order. In Europe, **Goiania** leased -9KVER/W (SN 41535) to **Ukraine International Airlines**. **Air Berlin** took delivery of two -86J/Ws (SN 37785 & 39384), for a total of 76, and it has 26 more on order.

LAM, Mozambique's flag carrier leased a **Boeing** 737 from a South African charter company to operate its flight schedule following the loss of one EMBRAER 190 on November 29, in Namibia. The airline will lease the 737 until it acquires a replacement aircraft. **LAM** already operates three 737-200s, one 737-500 and two remaining E190s.

Boeing 747. **Boeing** delivered one 747 in November i the fourth -8KZF (SN 37394) to **Nippon Cargo Airlines** of the 14 the airline ordered. **Centurion Air Cargo**, Miami, Florida, leased one 747-428F freighter (SN 32870) from **Wilmington Trust**, trustee. The airline also leases one -400F and three MD-11Fs from **AWAS**.

Boeing 767. **Boeing** delivered one 767F in November, the third of 46 767-3S2F freighters (SN 43544) to **FedEx Express**. The 767s will be used to modernize **FedEx's** fleet with more efficient freighters. **AWAS** leased one -35DER (SN 27902) from its existing fleet to **Privilege Style** in Madrid Spain. The airline is a charter airline which serves tour operators, third party airlines as well as corporate, celebrity and sports clientele from across the globe.

Boeing 777. **Boeing** delivered three 777Fs and seven 777-300ERs in November, including the first two 777i FBTs (SN 41674 & 41675) to **Lufthansa Cargo**. The airline has three more on order. **FedEx** received its 22nd of 31 i FS2s (SN 41749). **Ethiopian Airlines** leased its first -3N6ER (SN 42101) from **GECAS**. It seats nearly 400 passengers in a two-class configuration, and it will be deployed on long-haul, non-stop routes to the U.S. and China. **Saudi Arabian Airlines** took delivery of -368ER (SN 41058), **Etihad Airways** received -3FXER (SN 41701), and **Qatar Airways** accepted -3DZER (SN 41738). **Boeing** delivered the 13th of 15 -333ERs (SN 43251) to **Air Canada**, and the fourth and final -3F6ER (SN 38719) to **Philippine Airlines**.

Cathay Pacific Airways received the first 747-8 featuring the aircraft's new **Performance Improvement Package (PIP)**. The 747-867F (SN 43394) is equipped with performance-improved GENx-2B engines, which is the first aspect of the **PIP**. **PIP** also features **Flight Management Computer (FMC)** software upgrades and reactivation of the horizontal tank fuel system on the 747-8 Intercontinental. These improvements are scheduled to enter service later this month and in early 2014, according to **Boeing**. The **FMC** upgrades can also be made to 747-400. The performance package improves the 747-8's efficiency by 1.8 percent.

Boeing 787. Boeing delivered five 787-8s in November, including the 10th of 27 -8s (SN 36275) to **Air India**. **Norwegian Long Haul** accepted its first of three ordered -8s (SN 34795). The airline already leases two -8s from **ILFC**. **Japan Airlines** received its 12th -8 (SN 34831), and **Hainan Airlines** acquired its fourth -8 (SN 34943). **United Airlines** took delivery of its eighth -8 (SN 36400).

Jetairfly leased its first 787-8 (SN 34425) from its parent company **TUI Travel PLC**, on December 3. "We are very excited about the **Jetairfly** Dreamliner entering service as the first and only 787 operated by a Belgian airline," said **Elie Bruyninckx**, CEO **TUI Belgium**. The 787 is scheduled to begin flying short and medium haul **Jetairfly** routes in early December and long haul routes between Christmas and the New Year.

Regional Jet

Bombardier delivered two CRJ900LR NextGens (SN 15295 & 15296) to **Delta Air Lines** in November, and they were leased to **Endeavor Air**, for operation under the **Delta Connection** brand. The airline now has six CRJ900NGs in its fleet, another 34 on order, and 30 on option. **Delta Connection** carriers currently operate more than 190 CRJ700 and CRJ900 dual-class aircraft, and a CRJ aircraft fleet of more than 400 jets.

Embraer. **Republic Airlines** took delivery of a third EMBRAER 170-200 LRs (E175) (SN 17000375) in October, and three more E175s (SN 17000376, 17000377 & 17000378) in November. The airplanes are operated for **American Eagle**. The airline will receive three E175s in December (including SN 17000381). **Azul Linhas Aereas Brasileiras** took delivery of EMBRAER 190-200 IGW (E195) (SN 19000638) in October, and two E195s (SN 19000647 & 19000648) in November. **BOC Aviation** leased the first of six EMBRAER 190s (SN 19000649) to **KLM** subsidiary, **KLM Cityhopper**. The remaining five E190s will be leased from **BOC** between December 2013 and April 2014. **Conviasa** acquired its seventh and eighth E190s (SN 19000643 & 19000644) in November, and two more (SN 19000645 & 19000646) in December. It has three more on order. **JetBlue Airways** accepted its 60th and final (for now) E190 (SN 19000637) in late October.

Saratov Airlines (Saravia) is the first E-Jet customer in Russia. The airline leased two E195s that will enter service in January. The E195 type was certified by Russia's **Interstate Aviation Committee** in December 2012. **Saratov's** E195s will be configured with 114 seats in dual class and operated from the airline's base at **Saratov Airport**. The aircraft are planned for scheduled services as well as for charter flights to Dubai, Europe, Asia and Africa in association with **Saratov's** tour partner, **Magellan**.

Sukhoi delivered the third **Sukhoi** Superjet 100-RRJ-95B (SN 95028) to **Interjet**, Mexico, in November.

Turboprop Aircraft

ATR. **Avianca** received two ATR 72-600 (SN 1114 & 11116) in November. **Air New Zealand/Mount Cook Airlines** accepted -600 (SN 1117), and **Aer Arann/Aer Lingus Regional** acquired its fifth -600 (SN 1122). **Nordic Aviation Capital (NAC)** has been busy. It leased the second

Viking Air delivered one DHC-6-400 floatplane (SN 876) to the **United Arab Emirates Air Force**, and one -400 (SN 877) to the **Vietnamese Navy** in November. **MAS Wings** accepted its third DHC-6-400s (SN 886) in December.

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of five ATR 72-600s (SN 1115) to **Azul Linhas Aereas Brasileiras** in October, and the third -600 (SN 1113) to **Azul** in November. **NAC** displayed the -600 (SN 1119) at the **Dubai Airshow** and then leased it to **Garuda Indonesia** in late November. The plane was the first of 20 -600s for **Garuda** and it entered service on December 2. **NAC** leased the second of four -600s (1121) to **SAS/JetTime**. It also leased a second ATR 72-500 (SN 658) to **MWG Limited/Air KGZ**, leased one ATR 42-300 (SN 226) to **Canary Fly**, and sold one ATR 42-300 (SN 230) to **Republique Du Tchad**. **Nordic Aviation Capital A/S** is a global aircraft leasing company dedicated to the worldwide sale, purchasing and financing of commercial jet and turboprop aircraft.

Air Tahiti took delivery of its first of three ATR 42-600s (SN 1007) in November. The aircraft was ordered in August 2010. The other two ATR 42-600s and four ATR 72-600s will be delivered over the next three years. This ATR 42-600 is the first to fly in the French overseas departments, and it will be operated on international services between Papeete and Rarotonga international airport in the Cook Islands.

Wings Air received three ATR 72-600s (SN 1104, 1106 & 1118) in December, for a total of seven. **Avation PLC** sold the first of two new ATR 72i 600 aircraft to a third party for lease to a new airline in Myanmar. The lessor ordered 20 ATR 72s in the past two years.

Bombardier. **EuroLOT** leased 8Q-402 NextGen (SN 4451) from **Nordic Aviation Capital** in November. **WestJet Encore** accepted 8Q-402 NextGen (SN 4456), and **Horizon Air** received one -402 NextGen (SN 4457). In December, **WestJet Encore** acquired its seventh 8Q-402 NextGen (SN 4460).



EADS' "Grizzly 1" will be exhibited to inspire future aerospace generations, the manufacturer said. The first **Airbus Military A400M** new generation airlifter (SN 001) was retired in November 4 after nearly four years of test flights. The development aircraft first took to the air on December 11, 2009, and returned from Toulouse, France, to the city of its birth, Seville, Spain, on November 4. The airplane flew for 1,448 hours and 25 minutes in 475 flights and its final mission was a one-hour sortie to validate procedures for landing with the ramp and door failed in the open position. **Airbus Military** also placed the third prototype (SN 003) in long-term storage. It is not intended to fly again, but could be returned to flight-test duties if required. The second A400M (SN 002) is still flying, fitted with the optimum instrumentation for the remaining work. Grizzly 4 and 5 will continue to support the flight test activities, now concentrated on the further development of military capabilities, with their specific flight test instrumentation, **EADS** said. The final resting place for Grizzly 1 has not been chosen, and the future of the rest of the Grizzly fleet will be decided in due course. The Chief Test Pilot Military, **Ed Strongman**, explained the early retirement of Grizzly 1 by saying it "had a relatively short but very arduous life, and it has taken us to the extreme parts of the flight envelope where, I hope, most other A400Ms will not go. It has done superb service for **Airbus Military** and the customers who will benefit from everything that we have learned. We trust it will have many more years of productive service, educating the aviation public and inspiring a new generation to seek careers in aerospace." **Airbus** was quick to retire and scrap its development aircraft in the early days. The A300B1 prototype (SN 001) flew in 1972 and was retired only two years later. Some of its parts are on display at Toulouse, Munich and Le Bourget Airport. The first A320-100 (SN 001) flew in 1987 and is still in service as a test bed. The first A340-300 is still flying for **Airbus** after 22 years. **Boeing** kept most of their prototypes in service for decades

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and then retired them to the **Museum of Flight** in Renton, Washington. The first 707 (367-60), the first 737-100, the first 747-100, are on display, and the first 757-200 is still flying for **Boeing**. The first 727-100 and the first 767-200 were scrapped, and the first 777-200 was delivered to an airline.

STS Component Solutions, a division of **STS Aviation Group**, acquired two ATR 72-212s (SN 410 & 431) with PW127 turboprop engines from **American Eagle Airlines**. The airplanes are currently being disassembled.

Accidents and Safety

From Aviation Safety Foundation

A Linhas Aereas de Mocambique—LAM Embraer ERJ-190-100IGW (C9-EMC, SN 19000581) crashed in the **Bwabwata National Park**, Namibia, on November 29. It was flying from Maputo, Mozambique, to Luanda, Angola, with 27 passengers and six crew on board. All were killed. The accident is still under investigation, but news reports in December state that the pilot deliberately crashed the airplane.

An IBC Airways Swearingen AC-227-AC Metro cargo plane (N831BC, SN AC-654B) flew into the ground near a cemetery in the Sabana Hoyos district of Arecibo, Puerto Rico, on December 2. The plane was flying from Santo Domingo, Dominican Republic, to San Juan, Puerto Rico. The two crew members were killed.

A Nova Airways Boeing 737-58E (ST-NVG, SN 29122) suffered a nose gear collapsed on landing at **Juba Airport**, South Sudan, on December 19. There are no other details at this time.

A Bolivian Military Airline TAM Fokker F.27 Friendship 400M (FAB-90, SN 10578) suffered a bird strike shortly after takeoff from Guayaramerín, Bolivia, on December 10. The number 2 engine was hit and the right hand wing sustained a three foot long crack. The pilot returned the 35-year old plane to the airport, where it landed safely. None of the 25 occupants was injured.

AVMARK CAPABILITIES

Since its establishment in 1962, AVMARK has been providing consulting management services to all sectors of the aviation community. From offices in Washington DC and Singapore, together with associates based in United States (North America), Ecuador (South America), Spain (Europe), Congo (Africa), New Delhi (India and Asian Market), we serve a worldwide clientele. Our staff is comprised of professionals with extensive, successful careers in technical, commercial and managerial areas of aviation enterprises; combining real world operational experience with sophisticated analytical tools to provide our clients with the most effective solutions to their problems.

ASSET MANAGEMENT PROGRAMS

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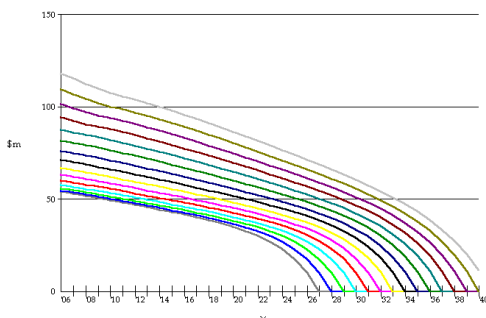
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CAVAS Graph



Profit & Loss Report

Aircraft Type	Period	1	2	3	4	5	6
REVENUES (US\$)							
Passengers	49,328,754	49,270,739	49,212,559	49,154,213	49,095,701	49,037,189	48,978,677
Freight & Mail	8,879,176	8,868,733	8,858,261	8,847,758	8,837,226	8,826,673	8,816,110
Other Revenue	986,575	985,415	984,251	983,084	981,914	980,744	979,574
TOTAL OPERATING REVENUE	59,194,505	59,124,887	59,055,070	58,985,055	58,914,841	58,844,626	58,774,411
VARIABLE EXPENSES							
Fuel	6,918,975	6,917,340	6,915,705	6,914,070	6,912,435	6,910,800	6,909,165
Landing Fees	3,021,823	3,021,823	3,021,823	3,021,823	3,021,823	3,021,823	3,021,823
Enroute Charges	392,440	392,440	392,440	392,440	392,440	392,440	392,440
Pax Commissions	7,399,313	7,399,313	7,399,313	7,399,313	7,399,313	7,399,313	7,399,313
Freight Commissions	1,331,876	1,331,876	1,331,876	1,331,876	1,331,876	1,331,876	1,331,876
Food & Supplies	3,993,194	3,993,194	3,993,194	3,993,194	3,993,194	3,993,194	3,993,194
Passenger Liability Insurance	379,590	379,590	379,590	379,590	379,590	379,590	379,590
TOTAL VARIABLE COST	23,443,212	23,443,212	23,443,212	23,443,212	23,443,212	23,443,212	23,443,212
SEMI-VARIABLE EXPENSES							
Crew Salaries & Expenses	5,177,760	5,177,760	5,177,760	5,177,760	5,177,760	5,177,760	5,177,760
Maintenance & Engineering	587,650	587,650	587,650	587,650	587,650	587,650	587,650

Profit & Loss Report

Aircraft Type	Period	1	2	3	4	5	6
FIXED EXPENSES							
Station Overhead	346,597	345,923	345,249	344,575	343,901	343,227	342,553
Maintenance Burden	176,295	176,295	176,295	176,295	176,295	176,295	176,295
Other Overhead	0	0	0	0	0	0	0
TOTAL FIXED COST	522,892	522,218	521,544	520,870	520,196	519,522	518,848
TOTAL OPERATING COST	31,464,497	31,464,497	31,464,497	31,464,497	31,464,497	31,464,497	31,464,497
General & Admin. Allocation	1,573,225	1,573,225	1,573,225	1,573,225	1,573,225	1,573,225	1,573,225
TOTAL COST	33,037,722	33,037,722	33,037,722	33,037,722	33,037,722	33,037,722	33,037,722
OPERATING PROFIT OR LOSS	26,156,782	26,156,782	26,156,782	26,156,782	26,156,782	26,156,782	26,156,782
D-CHECK ADJUSTMENT							
Cumulative Hours	4,830	9,660	14,490	19,320	24,150	28,980	33,810
Cumulative Dollars	315,000	0	0	0	0	0	0
ADJUSTED CASH FLOW	25,841,782	25,841,782	25,841,782	25,841,782	25,841,782	25,841,782	25,841,782
AIRCRAFT LIFE ADJ. CASH FLOW	25,841,782	25,841,782	25,841,782	25,841,782	25,841,782	25,841,782	25,841,782

Select Aircraft Type

Available Aircraft

- Airbus A300B4-600R
- Airbus A300B4-600RF
- Airbus A310-200
- Airbus A310-200F
- Airbus A310-300
- Airbus A310-300F
- Airbus A318
- Airbus A319-100
- Airbus A320-100
- Airbus A320-200
- Airbus A321-100
- Airbus A321-200
- Airbus A330-200
- Airbus A330-300
- Airbus A340-200
- Airbus A340-300
- Airbus A340-500
- Airbus A340-600
- Airbus A350-800
- Airbus A350-900
- Airbus A380-800
- Avro RJ-100
- Avro RJ-70
- Avro RJ-85
- BAe 111-200/300/400/500

Picture

Selected: Airbus A340-300

Description: Widebody 4 Engine Passenger

Manufactured: 1992 To 2006

Values: \$54.00m To \$118.00m

Estimated Life: 35 years File No. 013

Search Term

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Aircraft: Airbus A340-300 - Widebody 4 Engine Passenger

CAVAS Figures

Year	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
2006	54.00	54.61	55.83	57.66	60.10	63.14	66.80	71.07	75.94	81.43	87.52	94.23	101.54	109.47	118.00
2007	52.85	53.49	54.70	56.56	58.99	62.01	65.63	69.95	74.86	80.37	85.52	92.18	99.12	106.73	115.25
2008	51.68	52.36	53.61	55.43	57.85	60.84	64.42	68.69	73.65	79.18	84.76	90.48	96.97	104.20	112.39
2009	50.49	51.19	52.46	54.29	56.70	59.67	63.24	67.50	72.44	77.95	83.52	89.34	95.81	103.44	111.63
2010	49.28	49.99	51.27	53.10	55.51	58.47	62.03	66.28	71.20	76.70	82.36	88.26	94.90	102.83	111.02
2011	48.06	48.78	50.06	51.89	54.30	57.26	60.81	65.05	70.05	75.54	81.28	87.35	94.26	102.50	110.69
2012	46.83	47.55	48.83	50.66	53.07	56.02	59.57	63.81	68.80	74.30	80.02	86.07	93.28	101.81	110.00
2013	45.59	46.31	47.59	49.42	51.83	54.78	58.33	62.57	67.56	73.05	78.86	85.16	92.66	101.47	110.00
2014	44.34	45.06	46.34	48.17	50.58	53.53	57.08	61.32	66.31	71.80	77.60	84.10	91.80	100.80	110.00
2015	43.08	43.80	45.08	46.91	49.32	52.27	55.82	59.96	64.95	70.44	76.24	82.94	90.84	100.00	110.00
2016	41.81	42.53	43.81	45.64	48.05	50.99	54.54	58.68	63.67	69.16	74.96	81.66	89.76	100.00	110.00
2017	40.53	41.25	42.53	44.36	46.77	49.71	53.26	57.39	62.38	67.87	73.67	80.37	88.67	100.00	110.00
2018	39.24	39.96	41.24	43.07	45.48	48.42	51.97	56.09	61.08	66.57	72.37	79.07	87.57	100.00	110.00
2019	37.95	38.67	39.95	41.78	44.19	47.13	50.68	54.79	59.78	65.27	71.07	77.77	86.27	100.00	110.00
2020	36.66	37.38	38.66	40.49	42.90	45.84	49.39	53.50	58.49	63.98	69.78	76.48	85.18	100.00	110.00
2021	35.37	36.09	37.37	39.20	41.61	44.55	48.10	52.21	57.20	62.69	68.49	75.19	84.09	100.00	110.00
2022	34.08	34.80	36.08	37.91	40.32	43.26	46.81	50.92	55.91	61.40	67.20	73.90	83.00	100.00	110.00
2023	32.79	33.51	34.79	36.62	39.03	41.97	45.52	49.63	54.62	60.11	65.91	72.61	81.91	100.00	110.00
2024	31.50	32.22	33.50	35.33	37.74	40.68	44.23	48.34	53.33	58.82	64.62	71.32	81.02	100.00	110.00
2025	30.21	30.93	32.21	34.04	36.45	39.39	42.94	47.05	52.04	57.53	63.33	70.03	80.03	100.00	110.00
2026	28.92	29.64	30.92	32.75	35.16	38.10	41.65	45.76	50.75	56.24	62.04	68.74	79.04	100.00	110.00
2027	27.63	28.35	29.63	31.46	33.87	36.81	40.36	44.47	49.46	54.95	60.75	67.45	78.15	100.00	110.00
2028	26.34	27.06	28.34	30.17	32.58	35.52	39.07	43.18	48.17	53.66	59.46	66.16	77.26	100.00	110.00
2029	25.05	25.77	27.05	28.88	31.29	34.23	37.78	41.89	46.88	52.37	58.17	64.87	76.57	100.00	110.00
2030	23.76	24.48	25.76	27.59	30.00	32.94	36.49	40.60	45.59	51.08	56.88	63.58	75.68	100.00	110.00
2031	22.47	23.19	24.47	26.30	28.71	31.65	35.20	39.31	44.30	49.79	55.59	62.29	74.79	100.00	110.00
2032	21.18	21.90	23.18	25.01	27.42	30.36	33.91	38.02	43.01	48.50	54.30	61.00	73.30	100.00	110.00
2033	19.89	20.61	21.89	23.72	26.13	29.07	32.62	36.73	41.72	47.21	52.91	59.61	72.01	100.00	110.00
2034	18.60	19.32	20.60	22.43	24.84	27.78	31.33	35.44	40.43	45.92	51.62	58.32	70.72	100.00	110.00
2035	17.31	18.03	19.31	21.14	23.55	26.49	30.04	34.15	39.14	44.63	50.33	57.03	69.43	100.00	110.00
2036	16.02	16.74	18.02	19.85	22.26	25.20	28.75	32.86	37.33	42.62	48.32	55.02	67.12	100.00	110.00
2037	14.73	15.45	16.73	18.56	20.97	23.91	27.46	31.57	36.04	41.31	47.01	53.71	65.82	100.00	110.00
2038	13.44	14.16	15.44	17.27	19.68	22.62	26.17	30.28	34.75	39.60	45.30	52.00	64.53	100.00	110.00
2039	12.15	12.87	14.15	15.98	18.39	21.33	24.88	29.09	33.56	38.49	44.19	50.89	63.24	100.00	110.00
2040	10.86	11.58	12.86	14.69	17.10	19.94	23.49	27.50	31.44	36.37	42.07	48.77	61.95	100.00	110.00
2041	9.57	10.29	11.57	13.40	15.81	18.65	22.20	26.21	30.15	35.08	40.77	47.47	60.66	100.00	110.00
2042	8.28	9.00	10.28	12.11	14.52	17.36	20.91	24.92	28.86	33.79	39.48	46.16	59.37	100.00	110.00
2043	6.99	7.71	8.99	10.82	13.23	16.07	19.62	23.63	27.57	31.50	37.19	44.89	58.08	100.00	110.00
2044	5.70	6.42	7.70	9.53	11.94	14.78	18.33	22.34	26.28	30.21	35.90	43.60	56.79	100.00	110.00
2045	4.41	5.13	6.41	8.24	10.65	13.49	17.04	21.05	24.99	28.92	34.61	42.31	55.50	100.00	110.00
2046	3.12	3.84	5.12	6.95	9.36	12.10	15.75	19.76	23.70	27.63	33.32	41.02	54.21	100.00	110.00
2047	1.83	2.55	3.83	5.66	8.07	10.71	14.46	18.40	22.41	26.34	32.03	39.73	52.92	100.00	110.00
2048	0.54	1.26	2.54	4.37	6.78	9.39	13.17	17.12	21.05	25.06	30.74	38.44	51.63	100.00	110.00
2049	0.25	0.97	2.25	3.68	5.69	7.90	11.88	15.82	19.75	23.68	28.55	37.15	50.34	100.00	110

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