

ATR Review



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An Alenia Aeronautica and EADS joint venture
ATR
PROPELLING TOMORROW'S WORLD



Edito



ATR has bounced back with new momentum and determination. No further proof of that is needed than ATR's order book today.

At the Farnborough International Air Show, we sold more than 40 aircraft there to several clients including 20 to Brazilian operator Azul and 10 to the new US leasing company Air Lease Corporation, set up by the industry pioneer Steven Udvar-Hazy. Air Lease's commitment to ATR underlines how much interest the lessors have in ATR and define our aircraft as the "highest platforms for fuel efficiency, technical and environmental advancement, and cabin appeal of any aircraft in its size class".

But we have not been standing still since Farnborough. Since then we have registered nearly 20 additional orders. This total of 60 aircraft represents ten customers and out of these, five of them are new to the ATR community. Even as we notch up new orders we also want to be as close to our customers as we can. That is why a new training centre will soon be open in South Africa and another will open in Brazil by the end of the year. And finally we reached a major milestone recently with our 900th aircraft delivery, a 72-500 handed over to Trip Airlines. It reflects our increased aircraft production rate, a level of production that is expected to rise even further in the future due to the increasing level of confidence ATR customers have in us.

Filippo Bagnato
Chief Executive Officer

In flight

Focus on Brazil

ATR expects to more than double its presence in Brazil over next five years as aviation sector expands 20% per year.

ATR has just delivered its 900th turboprop. It was handed over to the Brazilian airline operator Trip Linhas Aereas at a special ceremony in Toulouse. Trip now has 30 ATRs in its fleet and there are currently 40 ATRs in service in Brazil. The Asia Pacific region is still ATR's biggest market but Brazil is catching up fast.

Its already by far ATR's biggest market in Latin America and up to 100 ATR turboprops could be operating in Brazil by 2015 according to Pierluigi Baldacchini ATR's Sales Director.

In the past five or six years Brazil's aviation market has really taken off as a rapidly growing middle class want to travel for business and tourism. On top of that banks once reluctant to finance long term aircraft sales in Brazil are now very confident about the country's future.

Pierluigi Baldacchini, ATR's Sales Director, explains the aviation potential there, "At the moment 60 million passengers fly on domestic routes each year while 130 million passengers take a bus for trips up to 3 days long. Think of the savings in time and cost those passengers could make on a one and half hour turboprop flight".

Underlining ATR's major breakthrough in Brazil, Azul, the country's third biggest carrier has signed up to buy twenty -600 series planes and with the option of buying twenty more.

It wants to use the turboprops to develop its own hub and spoke operation across the country. It is counting on the 72-600 series to link up smaller under served communities with major cities while also providing customers with a superior service at affordable airfares.

ATR has considerable advantages over its competitors in Brazil. More than a 170 of Brazil's 300 airports are not equipped to handle larger regional jets but turboprops can fly in and out without a problem.

Moreover fuel costs in Brazil are high and turboprops are 40 percent more fuel efficient than any of their rivals.

Mr Baldacchini says there is more data to underline his optimism in Brazil's future.

Experience shows that aviation growth tends to be three times GDP growth and right now Brazil's gross domestic product's growing 7% a year!



ATR 72-600: Maximum range with full capacity

Focus

Customer support beefs up presence in South America

As ATR anticipates increased sales in South America and especially in Brazil it's stepping up its support structure in the region.

A regional field representative presence to assist and visit all the airlines in South America is already up and running.

On the training side ATR is assessing opening a Reference Training Centre or RTC in Brazil, in the period 2011/12 to address the needs of existing turboprops as well as the arrival of the -600 series.

Simultaneously, work is underway to provide Brazilian operators with services stretching from spare parts to on-site stocks to repair components. In the longer term links are being made with local repair businesses to cut down on logistics costs.

In progress

Opening a new door to US market opportunity

ATR's turboprops will be even more attractive for US clients by proposing a forward passenger door and dual class configuration.



Quick boarding

If you cast your mind back to the early days, ATR's first generation of turboprops included a forward passenger door entrance. But at that time the market was largely in favor of a rear door and that became the standard for ATR, allowing an optimized layout of the aircraft for the benefit of both passengers and cargo.

Now ATR is preparing to go "back to the future" with the re-emergence of a forward passenger door as a standard option for clients and with new features that take full advantage of the ATR cabin. The idea for the radical change comes from the

United States. Airports and airlines there are keen to eliminate the distinction between regional airplanes and long haul aircraft and, wherever possible, to have passengers board all planes using air bridges from gates.

For airlines it's a lot more efficient to transfer passengers from a regional airplane to a bigger one if they all arrive directly at the terminal and transfer quickly from one gate to another.

Another development emerging from the United States is greater interest by US airlines to offer dual class

layouts in regional aircraft. That means a new first class configuration with three seats abreast that is offering a premium service level compared to the standard, economy class.

John Moore, ATR's head of sales says the company is rising to the challenge as clients' needs are evolving, "We will be more successful in the US if we adapt and develop our product to meet the changing market requirements. And right now the US airlines want to offer a product that allows boarding passengers via air bridges and offering them a dual class configuration.

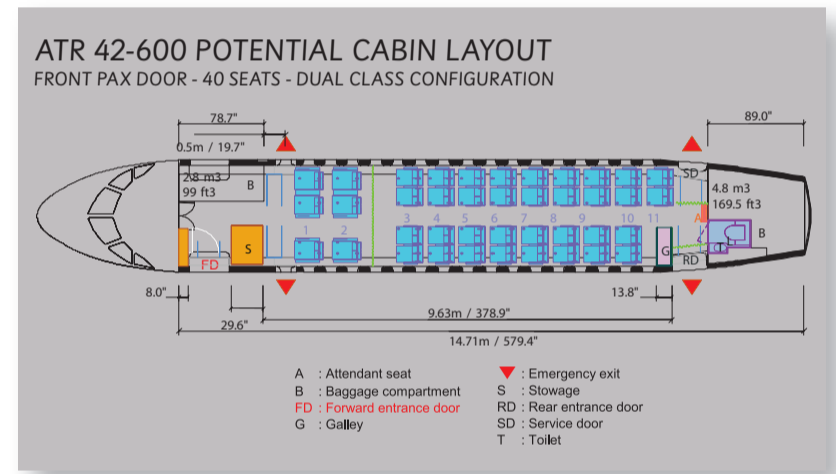
So we pleased to be able to differentiate our product to adapt to new conditions."

John Moore points out that US aviation is a mature market and what happens in the US could develop in some other regions down the road. While the forward door option will be focused on the -600 series, the forward door already exists as an option for -500 series aircraft as well. In fact Nicola Costagliola, ATR's Vice President, Programs Control points out last year ATR delivered four 72-500s for the Royal Thai Air Force with forward doors too.

Mr Costagliola says, "Providing a forward "plug door" and dual class option is not complex in itself but simply requires substantial fine tuning between the fuselage maker Alenia and its supplier providing the doors in Italy." Of course the rear door won't change. Dual class also means there will be less seats in the new configura-

tion and the challenge for ATR's technical staff is also making sure passengers retain the same legroom space in the economy section they are accustomed to at the moment. Fortunately this is not an issue because ATR has developed a new seat for the -600 series that provides additional legroom.

Without question, the changes mean a lot of hard work for ATR's teams but as John Moore, ATR's head of sales points out - the dividends could be great as there are in the United States a couple hundred aging turboprops in the 30 to 50 seat category that need replacing, as well a portion of the 1500 50 seat regional jets that will be retired in the coming years that can be replaced with turboprops. ATR is ready to take up the new challenge. John Moore admits ATR probably won't convert all those new replacements into orders for new ATRs, but the potential is huge!



Business case

Fit for the Extreme

It's not often you will hear that a team from ATR have gone to the Siberian region of Yakutsk for the weather.

But that is exactly what they have been there for, as they carried out extreme cold temperature tests on a 72-500 in February this year. Since its considered one of the coldest places on the planet, ATR is in the process of getting a certificate to extend the environmental envelope to operate all 72 models

and 42-500/600 aircraft in extreme cold temperatures. ATR has already received the extension for the 42-300 with a series of tests at a temperature of -54°C.

With the certificate it means ATR's turboprops become even more attractive for operators in Russia and meets their expectations. At

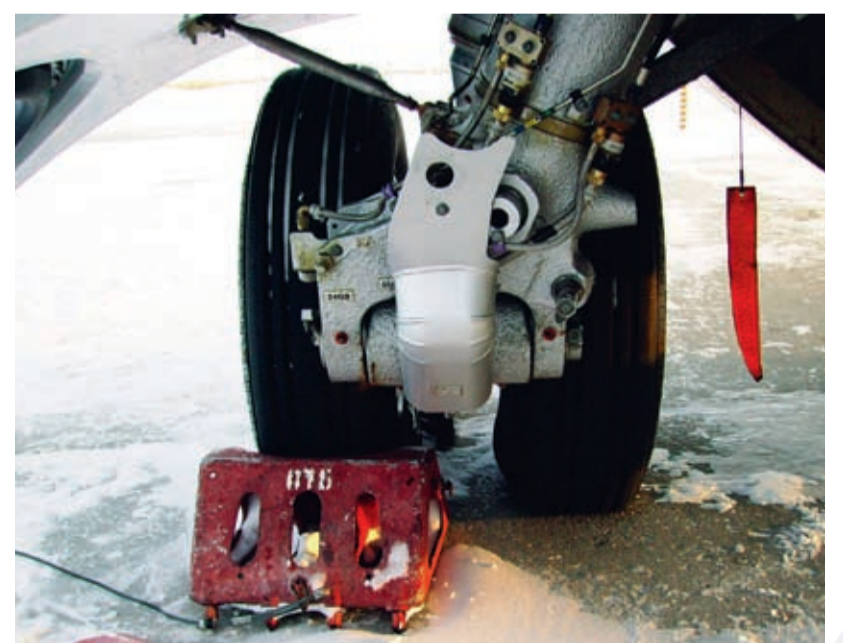
the same time, the certification opens up new market segments in other regions of the world facing very cold temperatures, including Canada and northern Europe.

Russia being the world's biggest country doesn't just face extreme weather fluctuations - covering such a vast territory, it also has runways in far-flung and extremely remote areas.

Some of those runways are short and unpaved and very difficult to fly in and out of. Nevertheless ATR is determined to make sure clients can count and rely on its turboprops to be able to operate in such difficult conditions.

From October 2009, ATR has launched a very severe certification process - in order to get the certificate from the Russian Aviation Authorities (IAC) to operate on unpaved and short runways across Russia for 42-500/600 and 72-500/600 models.

The activities being carried out include runway measurements and evaluations of limit and fatigue loads aging on the aircraft as a



result of more severe accelerations. The certification process will lead to installing protections such as protective tape, grill and new marbil coating resistant to very low temperatures.

The certification process is expected to be completed by summer 2011.

According to Carlo Schettino, ATR's Product Technology Director, "Clients will have even more flexibility as they will be able to operate on all runways, even unpaved ones and even in very cold weather. The product we offer is even more commercially attractive and has even bigger market potential".



Cold weather campaign

In service

Operators Conference: Clients and Vendors speak out

Customer support and technical assistance set agenda in Paris 19th-22nd October.



In mid-October the ATR community came together in Paris for the 11th Operators Conference. Alternating with regional events, held every four years, this was the first worldwide gathering since 2006. It brought together more than 70 airlines and around 40 vendors. In total, around 400 participants shared their experience and observations in workshops and sessions.

For Luigi Mollo, ATR Vice President Commercial Customer Services, "It's an important moment in the life of the ATR community. The airlines are exchanging experiences and there is a focused discussion on technical issues such as maintenance, engineering and economic issues that can affect the aircraft. It then allows us to take the right actions to continue responding to our customers expectations".

The role of ATR Customer Services has evolved extensively since its start up in the late 1990s. Back then, the focus was on 'Product Support'. Often young and small clients were buying planes where product support was essential and where issues of technical nature needed quick and easy solutions. At the start of the new millennium, a shift in emphasis occurred. Aircraft have become more sophisticated and require less fine-tuning. Customer Services turned increasingly to aircraft development and interior arrangement. Now Customer Services has reached its current and third stage of development.

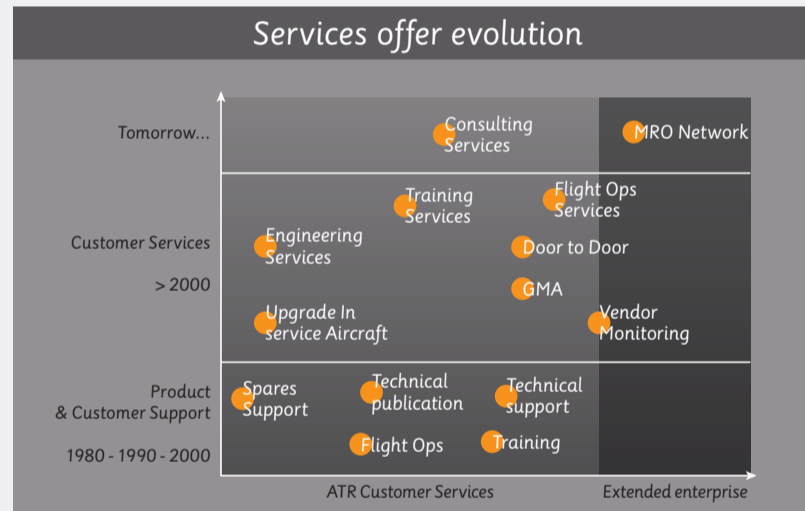
There is a widespread trend for the airlines, not only the low cost ones, to outsource many aspects of their maintenance and operations sectors. ATR Customer Services has integrated this trend in the way support

and services are offered to the ATR operators. Packaged maintenance and training services, along with a regionalized approach have been the two key evolutions in ATR's Customer Services portfolio in the last 6 years.

Nevertheless one fundamental principle underlines Customer Services - support the product. "We are here to support airlines and provide services solutions on all technical matters (including flight ops and engineering & maintenance). Ultimately we want to help airlines fly aircraft safer and contribute to airlines' profitability" says Julien Pollentier, ATR's Marketing Manager, Customer Services.

That is what made the 11th Operators Conference so important, because it represented a unique opportunity for ATR's support and services teams to listen to their clients, especially on crucial technical issues like maintenance and flight operations.

In fact, Customer Services is already developing new services to reduce even further clients' costs, whether in maintenance or in flight operations. Among the new ideas being developed, data intelligence such as flight data analysis which can help improve safety, and cut fuel consumption. Another concept, the 'Electronic Flight Bag', aims to remove paperwork from the flight deck and reduce crew workload whilst optimizing information management in-flight and on the ground.



IN FIGURES

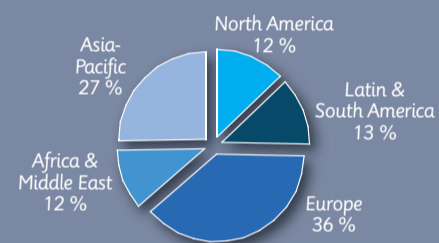
900

that's the number of aircraft ATR has delivered worldwide. The 800th milestone was reached in November 2008.



Fleet total cycles:
20,000,000

FLEET IN SERVICE*



*As of August 2010

CUMULATIVE ATR FLIGHTS



In the loop ATR expands presence "down under"



ATR made its presence felt at the 11th annual convention of the Regional Aviation Association of Australia in September. Australasia has always been a highly productive marketplace for ATR and its visibility is stronger than ever thanks to two new airlines in Papua New Guinea joining our worldwide family. Hevilift has just acquired two ATR 42-320s for domestic operations and Airlines PNG has wet leased a brand new ATR 72-500 from Berjaya Air.

Airlines PNG and Berjaya Air operate the longest ATR flight between Cairns and the island of Lihir (950 nm), and selected the aircraft for its unique performance on very short and unpaved runways. Its comfortable 48-seat cabin, including an 'In Flight Entertainment system' offers a new travel experience in regional aviation.

Green talk Did you know that...



- Air transport is responsible for just 1% of noise emission above 65 dBA (decibels) all European Union citizens are exposed too. In comparison road transport accounts for 90% of all noise pollution above that level.

- The benefits of new technologies on aircraft aerodynamics, structure and propulsion are remarkable. The noise footprints produced by a modern ATR turboprop affects an area of just 3.5 sq. km around an airport. Compare that to 13.5 sq. km for a 40-year old turboprop and nearly 30 sq. km for a 40-year old jet.

- All ATR aircraft comply comfortably with the most rigorous Stage 4 noise regulations.

2009 Leading aircraft utilisation (12 months)

	ATR42	ATR72
Max Flying Hours	3,085	3,290
Max Flights	3,970	3,980

Leading aircraft utilisation (end December 2009)

	ATR42	ATR72
Cumulative Flying Hours	56,374	40,500
Cumulative Flights	55,917	60,340

Airline Operators and Leasing Companies

Africa Middle East	33
Asia Pacific	46
Europe	54
Latin America	26
North America	15

In confidence

Air Lease Corporation

Air Lease Corporation is one of the most recent aircraft leasing companies to join the industry. But the management team behind Air Lease are anything but novices. Its been set up by the legendary Steven Udvar-Hazy who retired from the leasing giant ILFC earlier this year. His management team includes John Plueger who left ILFC to join him in this new venture. John Plueger is now President and Chief Operating Officer of Air Lease Corporation and spoke exclusively to ATReview about this exciting new adventure.



(From left to right) Steve Udvar-Hazy, CEO of Air Lease Corporation ; Filippo Bagnato, CEO of ATR ; John Plueger, President and COO of Air Lease Corporation.

Your previous efforts made you true pioneers in the commercial air transport industry especially in terms of aircraft leasing - how will Air Lease Corporation be different from that venture?

John Plueger: In a true pioneering spirit, there is nothing like a clean sheet of paper, a fresh start, to realize our dreams and perfect all of the things we've learned from nearly 40 years in the business, unburdened by legacy company issues. What will stay the same are the basic principles that guided us to success in our previous company - knowing our customers and their needs the best, being completely focused on immediate responsiveness (beating everyone else), no bureaucracy, creating solutions that work for each

customer and getting it all wrapped up before our competitors even get their first appointment.

Airlines will often tell us things that they don't tell airframe and engine manufacturers, because our focus has been, and always will be, what is best for the airline and we offer a variety of aircraft and engine types - we are independent, and not wed to any particular airframe or engine manufacturer. We take a very simple, practical approach to each and every aircraft placement, "Will this aircraft make money for this airline?" It's that simple. If the aircraft makes money, we'll get paid our lease payment. If it does not, then we have to be concerned.

What will be different is our product offering, with no better example than

the ATR 72-600. The airline industry, one of the lowest margins (if not THE lowest margin) amongst global industries, is critically vulnerable to fuel price, to environmental concerns, and to cost of operations. To address those vulnerabilities, there is a range of new, exciting aircraft that will occupy an ever larger role in the global transportation network. And those aircraft are no longer exclusively manufactured by Boeing and Airbus. Our customers are asking for these aircraft types, including the ATR 72-600. We provide aircraft that our customers ask for.

At Farmborough you ordered ten ATR 72-600s. What are the key selling points of the -600 series that persuaded you to select ATR?

JP: I've already covered many of these points. But, in a nutshell: We believe the ATR 72-600 will provide one of the highest platforms for fuel efficiency, technical and environmental advancement, and cabin appeal of any aircraft in its size class, supported by a world class organization that prides itself on its quality, product, and customer support. As a result, at this stage we believe the ATR 72-600 will provide the lowest operating and trip costs, best residual value, and therefore the best potential financial returns to us of any aircraft in its class.

That seems to mean you have a lot of confidence in the turboprop market in the coming years?

JP: Yes. Twelve years ago, people wrote off turboprops completely. I was one of them. But the world changed. Fuel prices went into the stratosphere and caused a global panic and awareness that was not there before. Simultaneously, turboprops evolved into better products. Less noise. Less vibration. Higher speeds. Higher payloads. Higher dispatch reliability. A better passenger experience. The fact is, no jet can match the fuel and environmental efficiency of the latest generation of turboprops for sector lengths of 600nm or less, especially on regional and domestic routes where you do not have the ability to climb high (over 30,000 feet) and stay there for a long time.

Since you have just created Air Lease Corporation, does that mean you think the industry is poised for a big uptake once again?

JP: Yes, and that was a primary motivation behind the timing of our new venture. But we would prefer and believe we will see a slower, rational, sustained growth cycle as opposed to high amplitude cyclical fluctuation. The industry cycle will never stop. But the amplitude must dampen, with more disciplined pricing, capacity, and production. In the past, as things got better, aircraft got ordered. The pace of orders quicken as airlines and leasing companies are afraid to miss out. The pace becomes frenzied and non-sustainable. Then we peak and it all goes the other way. The cycle will never stop. But there must be more disciplined pricing, capacity, and production.

Where do you expect the growth areas to be?

JP: We believe the biggest growth will actually be outside of North America, specifically, South America, Asia, the Middle East, Russia and Eastern Europe.



Air Lease ATR 72-600

In the know

Positive message for ERAA - ATR poised for market pick up

Once again ATR sponsored the annual gathering of Europe's aviation leaders at the European Regions Airline Association convention General Assembly (ERAA). The three day event was held in Barcelona and brought together representatives from 48 European Airlines as well as manufacturers, suppliers and service providers. It provided a highly influential forum for ATR's CEO, Filippo Bagnato to speak about market conditions in Europe. In his speech, during the gala dinner, he said the market was now recovering and underlined that turboprops are well positioned for the pickup as passenger numbers increase. During the General Assembly the 'ERA Airline of the Year' award was announced. The prize is to recognize excellence and achievement amongst intra-European airlines. As Europe's dominant regional aircraft manufacturer, ATR sponsors the 'Airline of the Year' award and this year the winner is Binter Canarias. A gold trophy was presented to the team from Binter Canarias by Mr Bagnato. Silver went to Olympic Air and Bronze to Danish carrier, Cimber Sterling. Both Binter Canarias and Cimber Sterling have operated ATRs since the project was started and continue to fly turboprops in their fleet. The next ERAA General Assembly will be held in Rome in September next year and the Airline of the year award will certainly once again be sponsored by ATR.



(From left to right) Alfredo Morales, CEO of Binter Canarias ; Pedro Agustin del Castillo, President of Binter Canarias ; Filippo Bagnato, CEO of ATR

In brief

TRIP takes delivery of ATR's 900th aircraft

Brazilian airline Trip and ATR have marked a major milestone by celebrating the handover of ATR's 900th aircraft. The Brazilian carrier's brand new 72-500 takes its existing fleet of ATR aircraft to 30! By the end of the year TRIP will take delivery of another 3 ATRs.

An ATR first: A training centre in South Africa

ATR is opening its first training centre in South Africa in partnership with the South African airline, Comair. The Johannesburg-based centre will be operational from April next year and will be equipped with a full-flight simulator (FFS) offering training for ATR 42-300/500 and 72-200/500 turboprops.

Caribbean Airlines buys 9 72-600s

ATR and Caribbean Airlines have announced a deal for the purchase of 9 72-600 aircraft in a contract valued at more than US \$200 million. With this order Caribbean Airlines becomes a brand new ATR client. The aircraft will be configured with 68 seats and equipped with the brand new -600 series avionics suite and "Armonia" cabin. First deliveries will start in late 2011.

TRIP signs GMA with ATR

The Brazilian regional carrier has also signed a Global Maintenance Agreement or GMA with ATR worth US \$54 million. The five year contract covers the repair of the 'Line Replaceable Units' in its ATR fleet. This customer support options allows ATR customers like Trip to benefit from amongst others, a lighter administration work load and more competitive freight rates.

Management change at ATR

Eric Baravian has been appointed as new Senior Vice-President, Finance and Chief Financial Officer of ATR. He succeeds Giovanni Tramparulo who takes on new responsibilities at ATR as Sales Finance Special Adviser.

WHERE TO FIND US IN 2010?

AVEX	Sharm El Sheikh, Egypt	7 - 10 Nov.
Indo Defence	Jakarta, Indonesia	10 - 13 Nov.
Airshow China	Zhuhai, China	16 - 21 Nov.
Airline Leaders Forum, ALTA	Panama	17 - 19 Nov.
AFRAA General Assembly	Addis Abeba, Ethiopia	22 - 23 Nov.