

# ARCHIVED REPORT

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## Moravan Aeroplanes - Archived 6/2006

### Outlook

- In June 2004, Moravan Aeroplanes was officially declared insolvent
- LZ Aeronautical was declared bankrupt in March 2004 and removed from the control of Moravan Aeroplanes
- In October 2004, numerous companies from around the world expressed interest in purchasing LZ or at least its assets
- Potential buyers are interested in gaining the assets and rights to LZ's L 410 commuter aircraft

### Sales & Net Income Trends

Information Unavailable

### Headquarters

Moravan Aeroplanes Inc  
Letiště 1578  
765 81 Otrokovice  
Czech Republic  
Telephone: + 420 576 083 900  
Fax: + 420 576 083 929  
Web site: <http://www.moravan.cz>

Moravan Aeroplanes has been an aeronautical manufacturer since 1934 and is best known for its Zlin sport aircraft. The company also does subcontract work for EADS, Aero Vodochody, and Airbus. In July 2001, Moravan acquired the assets of LET AS, following LET's earlier fall into bankruptcy. Following the purchase, LET was renamed **LZ Aeronautical Industries**.

In addition to the Zlin, Moravan is manufacturing its L 610 light transport aircraft for both domestic and international markets. The majority of the company's production was previously geared toward fulfilling an almost unending Soviet demand for civilian and military light transport aircraft. In addition to a family of turboprop-powered transport aircraft, and involvement in the Aero Vodochody L-29 turbojet-powered training aircraft, the firm has also been involved in the manufacture of radar and computer technology.

However, by mid-2004 economic reality caught up with Moravan and the company was declared insolvent.

### Structure and Personnel

Libor Soska  
President, Moravan Aeroplanes

Patrick Joachimczyk  
Commercial Director, LZ Aeronautical Industries

### Product Area

Moravan Aeroplanes produces the Zlin series of sport aircraft, the Z143L and Z242L. In addition to their civilian uses, the aircraft have been used as trainers in Peru and Egypt. The newly acquired LET facility, which now operates as an independent division – LZ

Aeronautical Industries Inc – manufactures transport aircraft. The current production program is the L 610 transport aircraft. The L 410 was sold in very large numbers to the former Soviet military and to Aeroflot, the airline of the former Soviet Union.

## Facilities

Moravan Aeroplanes Inc, Letiště 1578, 765 81 Otrokovice, Czech Republic. Telephone: + 420 57 608 3000. This is the company's headquarters; the facility also produces the Zlin series of sport aircraft.

LZ Aeronautical Industries Inc, Letecké Závody a.s. 686 04 Kunovice, Czech Republic. Telephone: + 420 572

81 61 61. Web site: <http://www.let.cz> This former LET facility is located some 60 kilometers east of Brno. This is the main center for the production of LET aircraft.

## Corporate Overview

Moravan Aeroplanes Inc has been a leading Czech aerospace manufacturer since 1934. In that time, over 5,500 Zlin aircraft of 50 types have been delivered worldwide.

L 610G and L 610M 40-seat aircraft programs. These assets were purchased by Moravan Aeroplanes in July 2001 (see section below).

### New Products and Services

**EADS Components.** In June 2001, Moravan Aeroplanes was selected by EADS Socata to provide components for the Airbus A320. Moravan has also been contracted to build the fuselage for a small general aviation aircraft (TB series).

### Mergers/Acquisitions/Divestitures

Moravan Buys LET. In July 2001, Moravan Aeroplanes acquired LET AS in a deal valued at about \$5 million. Several parties had expressed interest in LET, but only Moravan put down a deposit and proceeded with the necessary audits. Moravan is part of Moravan Otrokovice, a holding company with activities in several industrial sectors.

### Plant Expansion/Organization Update

Moravan and LZ Bankrupt. In June 2004, Moravan Aeroplanes was officially declared insolvent. According to management, Moravan had succumbed to the general crisis in the aviation industry following 9/11.

Ayres Buys LET. In August 1998, Ayres Corporation of the United States completed the purchase of LET. Under the terms of the agreement, an undisclosed cash payment was made to the shareholders along with an assumption of LET's long-term debt. According to LET officials, Ayres was to initially focus on designing and manufacturing the wings and empennage for LET's new LM200 Loadmaster cargo and utility aircraft. Ayres Corporation is an agricultural and cargo aircraft manufacturer located in Albany, Georgia. However, by August 2000, Ayres was unable to turn a profit with the operation and cut off all cash, pushing LET into bankruptcy in October 2000.

Prior to this, LZ Aeronautical was declared bankrupt in March 2004 and removed from the control of Moravan Aeroplanes. A court-appointed administrator currently oversees LZ's assets. In October 2004, numerous companies from around the world expressed interest in purchasing LZ or at least its assets. According to the bankruptcy administrators, potential purchasers are from Canada, the Czech Republic, Italy, Slovakia, and the U.S. The goal of most of these offers is to gain the assets and rights to LZ's L 410 commuter aircraft. These administrators are also in talks with Rekkof Aircraft about cooperating to restart Fokker 70/100 regional jet production.

### Teaming/Competition/Joint Ventures

LET Bankrupt. In October 2000, LET entered into bankruptcy proceedings. As part of this process, LET's trustee solicited offers for the purchase of the company's assets. Up for sale were the following: intangible fixed assets (software, available rights, non-finished intangible fixed assets), tangible assets (land, buildings, halls, machines, devices, equipment, furniture, office equipment, non-finished tangible assets), financial investments, current assets (inventory, materials, work in process, products), receivables, and other assets. Also up for sale were the unfinished

**Pereira Internacional Aérea.** In July 2001, Moravan Aeroplanes established a final assembly center in the United States to meet the growing demand for Zlin aircraft in Latin America and North America. The company signed a joint venture with Houston-based Pereira Internacional Aérea to install engines, avionics, and interiors on Zlin 242L and 143L series sport aircraft.

**GE/OMNIPOL L 610 Accord.** OMNIPOL and GE Aircraft Engines signed an agreement in January 1990 whereby the latter would supply its CT7-9C turboprop engines for installation aboard the L 610. Bendix/King was to add avionics. Hamilton Standard joined this team in May (providing the environmental control system and propellers). The first GE engine was shipped to LET in

March 1991. The GE-powered L 610 has greater range than the M602-powered version, and is more easily supported in the Western marketplace. OMNIPOL

acknowledged that the Motorlet engine would not be acceptable under the new market economy, not even to Aeroflot, previously one of LET's biggest customers.

## Financial Results/Corporate Statistics

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Financial information for Moravan Aeroplanes is unavailable.

## Strategic Outlook

While the acquisition of LET by Moravan Aeroplanes was initially heralded as a rejuvenation for the Czech aircraft manufacturer, the reality has been somewhat different.

The July 2001 acquisition of LET – subsequently renamed LZ Aeronautical Industries – came nine months after the company was declared bankrupt and removed from its previous owner, the Ayres Corporation. Now just three years later, LZ Aeronautical Industries is again in bankruptcy along with its new owner, Moravan.

Further complicating the matter are attempts by U.S. entrepreneur Randall Brinks to void the transfer of LET to Moravan a.s., Moravan Aeroplanes' parent company. According to reports, Brinks was one of several bidders initially interested in LET's assets following Ayres' loss of control. He alleges that bankruptcy administrators acted improperly in awarding LET to Moravan and withheld critical contractual documents from his attempt to bid.

As if that weren't enough, the current bankruptcy administrator has to deal with Moravan's transfer of assets to various subsidiaries, which is effectively gutting the company.

The events of 9/11 further compounded the matter as it plunged the world aviation industry into crisis. With the company already in disarray, this event exacerbated a bad situation, leading Moravan and LZ to enter into bankruptcy in early 2004.

The companies have been separated and now the bankruptcy administrators are reviewing options for the future of the two operations. For the moment it appears that Moravan will concentrate on its Zlin training and sport aircraft. Meanwhile, LZ Aeronautical, with its key L 410 and L 610 commuter aircraft programs, is being pursued by several firms that would like to buy the company outright or at least its assets. The administrators are reviewing offers from the various manufacturers and a final decision on who will get LZ Aeronautical and its programs is expected by the end of the year.

## Prime Award Summary

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Information unavailable.

## Program Activity

**Business Interests.** Some important aerospace and government programs currently under way at LET are listed below. The briefs are intended to provide a listing of programs of major importance to the company. For detailed information or analysis of specific aerospace and defense programs or equipment, please refer to the appropriate Forecast International binder (for example, *Aircraft, Military Vehicles, Warships, Missiles, Electronic Systems, and Gas Turbines*). The following are the company's business interests:

- Turboprop-powered transport aircraft
- Gliders
- Electronics
- Aircraft overhaul and maintenance

### LZ Aeronautical Industries L 610

This is a pressurized, short-range, 40-passenger, twin-turboprop commercial transport currently under advanced development. The aircraft's first flight occurred in December 1988; certification under former Soviet ENLG-S airworthiness regulations was previously scheduled for 1991. First flight of the L 610G (CT7-9) occurred in December 1992. The L 610G program now appears to essentially have been suspended. Hoping to secure \$40 million to complete certification of the L 610G, LZ had begun negotiations with potential investors in mid-2002. Meanwhile, three possible cargo versions of the L 610G were being studied by LZ. One was a freighter version of the standard 40-passenger aircraft, with capacity for four

LD3 freight containers. Another was a stretched version capable of accommodating five LD3s. A third had a rear loading ramp and capacity for six to eight containers. In 2003, LZ had reported interest from an unnamed South Korean customer for 20 L 610Gs.

### **LZ Aeronautical Industries L 410/L 420**

The L 410, depending on its configuration, is a 15- to 19-passenger, unpressurized, twin-turboprop-powered regional/commuter/utility transport aircraft. Applications of this short-range regional/commuter passenger transport include commercial and military service, such as transportation, general cargo, and paratroop carriage. Production, suspended during 1992, was restarted in late 1996. LZ Aeronautical Industries has produced approximately 1,057 L 410 aircraft. LZ Aeronautical Industries is developing the L 420, an L 410 derivative designed to U.S. Federal Aviation Administration (FAA) Part 23 standards. It incorporates some 17 individual minor changes to the L 410

airframe. First flight of the L 420 occurred in November 1993.

The L 420 received type certification in March 1998 from both the Czech Civil Aviation Authority and the U.S. FAA. In June 1999, Pan Pacific Airways, Burlington, Washington, ordered five L 420s, with options for an additional 15. California Coastal Airways plans to order four L 420s.

LZ Aeronautical Industries has been studying a stretched version of the L 410 called the L 430. In fall 1995, the Czech company decided to power the L 430 with Pratt & Whitney Canada PT6 engines. The L 430 would also feature a larger cargo capacity than the L 410.

### **Zlin**

The Zlin Z142L and Z242L are used as primary prop trainers and sport aircraft. Over 5,500 training, sport, aerobatic, and agricultural variants of these airplanes have been produced.

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