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Principles for sustainable growth from an airline perspective

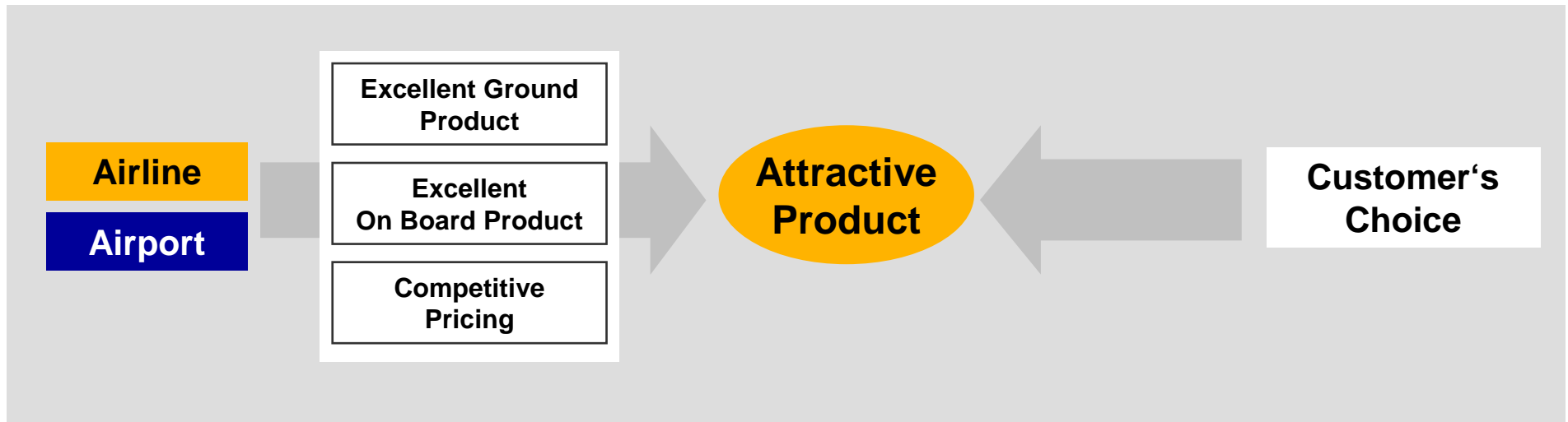


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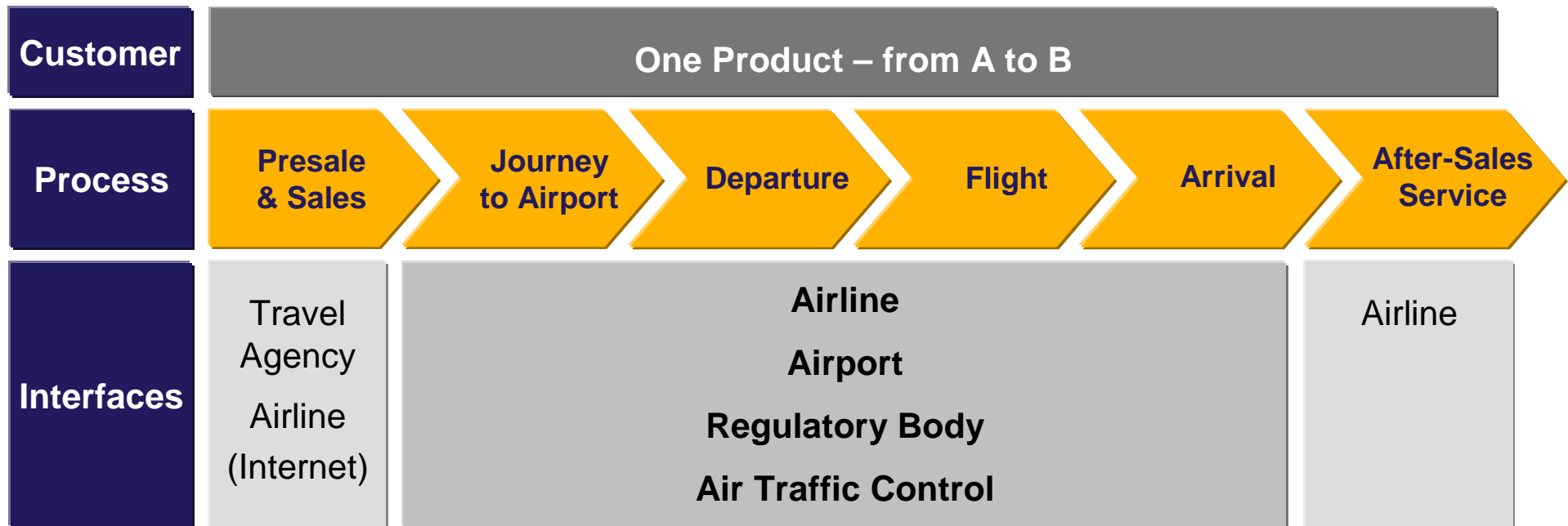
A basic condition for growth in the aviation industry is an attractive ground and on board product at a competitive price



The aviation industry is characterized by:

- Multiple choices to travel from A to B
- Decreasing customer loyalty
- Extreme price sensitivity

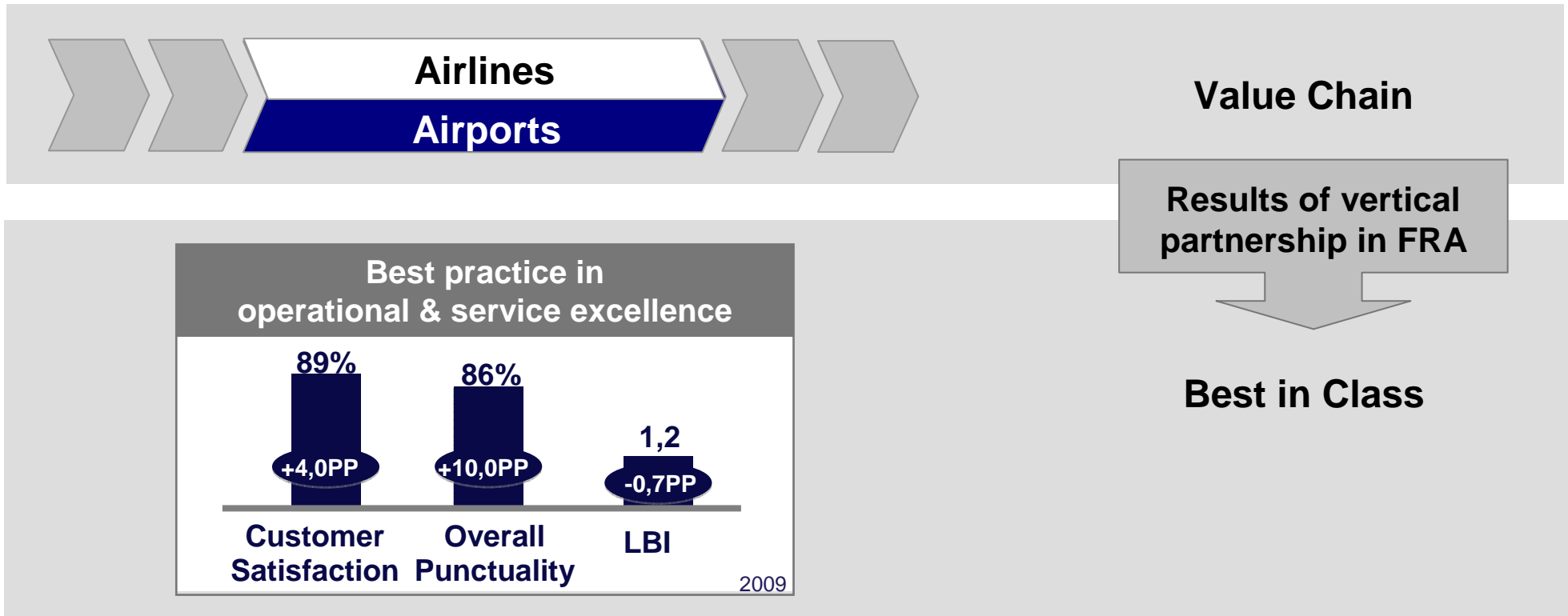
Customers perceive their trip from A to B as one product – they do not differentiate between the stakeholders involved



- Optimizing single elements of the value-chain is a prerequisite
- Streamlining interfaces is necessary to develop a competitive edge that meets customer's expectations

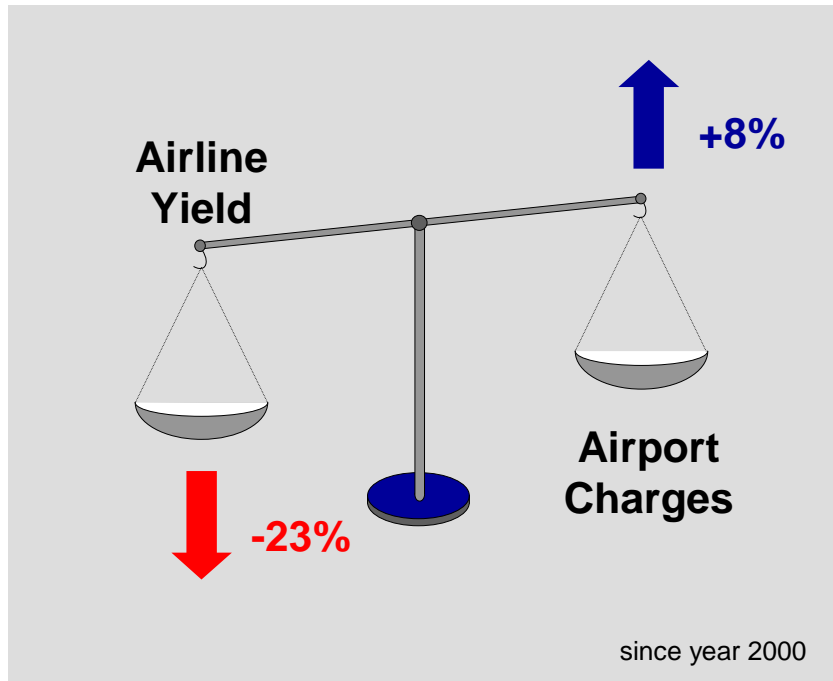
➔ Customers expect excellence in service, operations and commercial aspects

Streamlining interfaces requires vertical partnership between stakeholders – e.g. between airports and airlines



- ➔ **Common understanding and targets of operational & service excellence**
- ➔ **Still discrepancy in commercial excellence**

Dramatic yield decline is in sharp contrast to rising airport charges



- Airline yields are steadily declining
- Airlines are increasing efficiency to balance yield decline
- Airports tend to pass on costs to airlines, airport fees are going up
- ROI of airports is significant higher than ROI of airlines



What measures are necessary to achieve balanced commercial excellence from an airline perspective?

Commercial Excellence requires risk sharing and appropriate participation in investment costs between airline and airports

Market driven cost structure for fees & charges

- Competition oriented target costing instead of cost-base pricing
- Variable cost structure up to 80%
- Incentive scheme for passenger volume



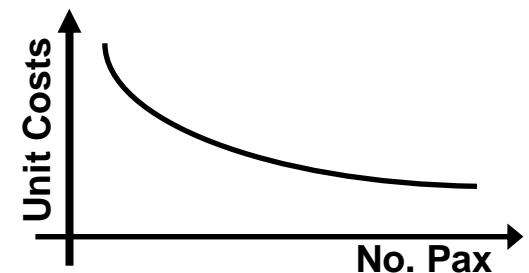
Appropriate participation in chances and risks

- Transfer pax generated by the airlines enable the airports' revenues
- Airlines should benefit from retail revenues
- Retail business has to be involved in the infrastructure investment



Decrease of hub cost per passenger

- Airlines invest billions in increasing passenger volume
- Increase of passenger volume leads to economies of scale
- Airlines expect decrease in hub unit costs



A regulatory framework must support fair competition

Risks

- Restricted operating hours
- Taxation of fuel
- Slot restrictions
- Emission trading
- Flight control – single sky

Possible Consequences

- Reduction of growth-rates
- Loss of jobs
- Shift to other means of transportation
- Distortion of competition

Solutions

- Competitive operation hours (no ban of night flights)
- Airlines pay already for their traffic infrastructure (no further charges)
- Efficient and customer friendly security and passport checks
- new regulations have to improve efficiency, quality, competition



We encourage a discourse about common goals to create a framework that meets the needs of all stakeholders

Conclusion

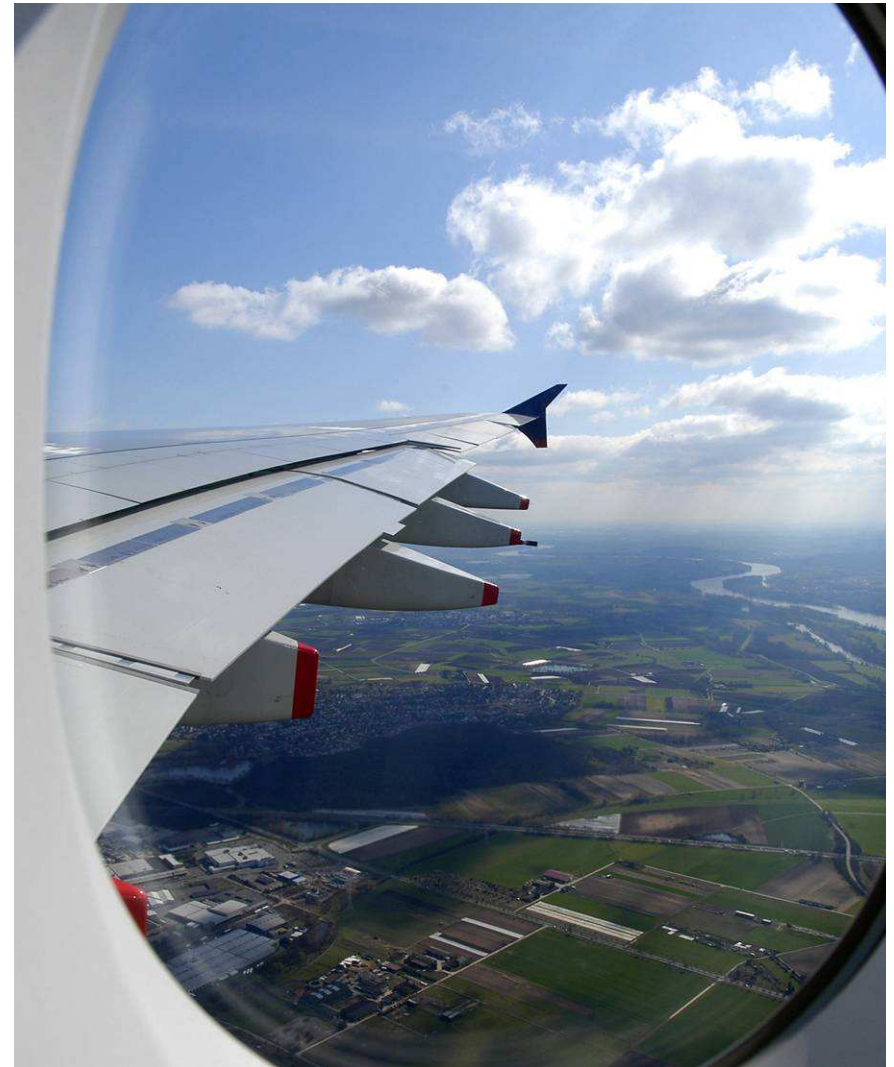
We expect from....

Airports ...

- to decrease airport charges & fees over time
- to provide modern infrastructure financed by all stake-holders
- to invest into infrastructure using aviation and non-aviation revenues => Single Till Approach

Regulatory Bodies ...

- to implement Single Sky I and II
- not to distort competition by fuel taxation, restricted flight hours and/or emission fees



Together we can master the challenges – today and tomorrow!



Thank you for your kind attention.