COMMERCIAL TRANSPORT A/C MARKET DELIVERY AND RETIREMENT FORECASTS

Prepared for the

SPEEDNEWS 22nd ANNUAL AVIATION INDUSTRY SUPPLIERS CONFERENCE

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Presented by

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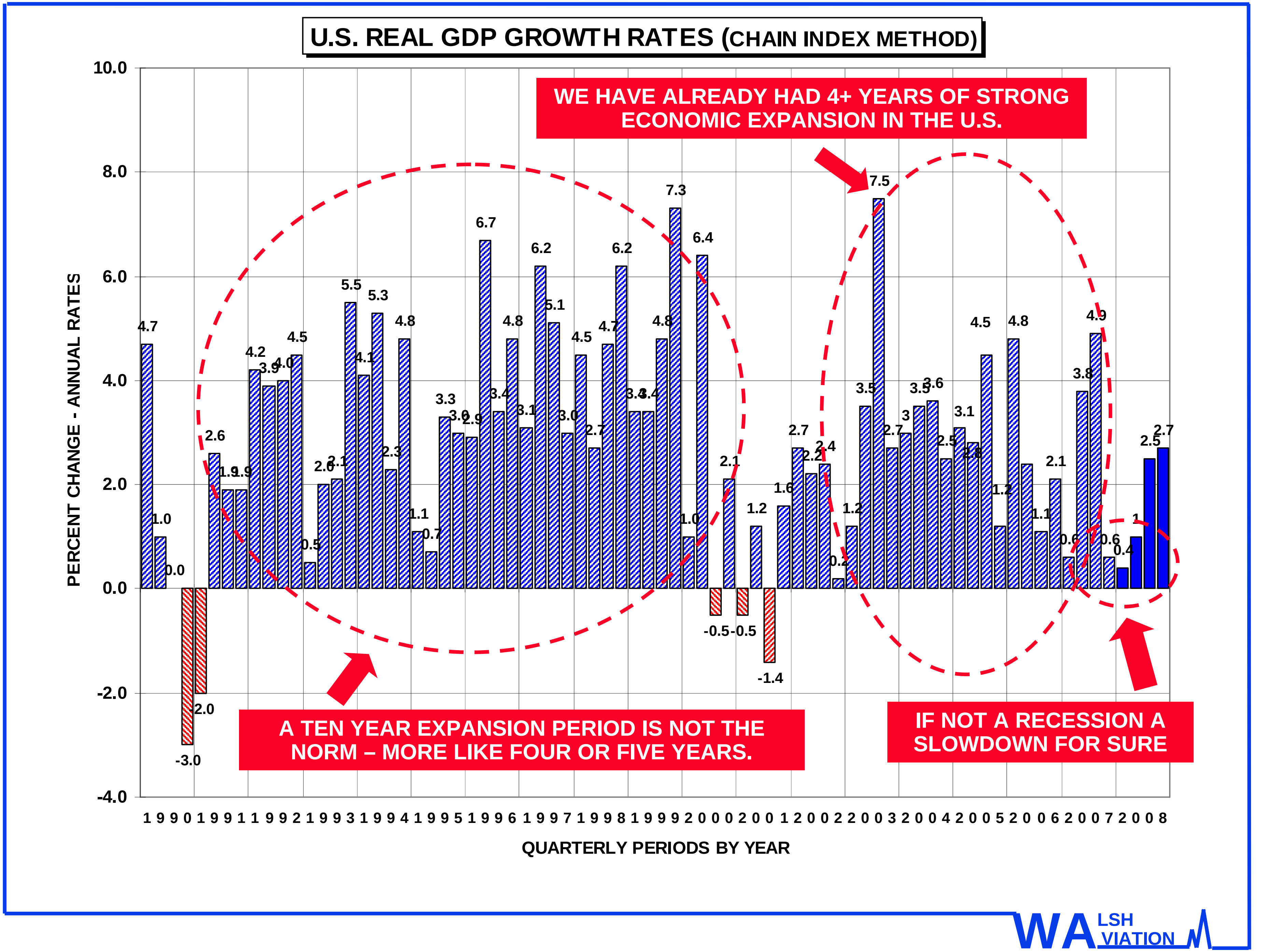
I HAVE BOLDLY FORECASTED THAT ALL YOU HAVE HEARD SO FAR FROM THE PANEL AT SPEEDNEWS IS THE GOOD NEWS…….

ECONOMIC UPDATE



U.S. REAL GDP GROWTH RATES (CHAIN INDEX METHOD)
WE HAVE ALREADY HAD 4+ YEARS OF STRONG ECONOMIC EXPANSION IN THE U.S.
A TEN YEAR EXPANSION PERIOD IS NOT THE NORM – MORE LIKE FOUR OR FIVE YEARS.
IF NOT A RECESSION A SLOWDOWN FOR SURE
PERCENT CHANGE - ANNUAL RATES
QUARTERLY PERIODS BY YEAR
1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008
10.0
8.0
6.0
4.0
2.0
0.0
-2.0
-4.0
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RISK LEVEL FOR A U.S. BASED RECESSION IN 2008 / 2009?

NOT MY FAVORITE AGENCY BUT I DO LIKE THE COLORS.

2007 4Q QUARTERLY CALL

2007 2Q/3Q QUARTERLY CALL

2007 1Q QUARTERLY CALL

2006 4Q QUARTERLY CALL

REALLY GOOD RUN FOR WORLD GDP!

WORLD GDP GROWTH RATES

PERCENTAGE CHANGES FROM PREVIOUS YEAR

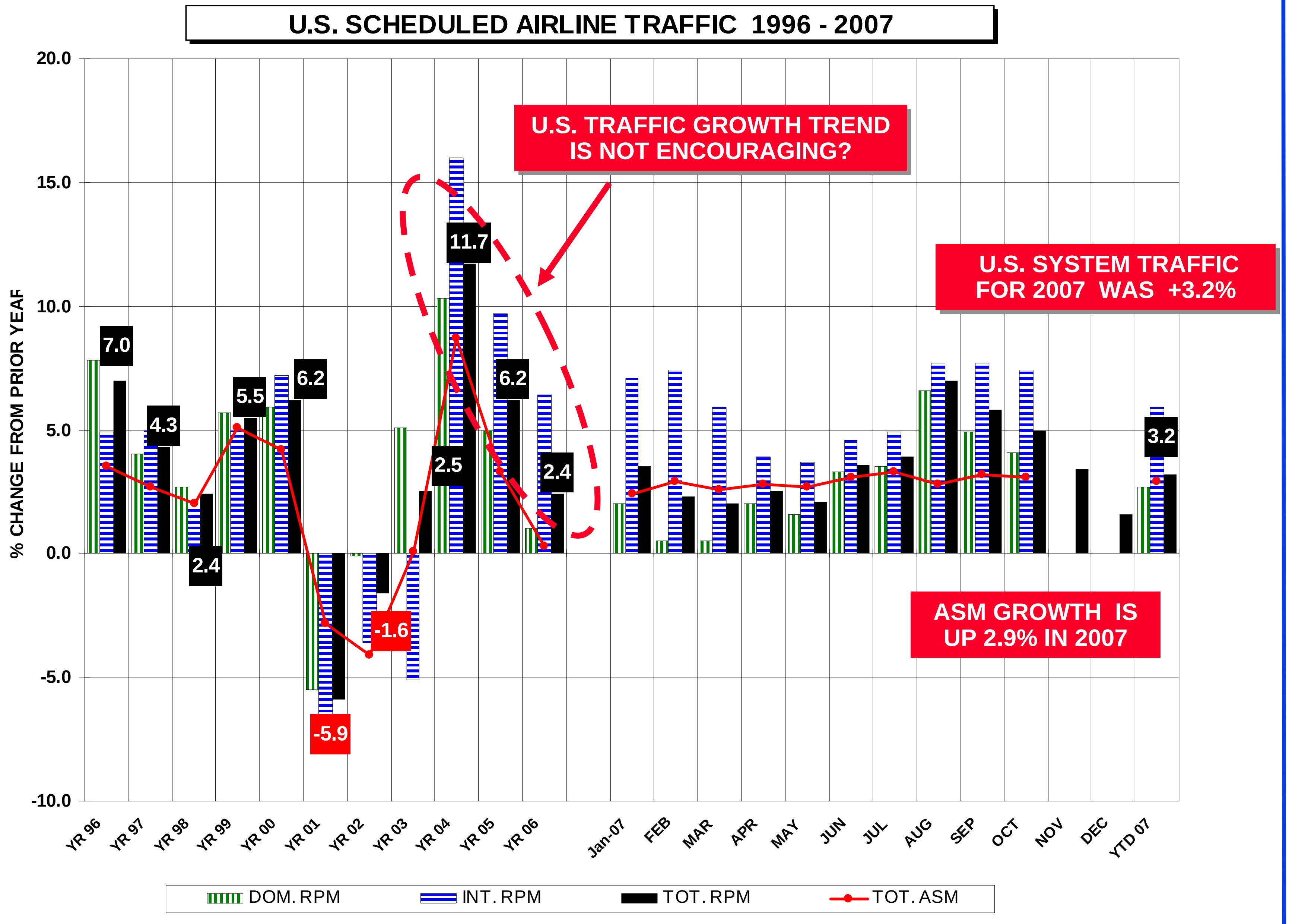
MORGAN STANLEY - 3/12/08

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CHINA	14.2	13.5	12.6	10.5	9.6	8.8	7.8	7.1	8.0	7.5	8.3	10.0	10.1	10.4	11.1	11.4	10.0	9.5
INDIA	4.2	5.0	6.8	7.6	7.5	5.0	5.8	6.7	5.4	4.1	4.7	7.4	7.0	8.7	9.6	9.0	7.5	7.9
POLAND	2.0	4.3	5.2	6.8	6.0	6.8	4.8	4.1	4.0	1.0	1.4	3.8	5.5	3.6	6.1	6.5	5.2	5.1
KOREA	5.4	5.5	8.3	8.9	6.8	5.0	-6.7	10.9	9.3	3.8	7.0	3.1	4.7	4.2	5.0	4.9	4.9	5.5
NETHERLANDS	2.0	0.8	3.2	3.0	3.0	3.8	4.3	4.0	3.5	1.4	0.0	0.3	2.2	1.5	3.0	3.5	2.9	2.6
SPAIN	0.7	-1.2	2.4	2.8	2.4	4.0	4.3	4.2	4.3	2.8	2.7	3.0	3.2	3.6	3.9	3.8	2.5	2.5
SWEDEN	-1.4	-2.2	4.1	4.0	1.3	2.4	3.6	4.6	3.6	1.3	2.0	1.8	3.7	3.3	4.2	2.8	2.4	2.6
SWITZERLAND	1.0	-0.1	0.5	0.5	0.3	1.7	2.4	1.5	3.1	0.9	0.2	-0.3	2.3	2.4	3.2	2.8	1.9	2.3
UNITED KINGDOM	0.1	2.5	4.7	2.9	2.6	3.4	2.9	2.4	3.8	2.3	2.0	2.7	3.3	1.8	2.9	3.1	1.8	2.2
BELGIUM	1.6	-1.5	3.2	2.3	0.8	3.9	2.1	3.2	3.7	0.7	0.9	0.9	2.8	2.0	2.9	2.7	1.8	2.2
CANADA	0.9	2.4	4.8	2.8	1.6	4.2	4.1	5.5	5.3	1.8	3.4	1.8	3.1	3.1	2.8	2.5	1.7	2.6
GERMANY	2.2	-1.1	2.3	1.7	0.8	1.4	2.0	2.0	2.9	0.8	0.2	0.0	1.2	0.8	2.9	2.5	1.6	2.1
FRANCE	1.5	-0.9	1.9	1.8	1.1	1.9	3.6	3.2	4.2	2.1	1.3	1.1	2.3	1.7	2.2	1.9	1.5	2.2
USA	3.1	2.7	4.0	2.7	3.6	4.4	4.3	4.1	3.8	0.3	1.6	2.5	3.6	3.1	2.9	2.2	1.1	2.2
JAPAN	1.0	0.5	0.9	1.8	3.5	1.9	-1.1	0.2	2.8	0.4	-0.3	1.8	2.7	1.9	2.4	2.1	0.9	2.0
WORLD	2.0	2.3	3.7	3.7	4.0	4.2	2.8	3.6	4.8	2.4	3.0	4.1	5.3	4.4	5.0	4.9	3.9	4.4
EUROPEAN UNION	1.2	-0.3	2.8	2.4	1.7	2.6	2.9	2.8	3.5	1.6	0.9	0.8	1.8	1.7	2.9	2.6	1.6	2.2
ASIA EX-JAPAN	8.4	8.8	8.4	8.3	7.6	6.3	2.1	6.5	7.4	4.2	6.2	7.0	7.9	8.3	9.0	9.2	8.0	8.0
LATIN AMERICA	3.0	3.6	4.5	-0.3	3.8	5.6	2.1	0.1	4.1	0.5	-0.2	2.1	6.1	4.5	5.3	5.5	4.2	4.2

GLOBAL RECESSIONS

COMMERCIAL TRANSPORT AIRCRAFT
BOEING / AIRBUS PROGRAMS

AIRLINE TRAFFIC UPDATE



SOURCE : BTS AND AIRLINE MONITOR

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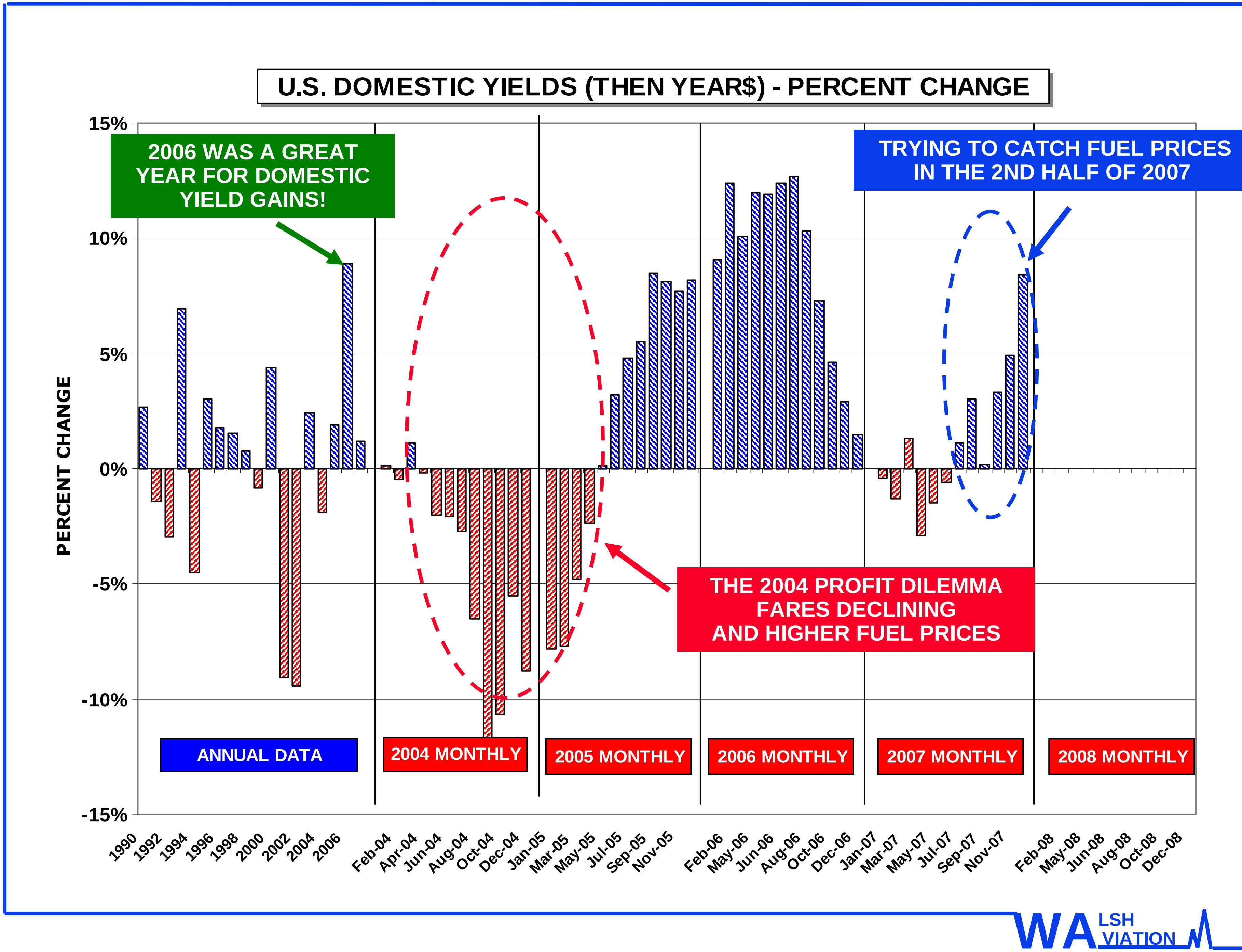

U.S. DOMESTIC YIELDS (THEN YEAR$) - PERCENT CHANGE
2006 WAS A GREAT YEAR FOR DOMESTIC YIELD GAINS!
TRYING TO CATCH FUEL PRICES IN THE 2ND HALF OF 2007
THE 2004 PROFIT DILEMMA FARES DECLINING AND HIGHER FUEL PRICES
PERCENT CHANGE
15%
10%
5%
0%
-5%
-10%
-15%
ANNUAL DATA
2004 MONTHLY
2005 MONTHLY
2006 MONTHLY
2007 MONTHLY
2008 MONTHLY
1990 1992 1994 1996 1998 2000 2002 2004 2006
Feb-04 Apr-04 Jun-04 Aug-04 Oct-04 Dec-04
Jan-05 Mar-05 May-05 Jul-05 Sep-05 Nov-05
Feb-06 May-06 Jun-06 Aug-06 Oct-06 Dec-06
Jan-07 Mar-07 May-07 Jul-07 Sep-07 Nov-07
Feb-08 May-08 Jun-08 Aug-08 Oct-08 Dec-08
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Air Transport Association
Monthly Passenger Revenue Report
December 2007

December 2007

	RPMs (Million)	Δ	Revenues ($000)	Δ	Yield (¢)	Δ
Mainline Domestic	29,462	(4.2%)	3,857,456	3.9%	13.09	8.4%
Express	5,423	(0.7%)	1,260,579	8.6%	23.25	9.4%
Domestic + Express	34,884	(3.7%)	5,118,035	5.0%	14.67	9.0%
Atlantic	8,298	13.6%	1,008,238	24.0%	12.15	9.1%
Latin	4,817	3.4%	722,201	8.6%	14.99	5.1%
Pacific	5,031	1.5%	612,216	14.9%	12.17	13.2%
International	18,146	7.3%	2,342,655	16.5%	12.91	8.6%
Mainline System	47,607	(0.1%)	6,200,111	8.3%	13.02	8.4%
TOTAL SYSTEM (including Express)	53,030	(0.2%)	7,460,690	8.4%	14.07	8.6%

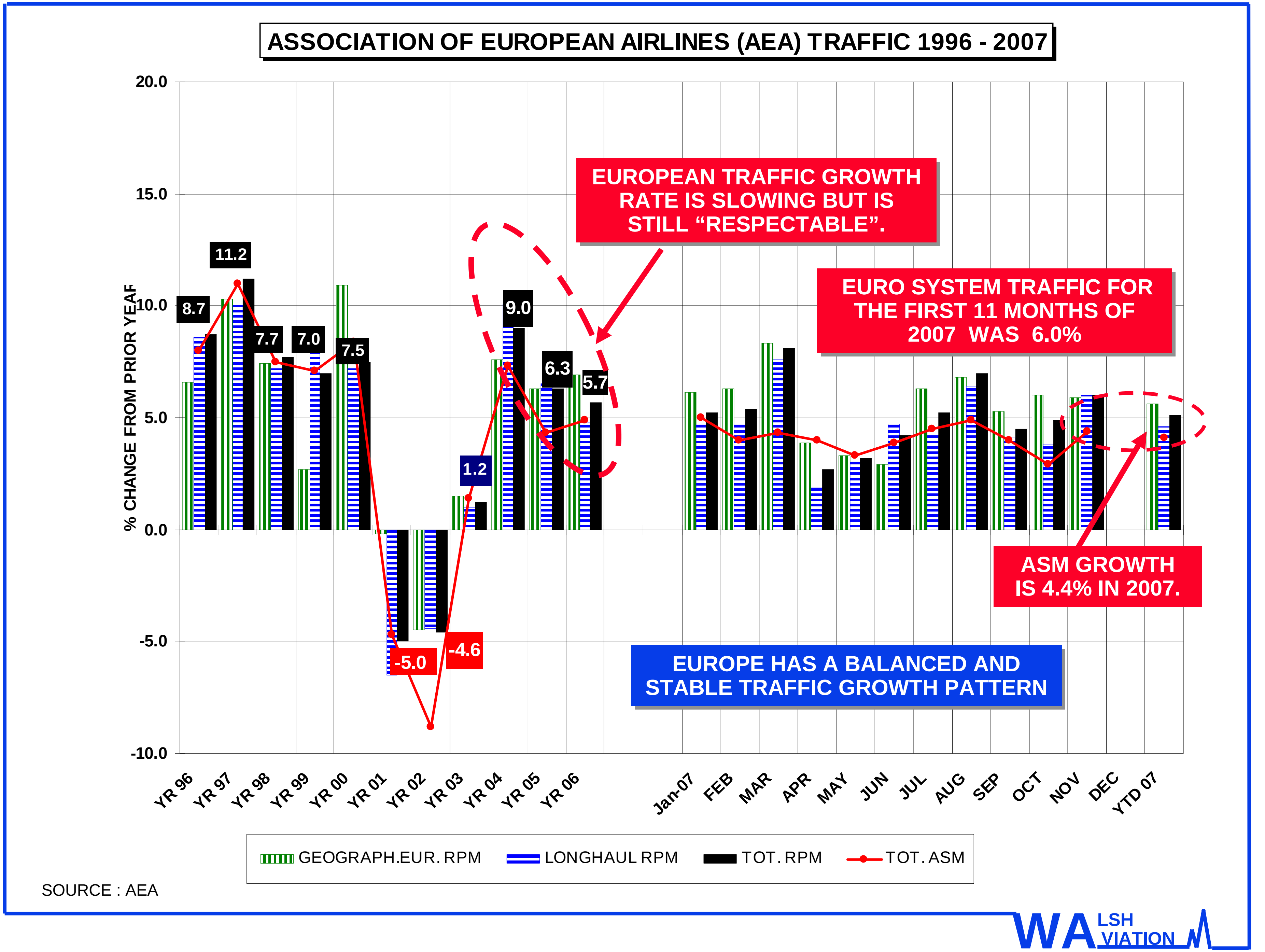
YTD December 2007

	RPMs (Million)	Δ	Revenues ($000)	Δ	Yield (¢)	Δ
Mainline Domestic	377,807	(0.4%)	48,885,366	0.8%	12.94	1.2%
Express	69,231	1.9%	16,622,589	2.4%	24.01	0.5%
Domestic + Express	447,038	(0.1%)	65,507,955	1.2%	14.65	1.3%
Atlantic	104,553	9.7%	13,225,541	18.9%	12.65	8.4%
Latin	52,551	5.1%	7,199,929	9.2%	13.70	3.9%
Pacific	61,040	0.2%	7,251,349	9.3%	11.88	9.1%
International	218,143	5.8%	27,676,819	13.7%	12.69	7.5%
Mainline System	595,950	1.8%	76,562,185	5.1%	12.85	3.3%
TOTAL SYSTEM (including Express)	665,181	1.8%	93,184,774	4.6%	14.01	2.8%

DOMESTIC FARES ARE NOW AT HISTORICALLY HIGH NUMBERS?

INTERNATIONAL IS WHERE THE $$$$ ARE BEING MADE IN 2007!

SOURCE : ATA



ASSOCIATION OF EUROPEAN AIRLINES (AEA) TRAFFIC 1996 - 2007
% CHANGE FROM PRIOR YEAR
20.0
15.0
10.0
5.0
0.0
-5.0
-10.0
8.7
11.2
7.7
7.0
7.5
-5.0
-4.6
1.2
9.0
6.3
5.7
EUROPEAN TRAFFIC GROWTH RATE IS SLOWING BUT IS STILL “RESPECTABLE”.
EURO SYSTEM TRAFFIC FOR THE FIRST 11 MONTHS OF 2007 WAS 6.0%
ASM GROWTH IS 4.4% IN 2007.
EUROPE HAS A BALANCED AND STABLE TRAFFIC GROWTH PATTERN
YR 96
YR 97
YR 98
YR 99
YR 00
YR 01
YR 02
YR 03
YR 04
YR 05
YR 06
Jan-07
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
OCT
NOV
DEC
YTD 07
GEOGRAPH.EUR. RPM
LONGHAUL RPM
TOT. RPM
TOT. ASM
SOURCE : AEA
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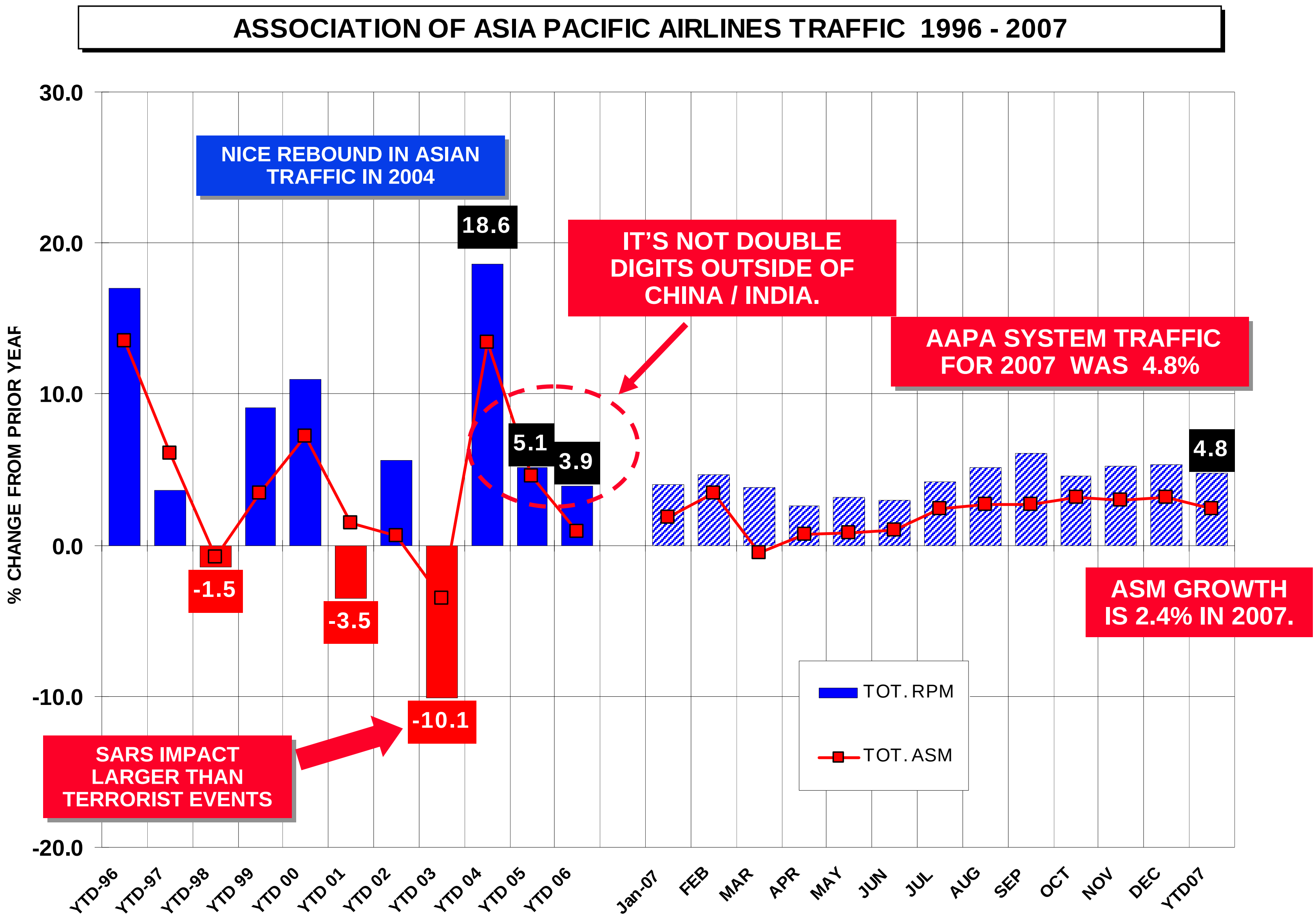
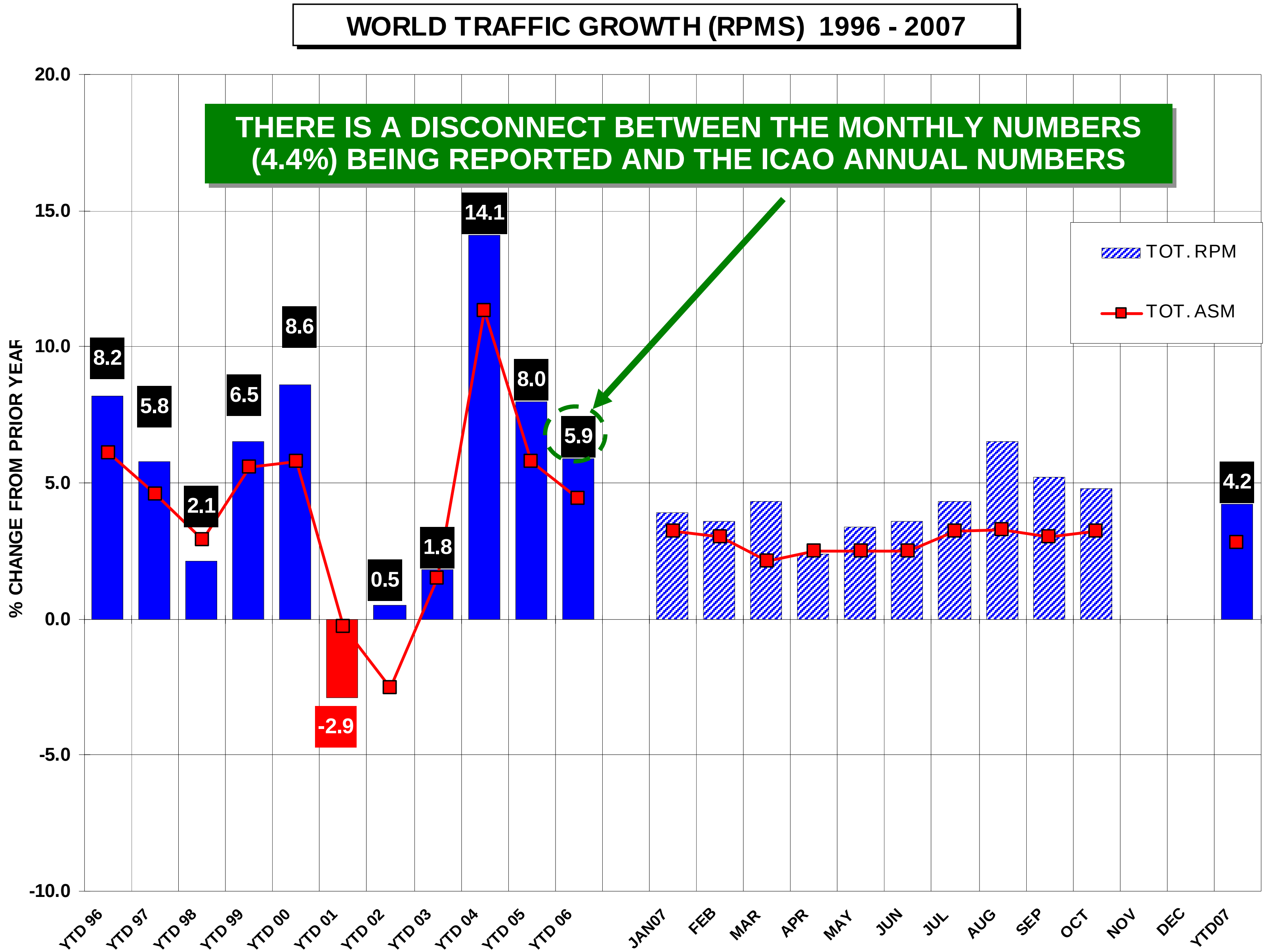


SOURCE : Association of Asia Pacific Airlines

WALSH AVIATION



SOURCE : Airline Monitor

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AIRLINE PROFITS

U. S. MAJOR AIRLINES
RELATIVE PROFIT PERFORMANCE

PRELIMINARY 4TH QUARTER - 2007

CARRIER	OPERATING PROFIT ($M)
SOUTHWEST	$126
NORTHWEST	$87
CONTINENTAL	$80
ALASKA	$15
DELTA	($2)
UNITED	($64)
AMERICAN	($69)
US AIRWAYS GROUP	($74)
TOTAL	$99

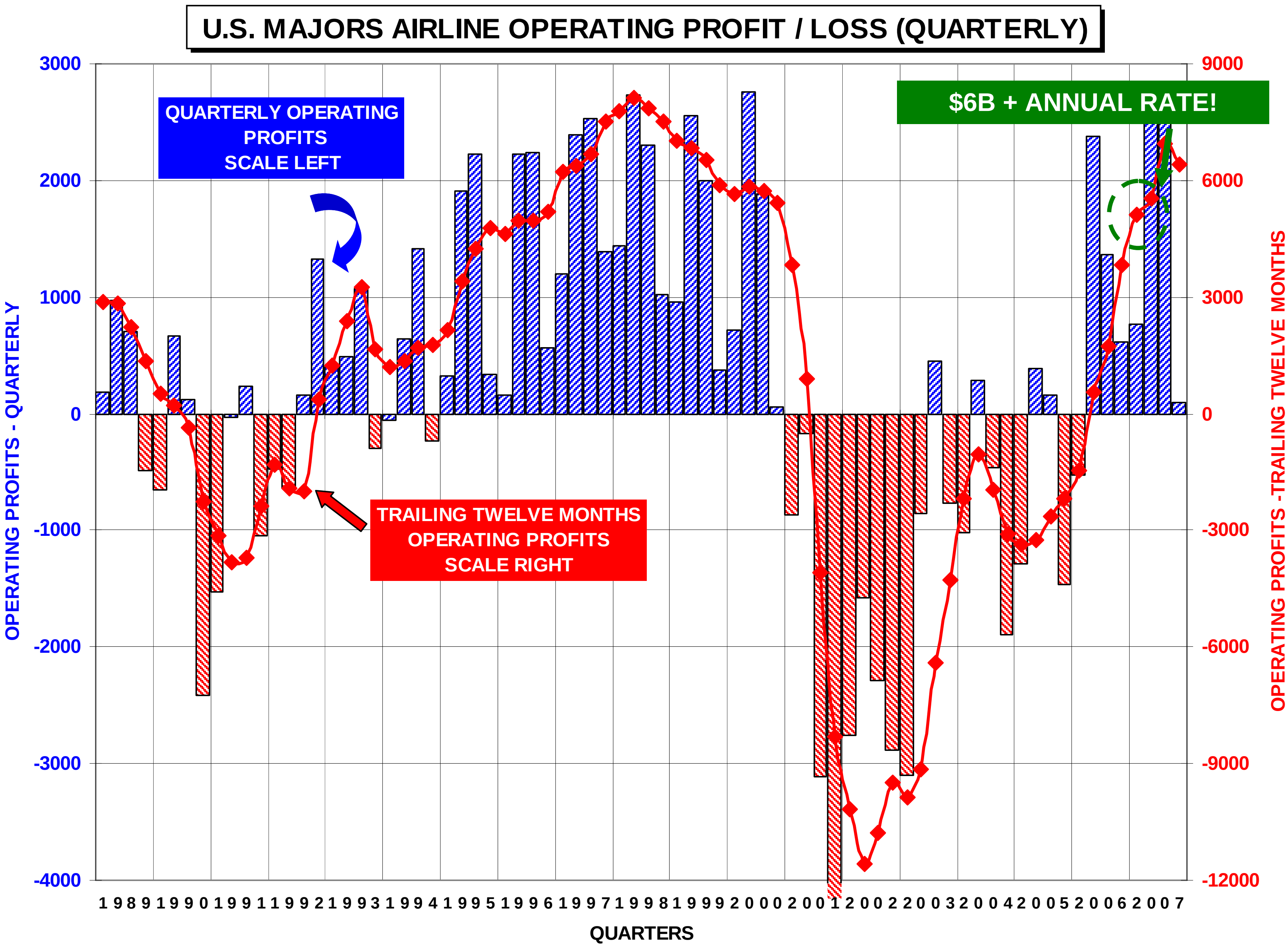
A BREAKEVEN 4Q IS NOT BAD GIVEN THE ENVIRONMENT

PRELIMINARY 12 MONTHS - 2007

CARRIER	OPERATING PROFIT ($M)
NORTHWEST	$1,115
DELTA	$1,069
UNITED	$1,029
AMERICAN	$827
SOUTHWEST	$789
CONTINENTAL	$662
US AIRWAYS GROUP	$552
ALASKA	$238
TOTAL	$6,282

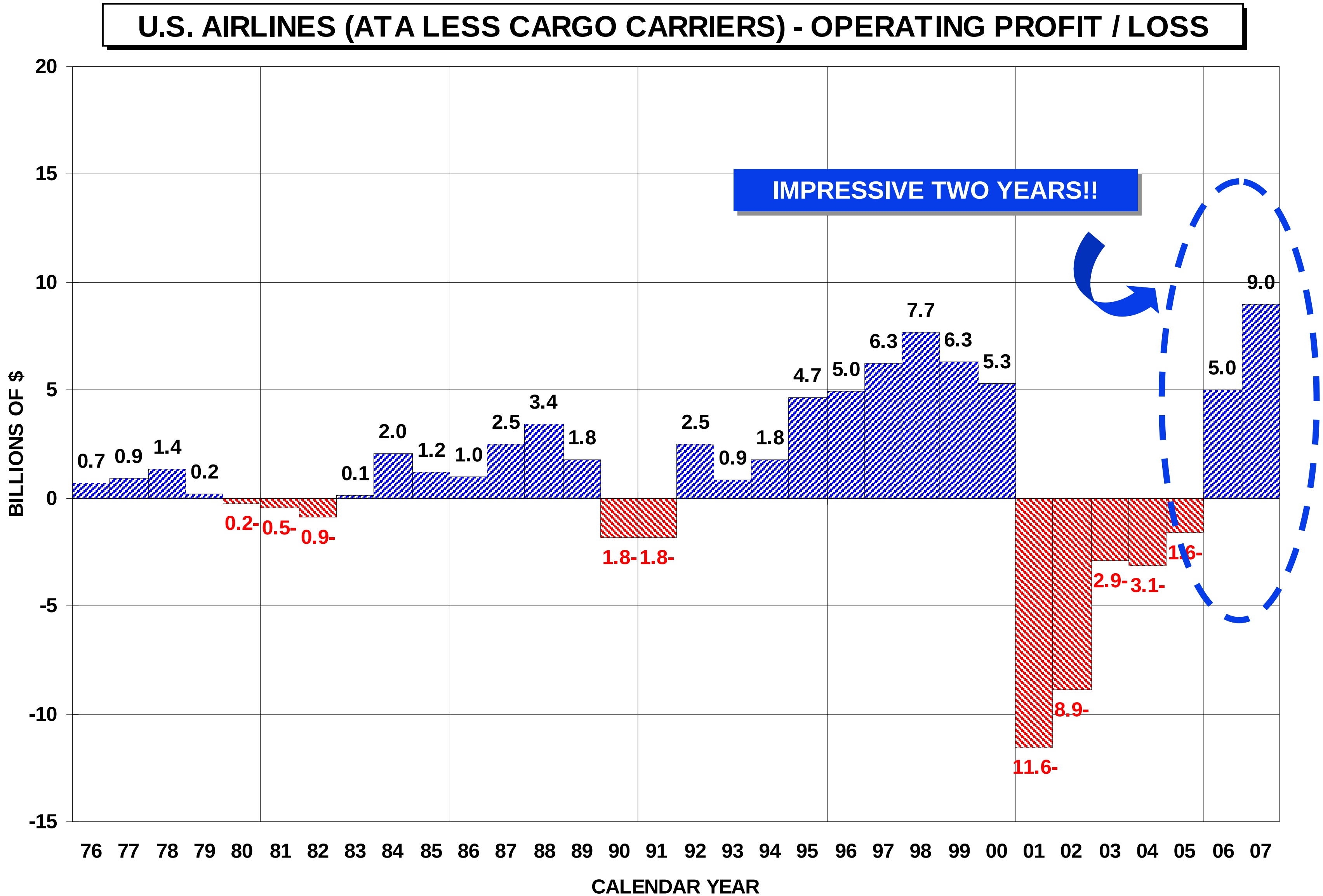
IMPRESSIVE YEAR GIVEN THE PRICE OF OIL.

SOURCE : Airline Published Reports



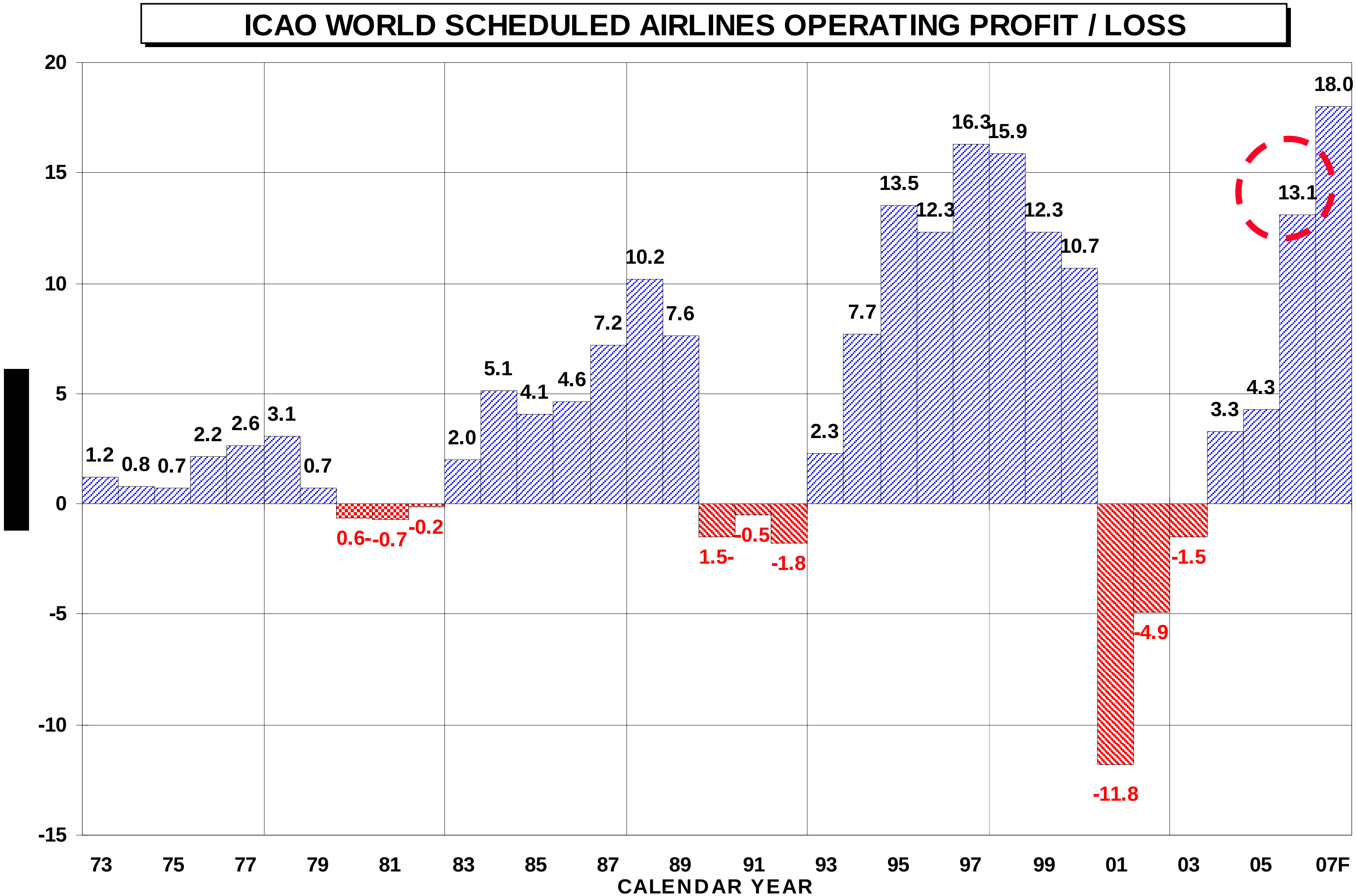
SOURCE : AIRLINE MONITOR

WALSH AVIATION



SOURCE : ATA / DOT

WALSH AVIATION



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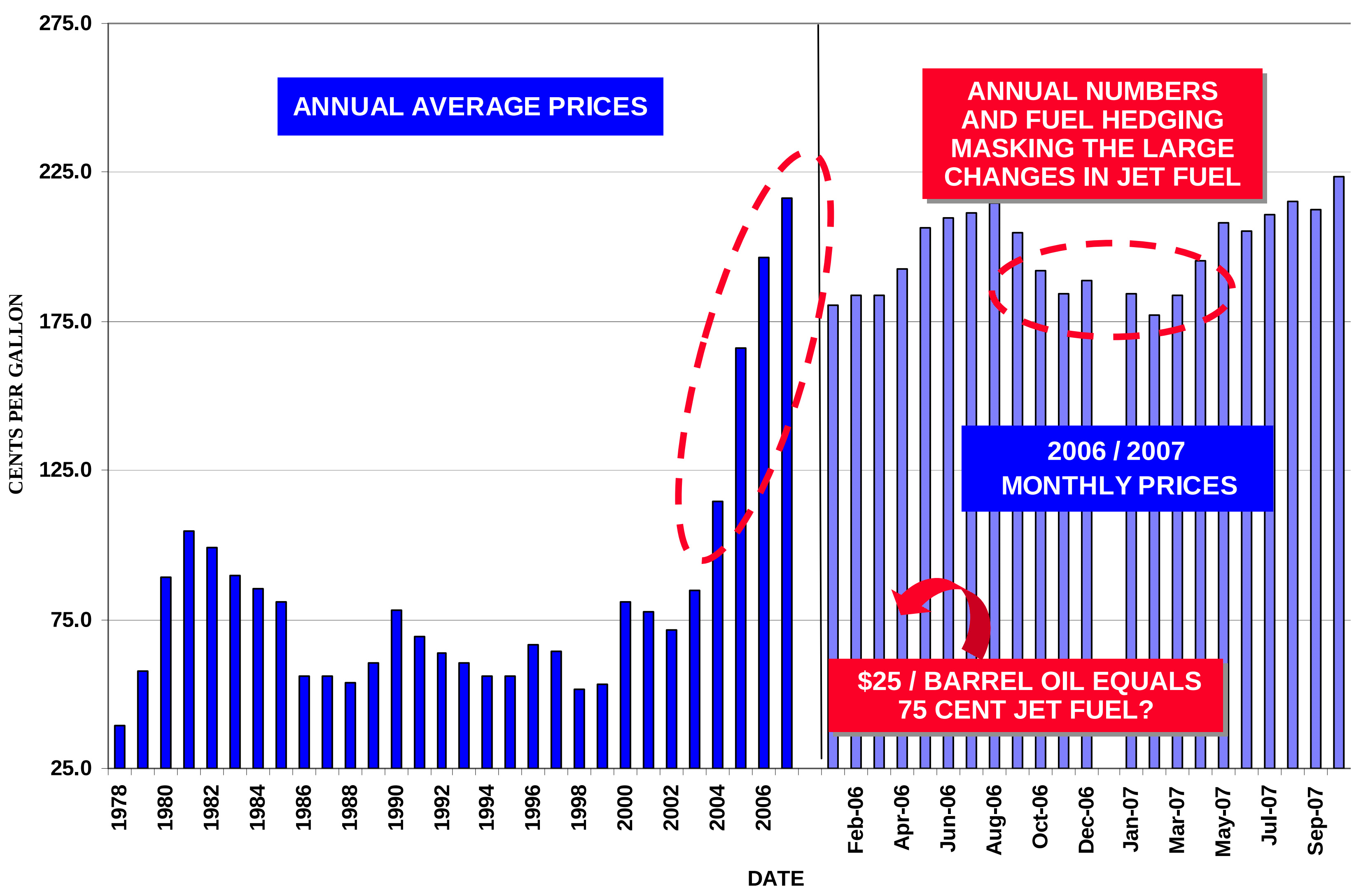
U.S. AIRLINE AVERAGE PRICE FOR JET FUEL (EXCLUDING TAXES)



SOURCE : ATA

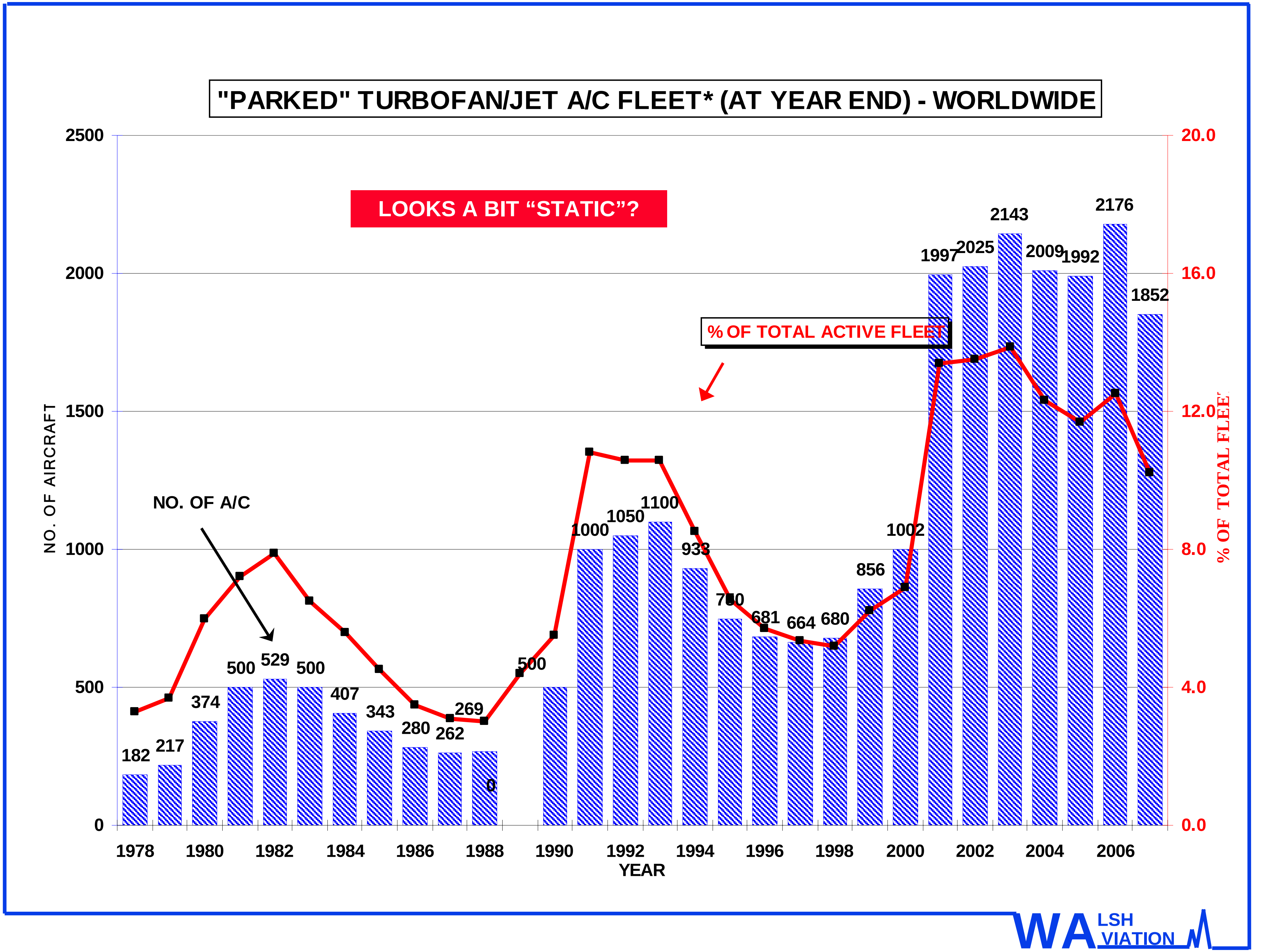
Jet Fuel 2007	CONSUMPTION		EXPENSE	Avg. Paid Price (U.S. DOT)		Avg. Market Price (U.S. EIA)*			
	Gallons (bils)	% Chg. Yr/Yr	$ USD (bils)	¢/Gal.	% Chg. Yr/Yr	NYH	USGC	LOS	¢/Gal.
Jan	1.61	2.3	2.96	184.2	1.6	169.2	165.4	178.2	170.9
Feb	1.45	0.9	2.57	176.8	(4.2)	177.3	174.0	186.0	179.1
Mar	1.68	(0.5)	3.08	183.7	(0.2)	188.4	184.6	192.0	188.3
Apr	1.62	0.4	3.16	195.3	1.0	204.3	203.6	207.8	205.2
May	1.66	1.6	3.46	208.1	0.9	208.4	204.4	211.5	208.1
Jun	1.68	[illegible]	[illegible]	205.5	(2.0)	211.9	209.9	215.4	212.4
Jul	1.71	[illegible]	[illegible]	210.9	(0.2)	217.3	213.7	219.6	216.9
Aug	1.73	(0.9)	3.73	215.2	(0.0)	211.8	209.2	214.2	211.7
Sep	1.58	(1.5)	3.36	212.6	3.8	232.2	226.5	225.9	228.2
Oct	1.66	0.5	3.72	223.8	16.6	239.6	237.2	244.0	240.3
Nov	1.58	(1.8)	3.91	247.6	34.3	271.2	267.3	276.9	271.8
Dec	1.63	(1.6)	4.17	256.0	35.5	266.1	260.1	266.2	264.1
Total	**19.59**	**(0.1)**	**$41.17**	**210.2**	**6.9**	**216.5**	**213.0**	**219.8**	**216.4**

39% INCREASE

54% INCREASE

*EIA=Energy Information Administration; NYH=New York Harbor; USGC=U.S. Gulf Coast; LOS=Los Angeles

“PARKED” AIRCRAFT UPDATE



"PARKED" TURBOFAN/JET A/C FLEET* (AT YEAR END) - WORLDWIDE
LOOKS A BIT "STATIC"?
% OF TOTAL ACTIVE FLEET
NO. OF A/C
NO. OF AIRCRAFT
% OF TOTAL FLEET
YEAR
182
217
374
500
529
500
407
343
280
262
269
0
500
1000
1050
1100
933
750
681
664
680
856
1002
1997
2025
2143
2009
1992
2176
1852
1978 1980 1982 1984 1986 1988 1990 1992 1994 1996 1998 2000 2002 2004 2006
0 500 1000 1500 2000 2500
0.0 4.0 8.0 12.0 16.0 20.0
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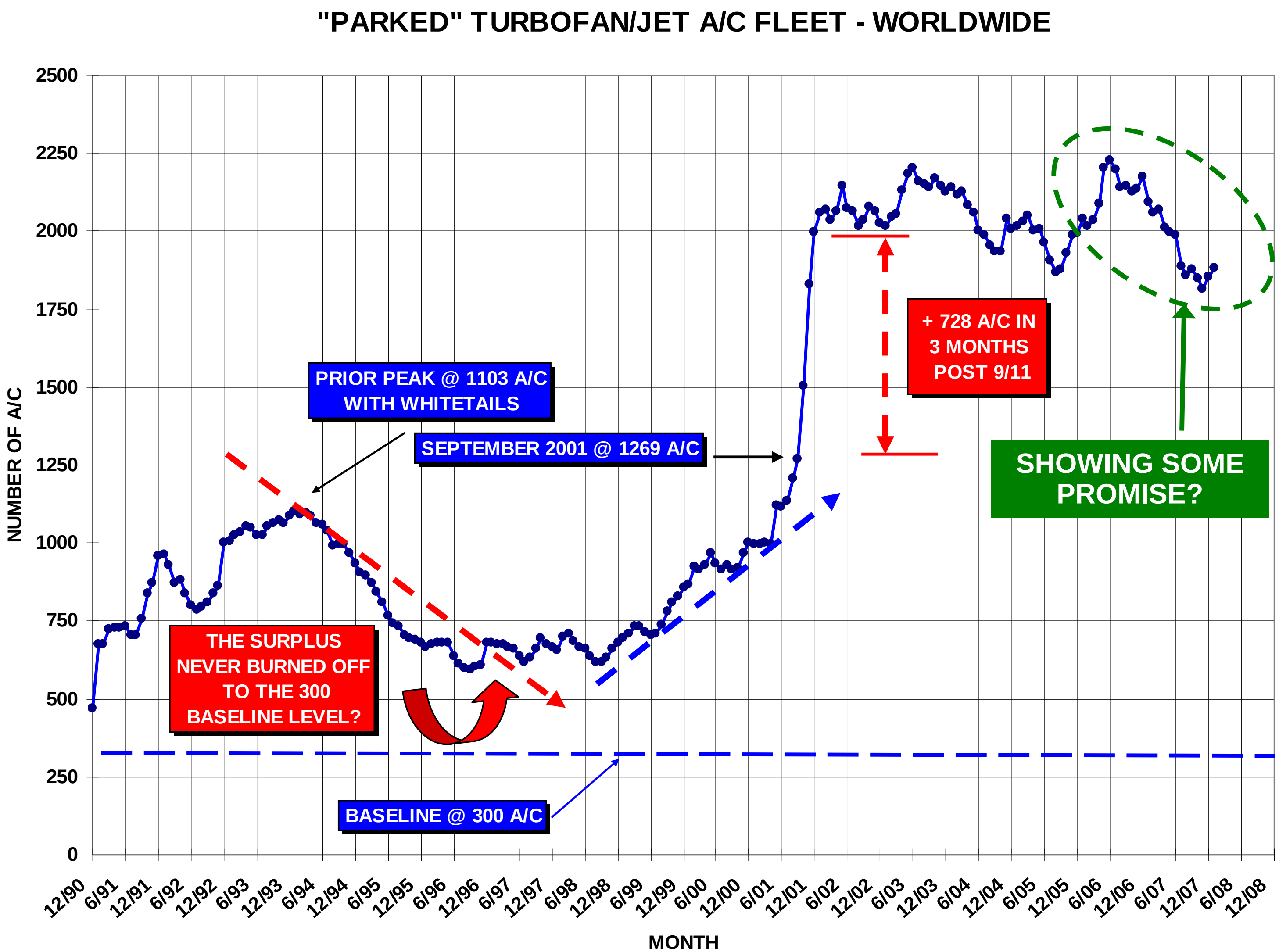

• THE A/C WERE PARKED AS THE RESULT OF THE FALL OFF IN DEMAND AFTER 9/11.

• THE PARKED A/C DO NOT GET TO RETURN DUE TO THE HIGH PRICE OF JET FUEL.

SOURCE: AIRCLAIMS DATA

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NEW AIRCRAFT ORDERS / BACKLOG

COMMERCIAL TRANSPORT DELIVERIES / ORDERS / BACKLOG

STATUS - THROUGH 4Q OF 2007

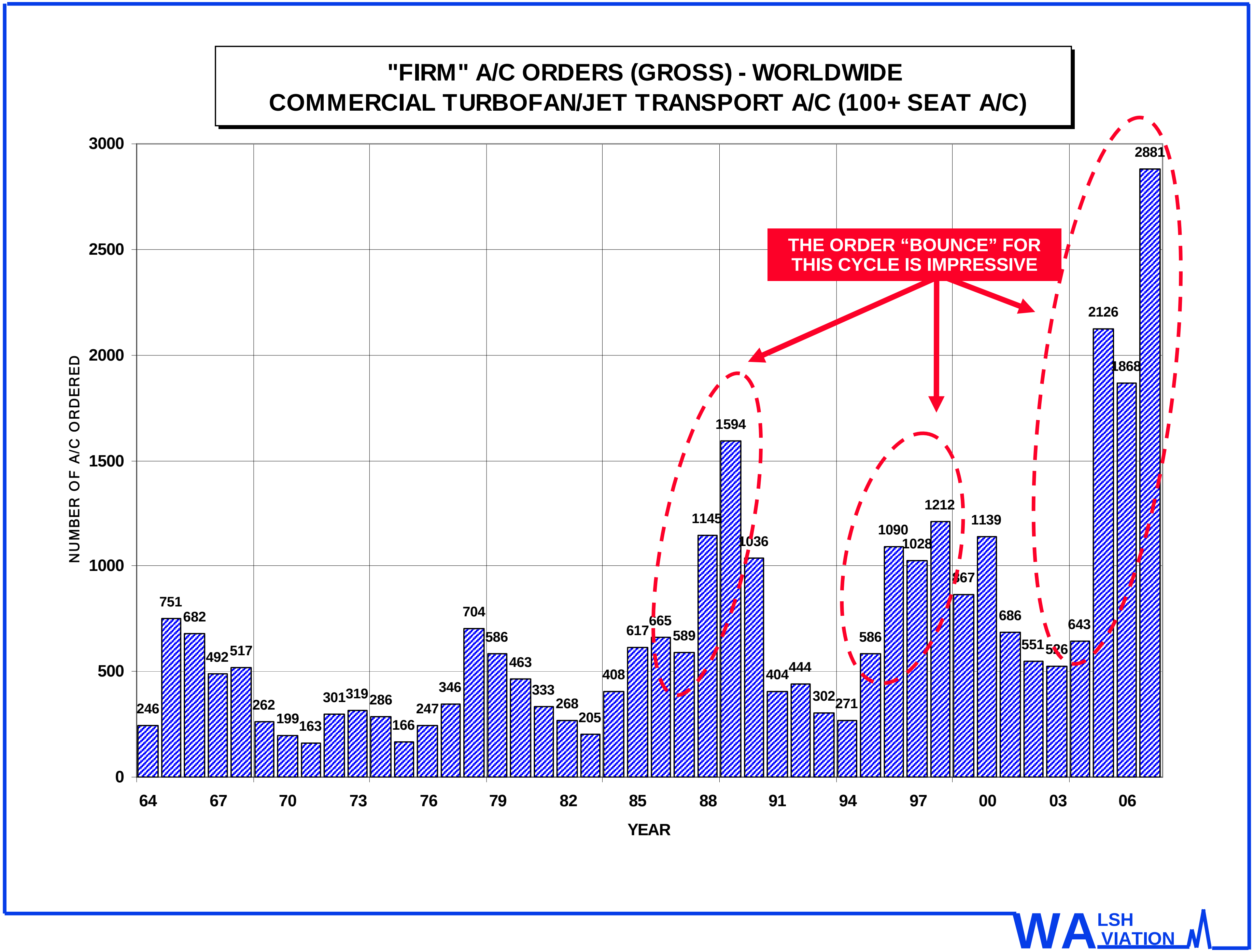
AIRCRAFT TYPE	DELIVERIES	ORDERS	BACKLOG
A300 / 310	6	0	5
A318/319/320/321*	367	914	2512
A330	68	198	355
A340	11	23	41
A350	0	290	320
A380	1	33	188
SUBTOTAL AIRBUS	453	1458	3421
737-600/700/800/900**	330	850	2076
747-400	16	0	22
747-8	0	25	103
767	12	36	52
777	83	143	357
787	0	369	817
SUBTOTAL BOEING	441	1423	3427
TOTAL - AIRBUS / BOEING	894	2881	6848
REGIONAL JETS (35+PAX)***	193	341	637
TOTAL 35+ PAX JETS	1087	3222	7485

AIRBUS IS STILL OUT PRODUCING BOEING!

*excludes 5 corporate aircraft deliveries
**excludes 3 corporate aircraft deliveries
***excludes 37 corporate aircraft deliveries

STILL INCREDIBLY STRONG AFTER BIG ORDER YEARS IN 2005/2006!

DATA SOURCE: SPEEDNEWS



"FIRM" A/C ORDERS (GROSS) - WORLDWIDE
COMMERCIAL TURBOFAN/JET TRANSPORT A/C (100+ SEAT A/C)
THE ORDER "BOUNCE" FOR THIS CYCLE IS IMPRESSIVE
NUMBER OF A/C ORDERED
YEAR
0
500
1000
1500
2000
2500
3000
64
67
70
73
76
79
82
85
88
91
94
97
00
03
06
246
751
682
492
517
262
199
163
301
319
286
166
247
346
704
586
463
333
268
205
408
617
665
589
1145
1594
1036
404
444
302
271
586
1090
1028
1212
867
1139
686
551
526
643
2126
1868
2881
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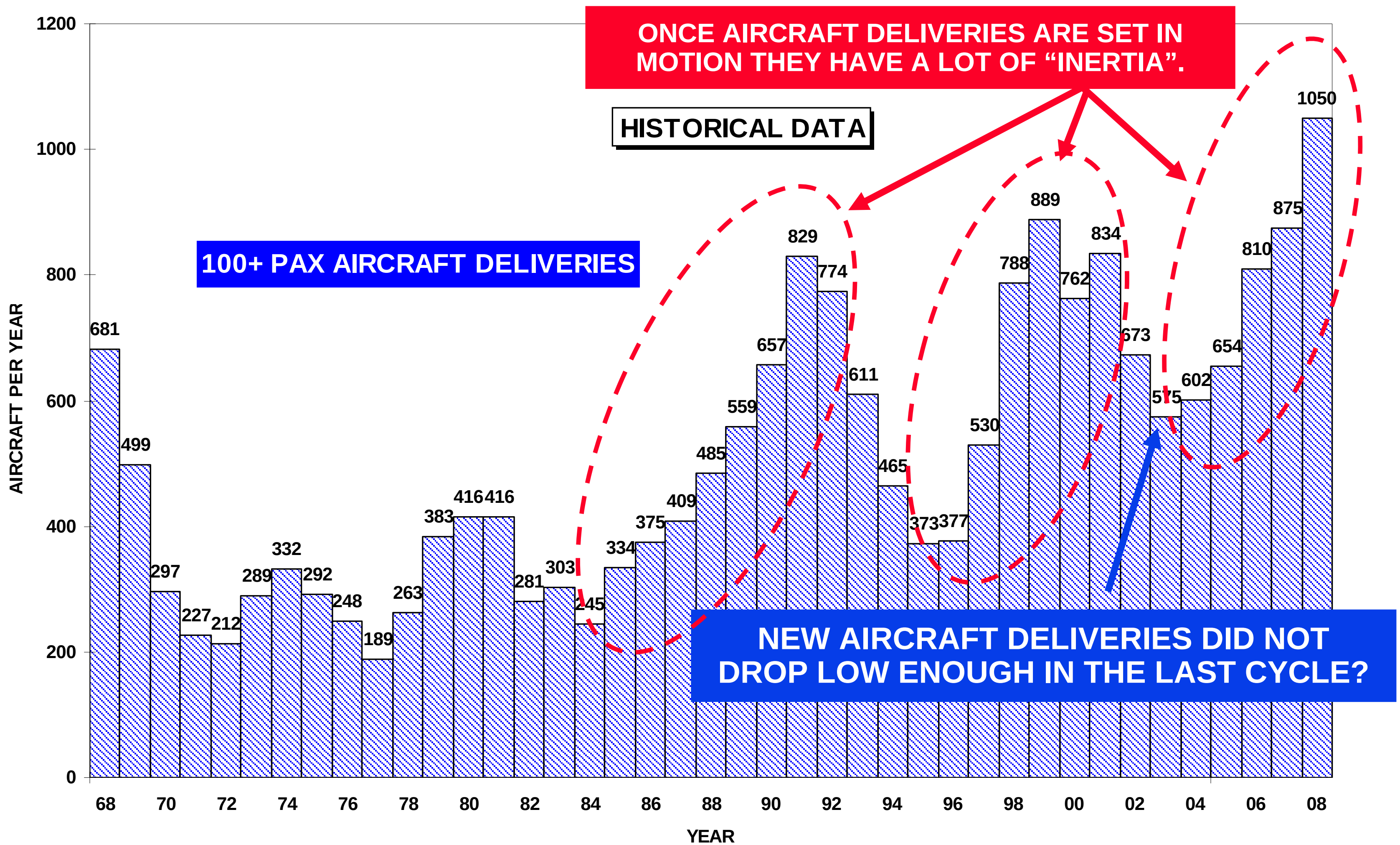
COMMERCIAL TURBOFAN/JET TRANSPORT AIRCRAFT MARKET



DATA SOURCE: JET INFORMATION SERVICES /
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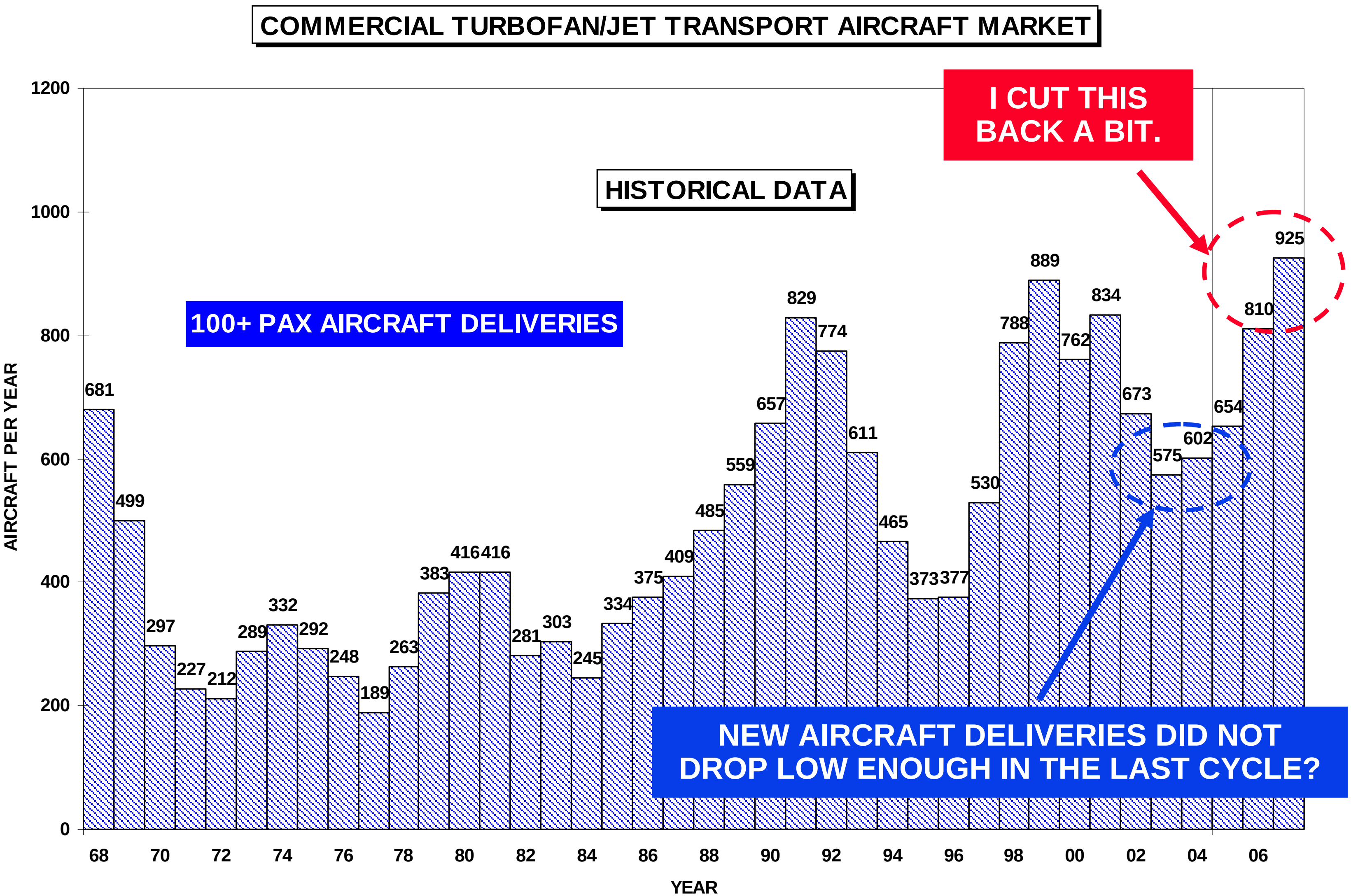

DATA SOURCE: JET INFORMATION SERVICES /
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SUMMARY – COMMERCIAL TRANSPORT OUTLOOK MARCH 2008

- The U.S. economy has cooled down quite a bit. Major carriers for the most part have held off placing orders for new aircraft. They are making money but doing it, in a large part, by restricting capacity and raising fares.
- Mergers and consolidation plans might be holding up U.S. Airlines aircraft ordering plans.
- In the rest of the world traffic is okay but it is nothing that requires 1000 new aircraft deliveries a year.
- New orders for aircraft continue to come in at a frothy pace (2005, 2006 and 2007). I think 2008 will generate another 2000 plus orders.
- A classic over ordering cycle has begun as airlines continue to order aircraft in spite of declining rates of growth in domestic traffic and the economy. Aircraft orders worldwide are nothing short of amazing.
- A difficult point in the cycle to predict from. The peak in demand appears to be behind us, the economy is sending recession signals and the aircraft orders continue to roll in. Traffic is a bit mixed but on trend line.
- I think the market has the potential to go even higher rather than lower. Boeing is holding back on matching Airbus rate increases – strange behavior! Negative forces possibly converging on the back end of 2009 / 2010?