ERA General Assembly Athens 2017

Industry Overview

John Strickland, Director JLS Consulting

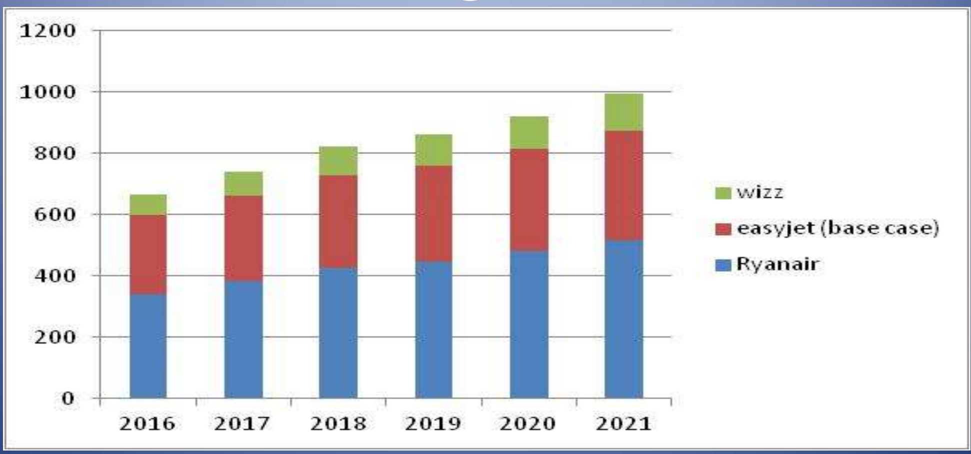
Fuel Price

- Still low
  - Double edged sword
  - Cost saving but given back in lower yields
  - Preserves some marginal capacity in the market

LCC's Continued Growth

- The large LCC's continue to strengthen market share
  - Massive fleet growth
  - Increased coverage of major airports
  - Contributing to yield pressures

Indicative Fleet Growth Leading LCC's

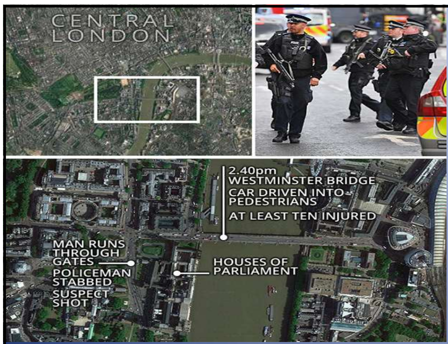


Consolidation

- Top 5 groups (3 x legacy, 2 x LCC) account for +/-50 ASK's in EU
  - Same comparative in USA circa 90%
  - Slower pace of change
  - LCC's main beneficiaries

Consolidation

- Recent significant failures
  - Monarch
  - Air Berlin
  - Alitalia...is it over or rise like a phoenix from ashes?
  - Uncertainty for several carriers



Security

- Ongoing challenge for all
  - Impact on demand
  - Evidence is that recovery takes place
  - Turkey has seen a phenomenal comeback
  - Has created over capacity in Western Mediterranean

Brexit

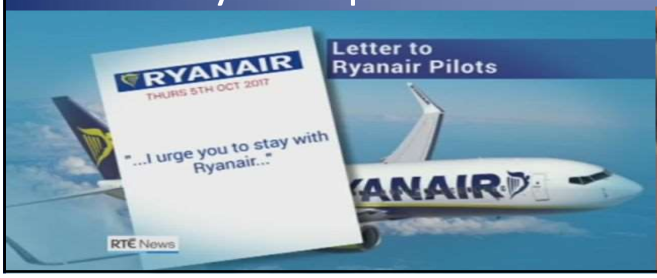
- The subject of the moment
  - Numerous implications
  - Exchange rates affecting demand and costs
  - AOC / licensing issues
  - Traffic right uncertainty

Brexit

- Slow moving political process
  - Michael O'Leary shouting
  - Need for sense of urgency
  - Schedule planning horizons coming up for Summer 2019
  - Adds to political uncertainty in several European countries

Self Inflicted Wounds

- Whats going on?
  - UA overbooking, passenger dragging!
  - BA IT switch off!
  - Ryanair pilot leave debacle!



Challenges for Regionals

- Lack of slot access at many major airports
  - Prohibitive pricing regimes working against smaller aircraft
- Several regionals hit by downturn in oil sector
- Lack of new small aircraft development
- Developing pilot shortage
  - Low in the food chain

Opportunities for Regionals

- Legacies still wrestle with delivering feed
  - Growing opportunity
- Niche markets
  - Specific business sectors / corporate demand
- New generation RJ's
  - Providing better seat economics
  - Improved capacity uplift

Thank you!