

A319

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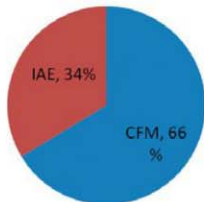


Background

The A319-100 was launched in 1993 on the back of orders from ILFC. Since the first deliveries in 1996, the series has accumulated, as of 30 June, 1,519 orders and 1,371 deliveries. The aircraft was the third model of the narrowbody family to be offered and initially proved extremely popular with flag carriers and later with low cost carriers. Offered with either the CFM56 or V2500 power plants, Chart 1 illustrates the current respective market shares between the two manufacturers. A Long-Range (LR) version is also available, although this has only been ordered by a handful of operators, mostly from the Middle East, who use the aircraft to initiate thin medium-range routes. There are currently 129 operators/owners of the aircraft though the largest 13 operators account for more than 50 percent of the fleet population.

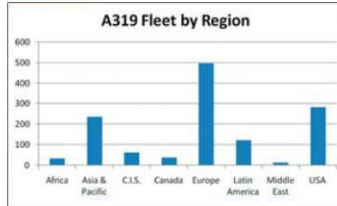
Chart 1

Engine OEM Market Share



Source: Jet Information Services

Chart 2



Source: Jet Information Services

Chart 2 illustrates that the aircraft has proven to be extremely popular within the European short-haul sector, though less so in Asia where demand has forced operators to utilize larger A320 and Boeing 737-800 aircraft. Easyjet, who currently operates 140 A319 aircraft, all powered by CFM, took delivery of aircraft equipped with an additional pair of over-wing exit doors, permitting a rise in the maximum certified seating from 145 (EASA TC) to 160 passengers (EASA TC).

Current and Future Market Outlook

Airbus has witnessed a protracted decline in demand for the A319 as operators consolidate their schedules and seek larger capacity aircraft. Against a backdrop of average worldwide revenue passenger kilometer (RPK) growth (year over year May 2013) of 5.6 percent, gross orders for the aircraft have slowed considerably with 2010 (43), 2011 (4) and 2012 (33) reflecting the stagnating market serviced by this

130- to 155-seat aircraft. Up to 30 June, Airbus has recorded only one order but received cancellations for eight.

Since 2008, values for the A319 have remained below base but over the past 18 months, the type has witnessed a marked reduction. Within the A319 market itself, demand is notably higher for the double over-wing exit equipped aircraft, which as of 1 March, accounted for approximately 20 percent of the fleet. Purchase offers in the used market for relatively young aircraft are consistently below book values, creating an impasse and leading to trading stagnation when losses cannot be absorbed. Lease rates are under severe pressure. There is, understandably, considerable focus on forecasted values of A320ceo (current engine option) family variants over the next 10 years given the proposed introduction of the A319neo (new engine option) in early 2016. Depreciation profiles of those A319ceo aircraft built within two years of the production line terminating will, in our opinion, be markedly different to that shown for a mid-line production aircraft. However, unlike the A320neo, there has been relatively little appetite for the more fuel-efficient variant, and we would therefore expect to see (barring any future large-scale orders) the residuals of A319 ceo to be relatively un-affected by the introduction of the A319neo. As at the end of second quarter 2013, four aircraft had been parted out and 24 were in storage. ▲

Chart 3

Current and Future Value Opinions, \$millions											
DOM	CMV	BV	Future Base Values, Inflated at 2.5% per year								
			2013	2014	2015	2016	2017	2018	2019	2020	2021
1998	10.45	10.92	10.17	9.44	8.80	8.15	7.43	6.91	6.40	5.95	5.56
2000	12.50	13.25	12.40	11.56	10.86	10.09	9.21	8.55	7.90	7.30	6.75
2002	14.57	16.62	15.29	14.02	13.24	12.36	11.34	10.55	9.77	9.03	8.34
2004	16.67	20.56	19.03	17.56	16.29	14.95	13.82	12.92	12.01	11.14	10.31
2006	18.78	24.61	23.37	21.70	20.21	18.67	17.03	15.64	14.62	13.63	12.67
2008	20.92	28.57	27.26	25.95	24.76	23.00	21.17	19.55	17.99	16.49	15.42
2010	24.19	32.87	31.50	30.12	28.81	27.43	25.98	24.13	22.33	20.61	18.96
2012	30.44	37.51	36.08	34.63	33.21	31.75	30.27	28.82	27.38	25.42	23.53

Engines: CFM56-5B5/P (non-DAC), MTOW 70,000 kg, 2-class seating, single over-wing exit

Base values take into account country imposed age related restrictions and do not therefore comply with the ISTAT definition.

Base and CMV figures reflect better-than-half-life maintenance status for aircraft less than four years old.

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