ERA Monthly Market Analysis

April 2015

SEABURY

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Introduction

For the production of these statistics in the following report, ERA has teamed up with partners Seabury and Innovata to provide a comprehensive analysis of ERA's members' performance.

The analysis performed by Seabury, is based on schedule data that has been provided by Innovata and gives a comprehensive overview of the sector.

This report examines the performance of ERA members carriers (and in some cases the wider European regional airline network) who report schedule data to Innovata as well as market dynamics and outlook for the Winter 2014 and Summer 2015 schedules.

Seabury is a leading global advisory and professional services firm, which provides information covering the aviation, air cargo and maritime industries with a depth of analytics to support rapid decision making. *www.seaburygroup.com* | *info@seaburygroup.com*

Innovata specialises in travel content management and distribution solutions. The firm maintains and markets an industry standard flight schedules database with over 800 participating airlines.

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Summary

- ERA carriers continue to exhibit signs of focusing efforts on a smaller route portfolio
  - The number of distinct routes is down vs. last year, however deployed capacity is up
  - This is driven partly by more frequencies and partly by the use of larger aircraft

- Cessation of routes is much greater than new route opening (both domestically and internationally)

PLEASE NOTE: issues were detected with some Innovata schedule data for April-2015 onwards, pertaining to lower-than-expected aircraft gauge. Whilst this has only been observed for 2 European LCCs, the issue may be more widespread. As such, please use caution when reviewing the data for this period. We are working with Innovata to resolve this issue and hope to present more accurate results for May's monthly statistics

Note: [1]Operated by European airlines only.

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Part 1: ERA Performance

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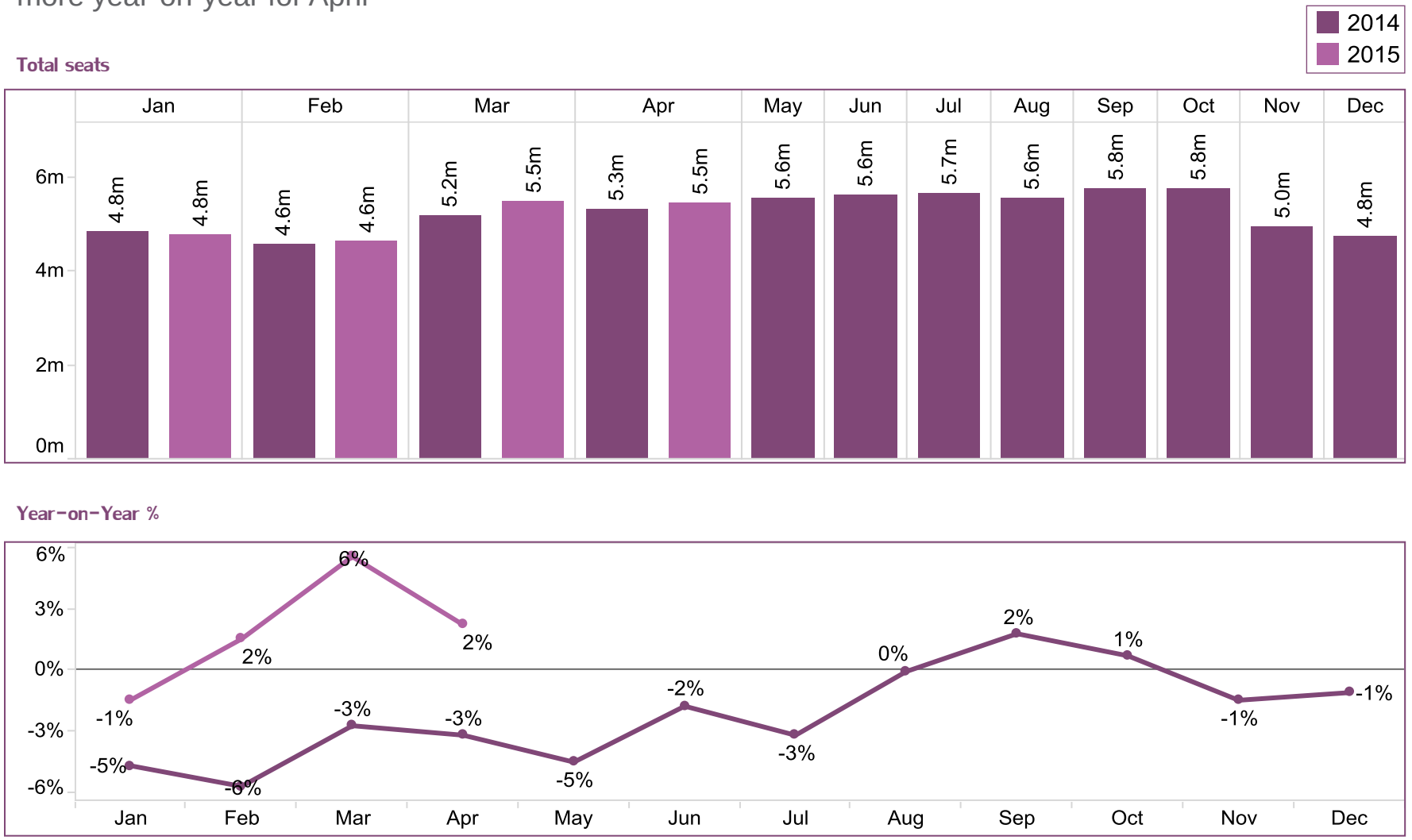
Deployed capacity

Seat capacity continues to grow towards the summer peak; ERA members are currently deploying 2% more year-on-year for April



Note: Intra-European market operated by ERA members only.
Source: Innovata, April 2015 load, surface transportation excluded.

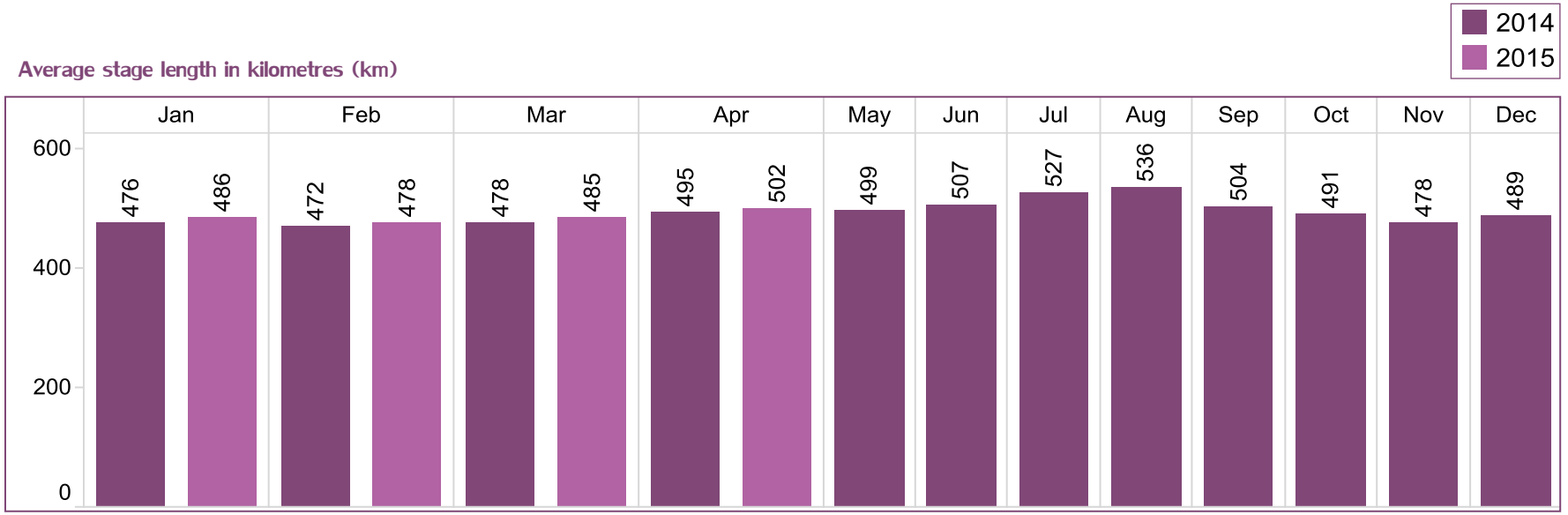
Total movements

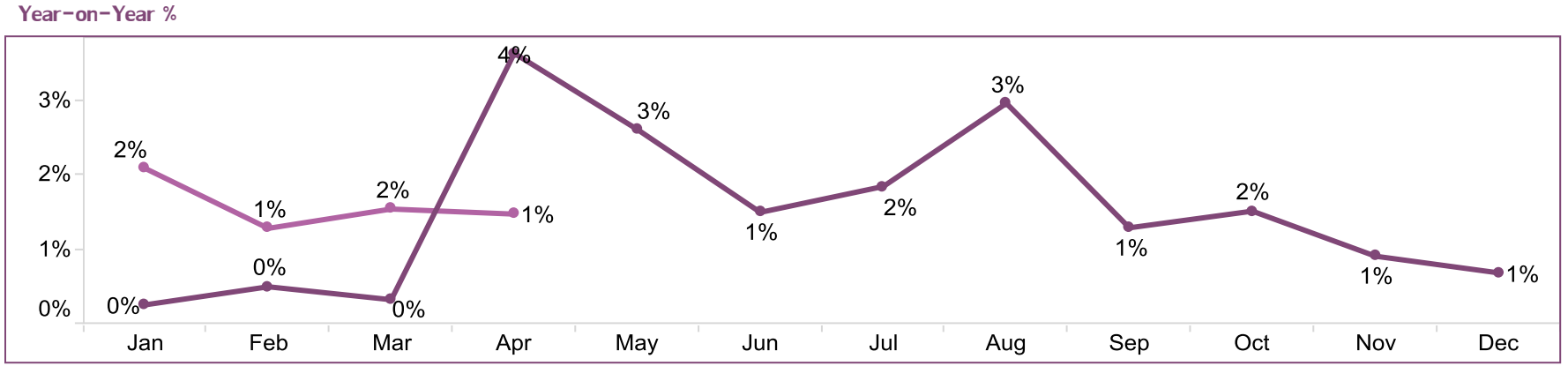
Movements for April are down year-on-year, reversing gains in March-15

Note: Intra-European market operated by ERA members only.
Source: Innovata, April 2015 load, surface transportation excluded.

Stage length

Average stage length of sectors continues to grow

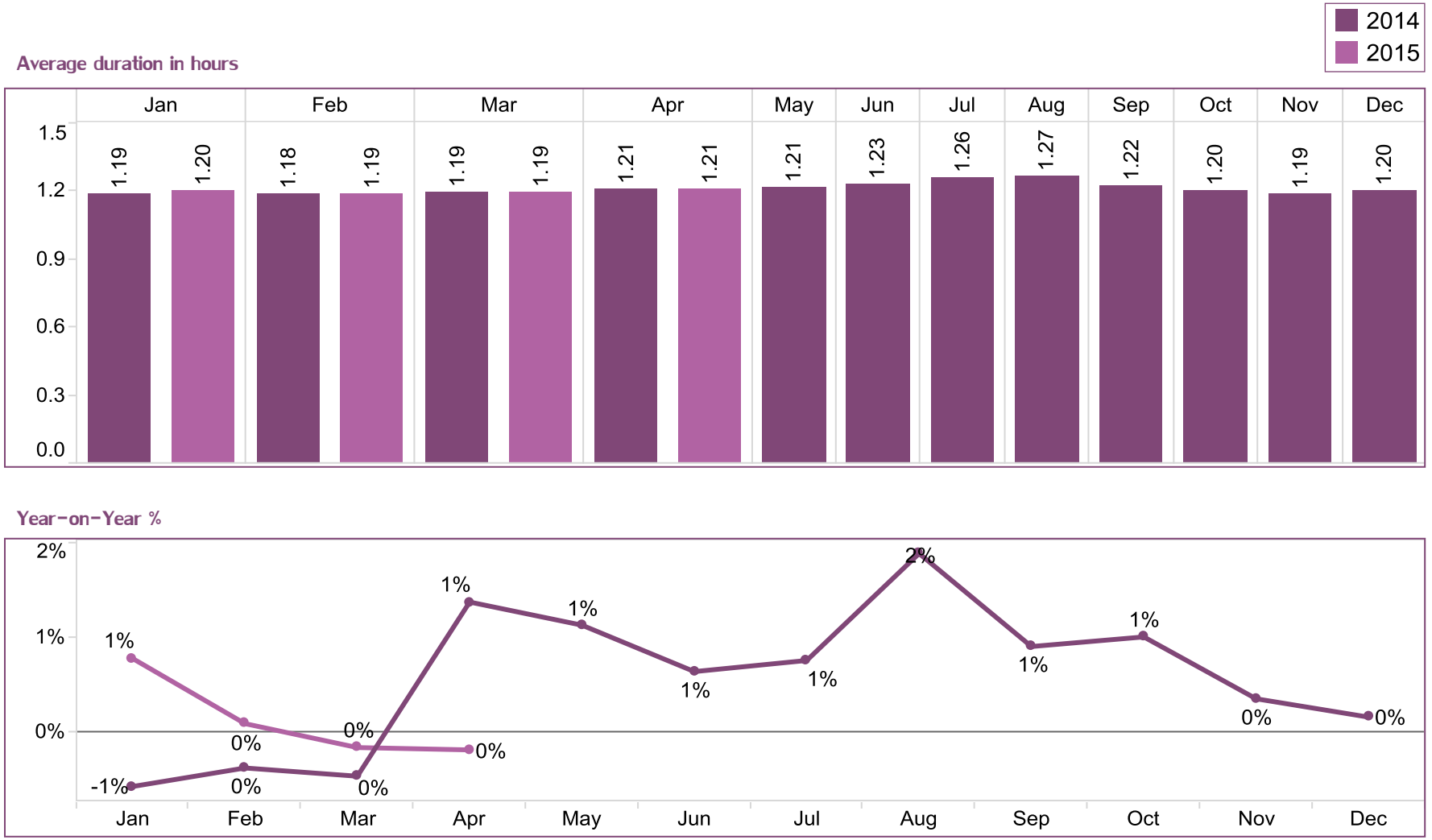




Note: Intra-European market operated by ERA members only.
Source: Innovata, April 2015 load, surface transportation excluded.

Sector duration

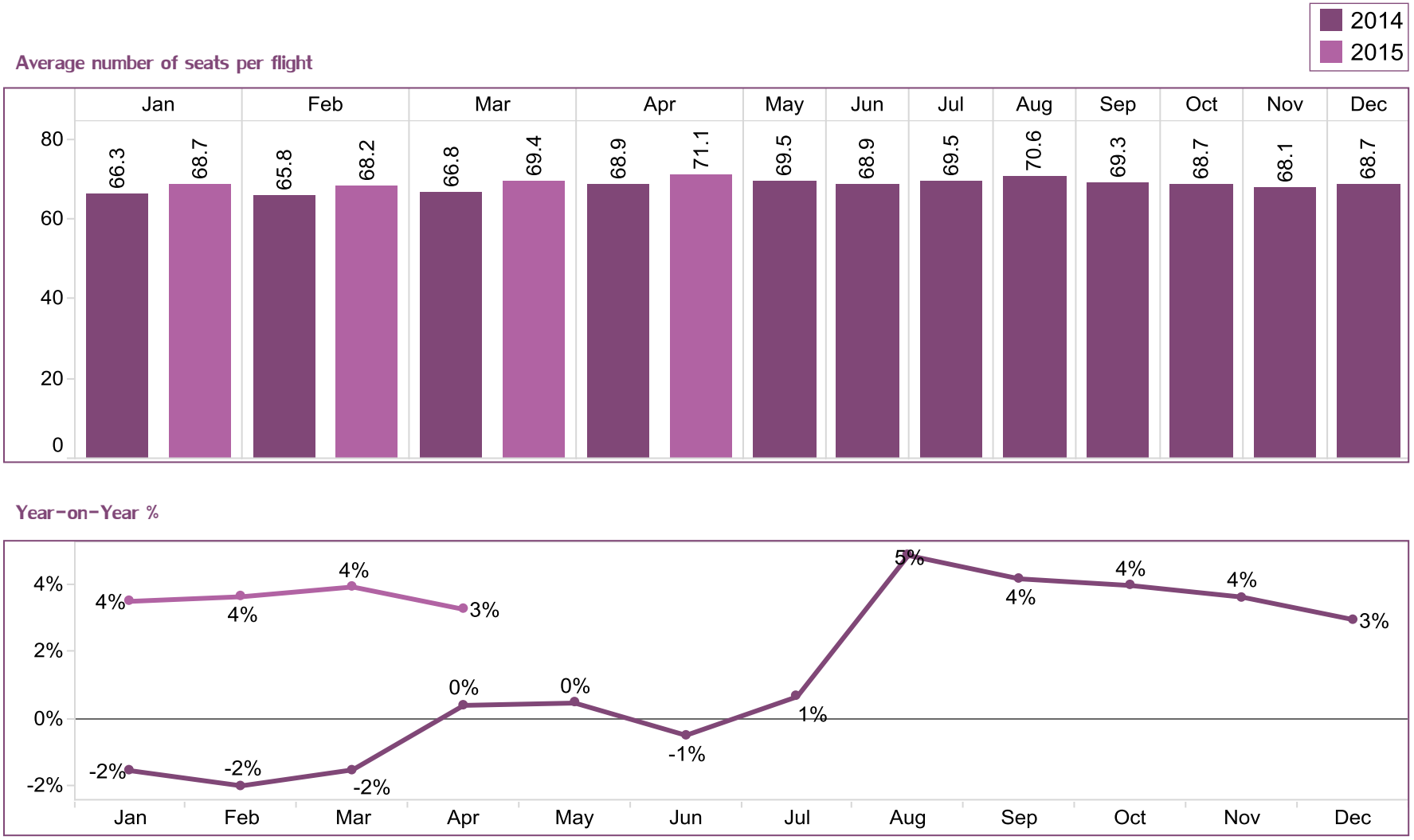
Average sector duration remains relatively at 1hr 12 minutes



Note: Intra-European market operated by ERA members only.
Source: Innovata, April 2015 load, surface transportation excluded.

Aircraft seating capacity

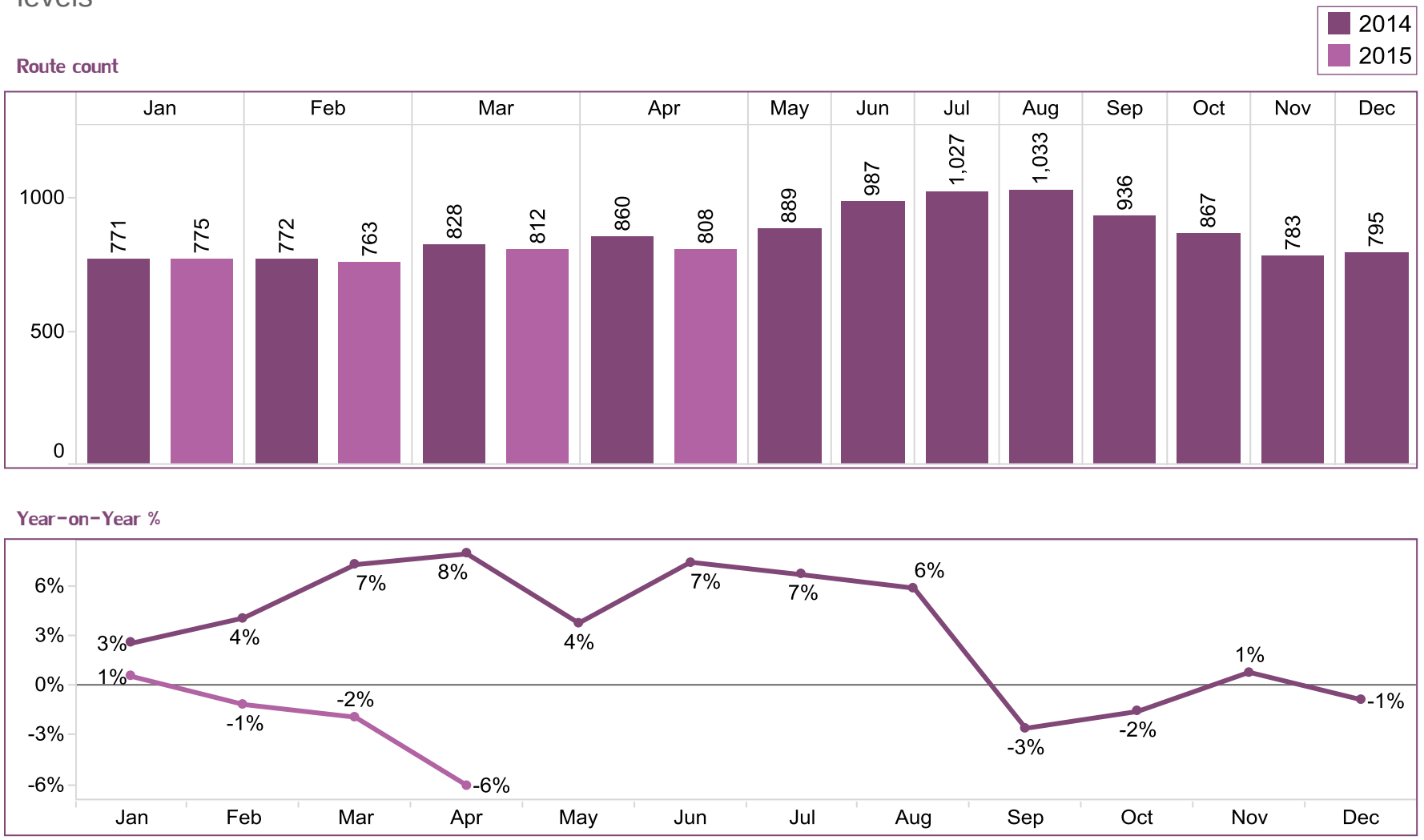
Average aircraft gauge is now at its largest since at least January 2014 at 71 seats per departure



Note: Intra-European market operated by ERA members only; cargo flights excluded.
Source: Innovata, April 2015 load, surface transportation excluded.

Route count

The trend of reducing unique routes operated by ERA carriers continues in April, dipping below March-15 levels



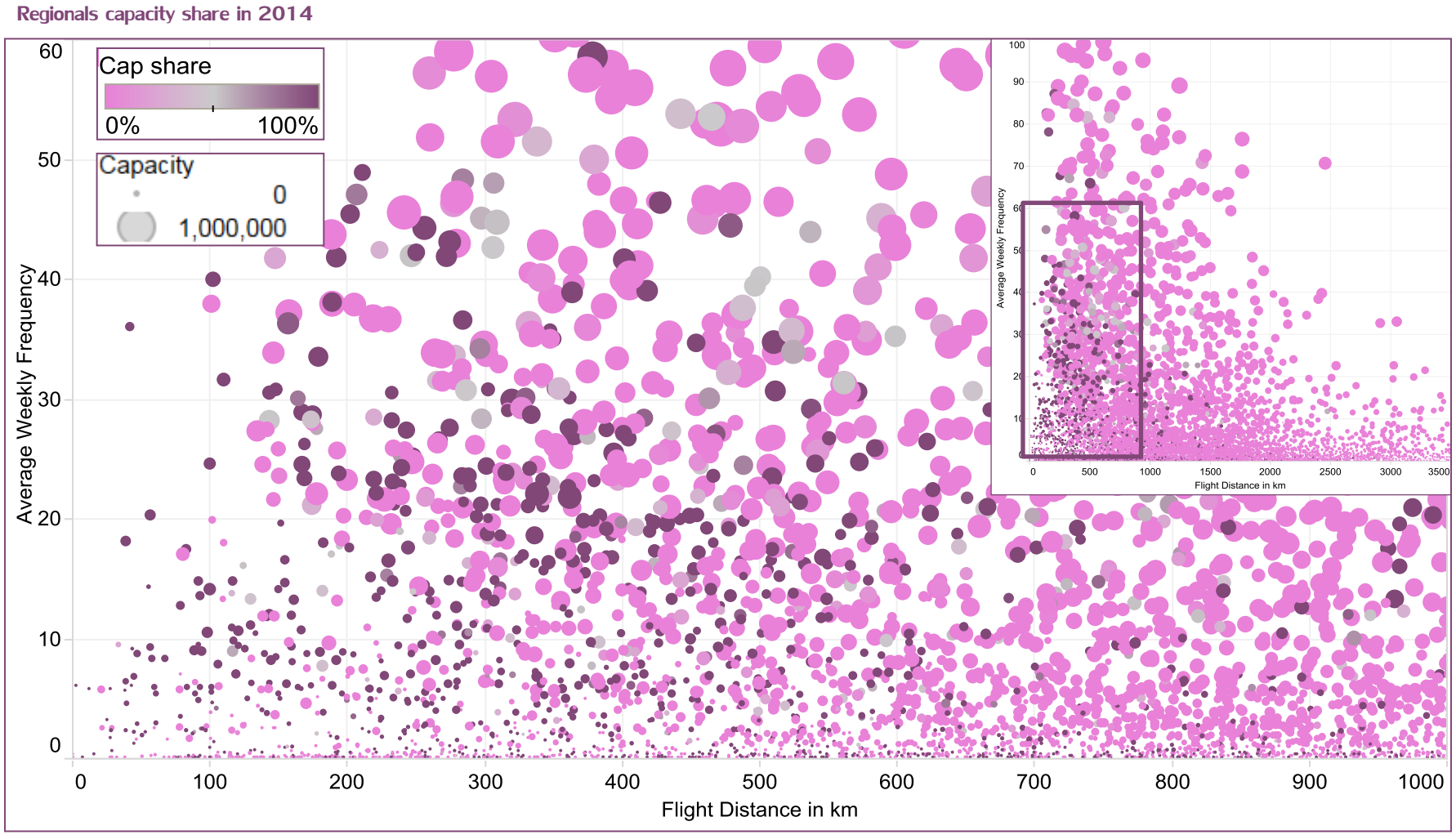
Note: Intra-European market operated by ERA members only; routes counted bi-directionally.
Source: Innovata, April 2015 load, surface transportation excluded.

Part 2: Market Dynamics

ERA Monthly Market Analysis, April 2015

Regional carrier focus continues to be on shorter, thinner routes

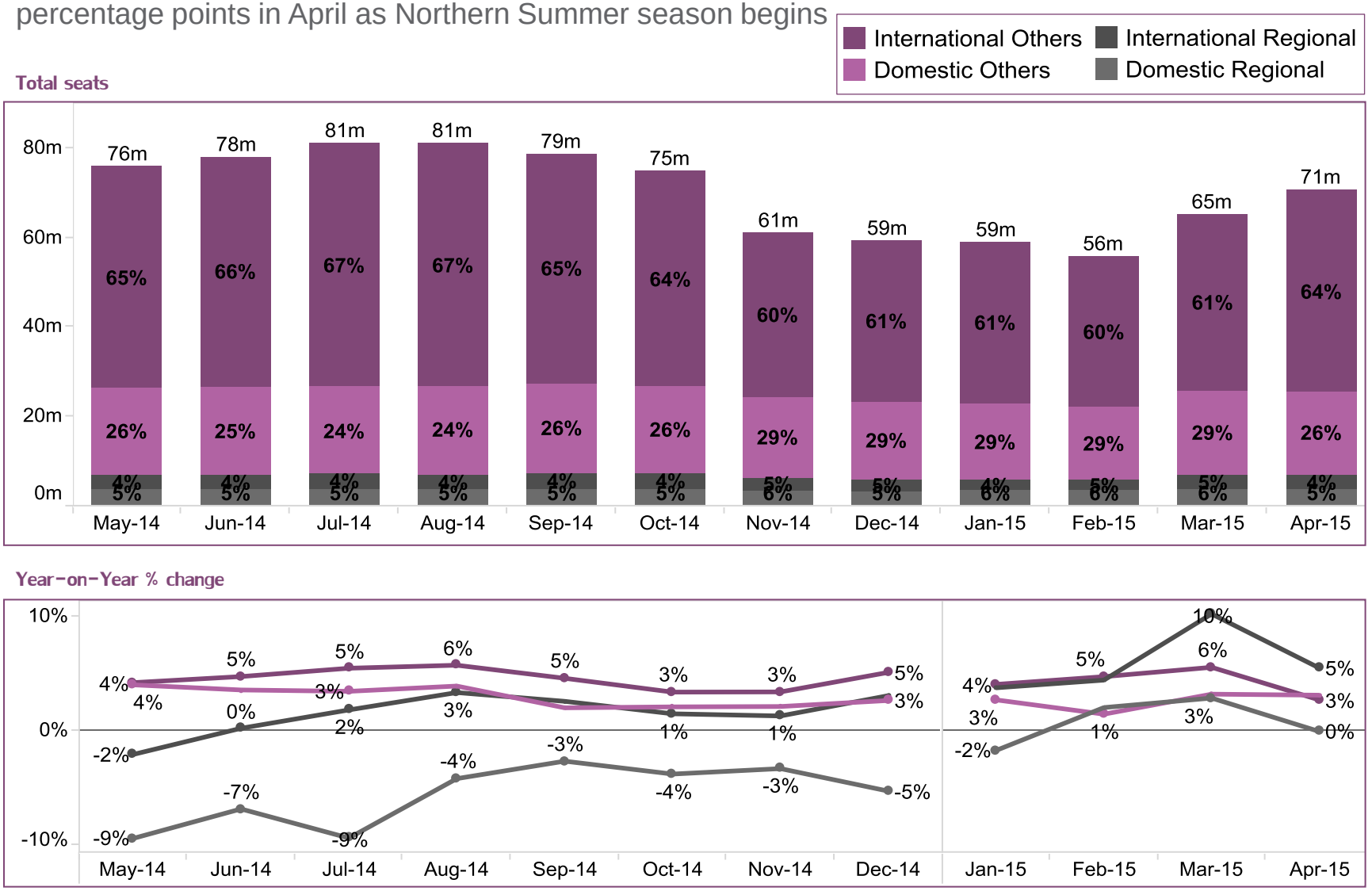
Regional carriers higher frequency profile differentiates them from competitor models



Note: Intra-European market operated by European airlines only.
Source: Innovata, April 2015 load, surface transportation excluded.

Seasonality profile of Regionals appears stable

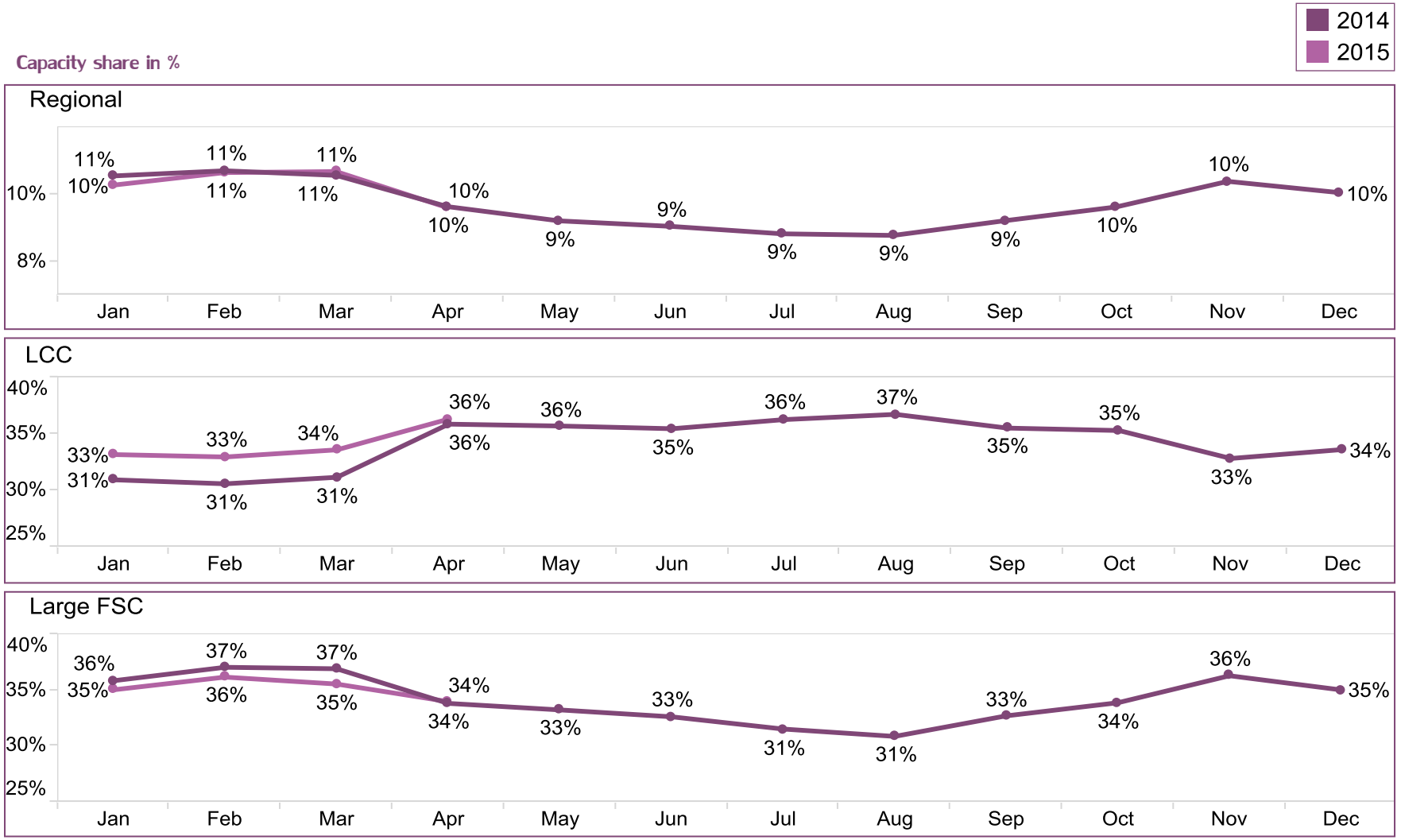
International operations for non-regional carriers increased the share of total seat capacity by 3 percentage points in April as Northern Summer season begins



Note: Intra-European market operated by European airlines only.
Source: Innovata, April 2015 load, surface transportation excluded.

Regionals relative share of seats is being diluted

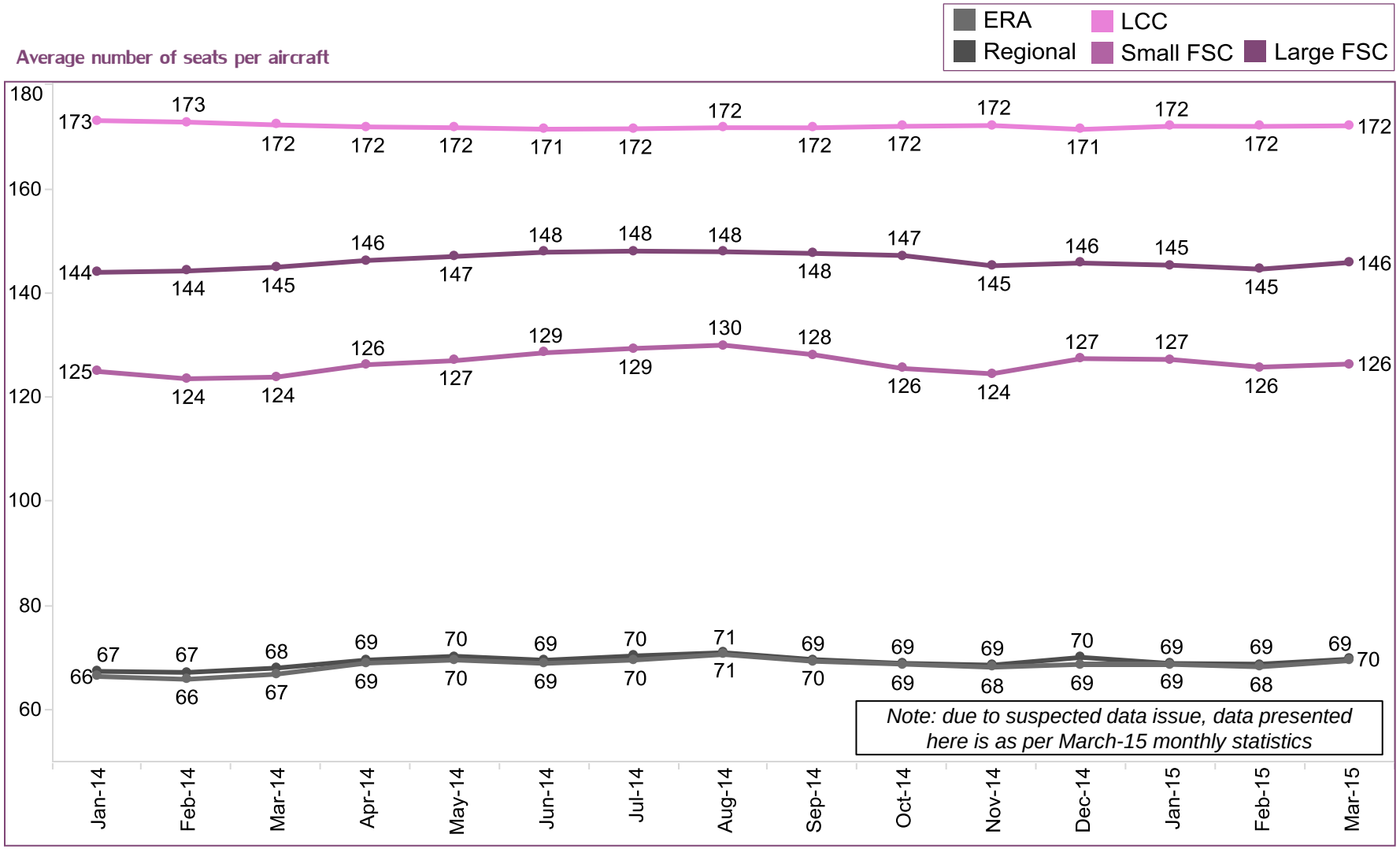
LCC seat capacity share has grown at the expense of both regional and FSC carriers



Note: Intra-European market operated by European airlines only.
Source: Innovata, April 2015 load, surface transportation excluded.

Smaller aircraft gauge deployed by regionals and ERA carriers

Regional carriers continue to operate significantly lower gauge aircraft compared to other business models

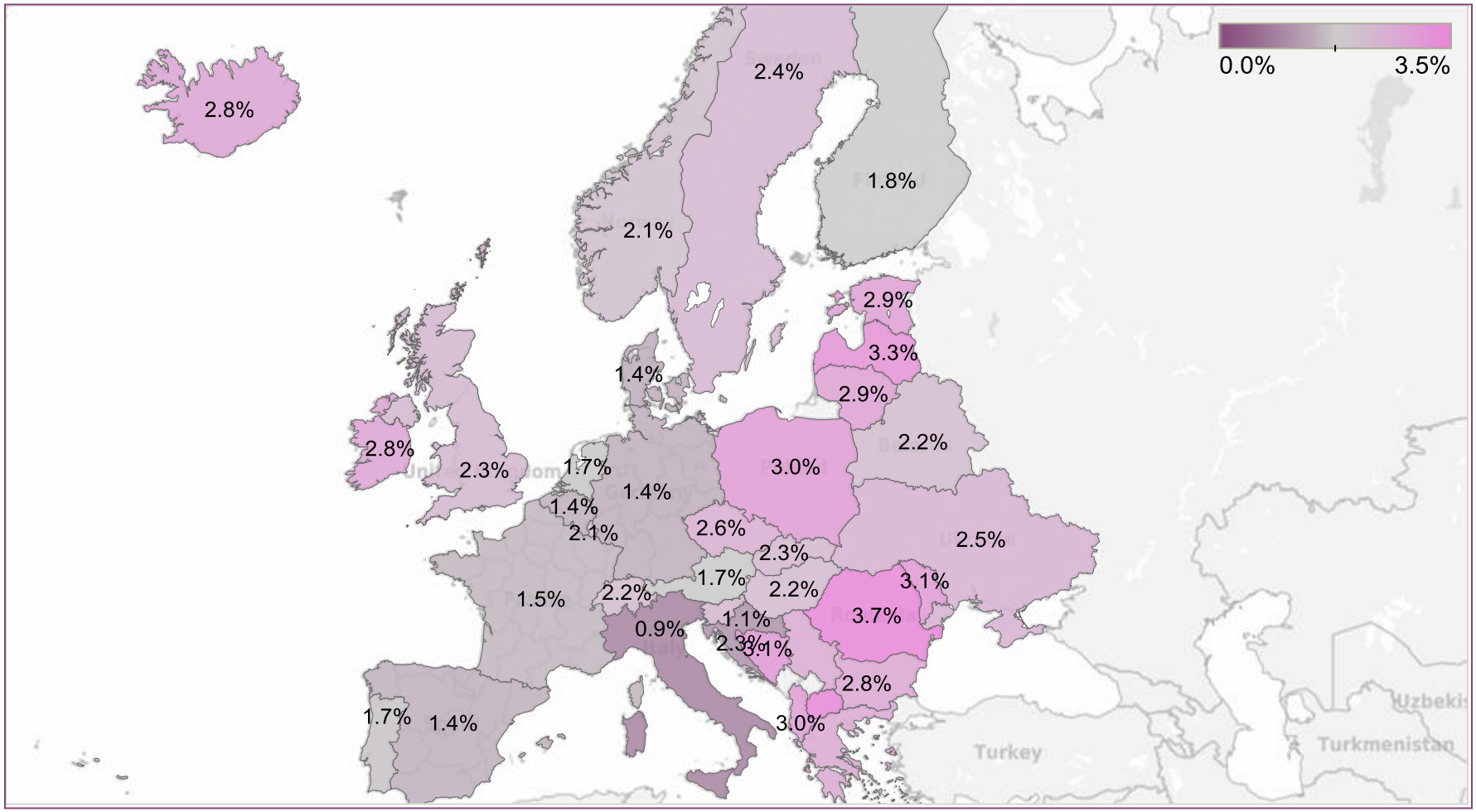


Note: Intra-European market operated by European airlines only; cargo flights excluded.
Source: Innovata, March 2015 load, surface transportation excluded.

Growth outlook in ERA's member countries

Forecasts of real GDP growth continue to predict strongest growth in Eastern Europe in the period 2014-22

GDP CAGR (2014 – 2022)



Note: CAGR based on 2014-2022 period except for Albania, Belarus & Malta (2014-16) and Bosnia and Hercegovina, Iceland, Luxembourg, Macedonia & Moldova (2014-19).
Source: EIU - Real GDP (US$ at 2005 prices) forecast of 2014 - 2022.

Part 3: Summer 2015 Outlook

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Notes on the following charts

Please note that Summer 2015 schedules have only been partially loaded by most airlines. The following slides therefore should be considered with caution due to the preliminary nature of the data on which they are based.

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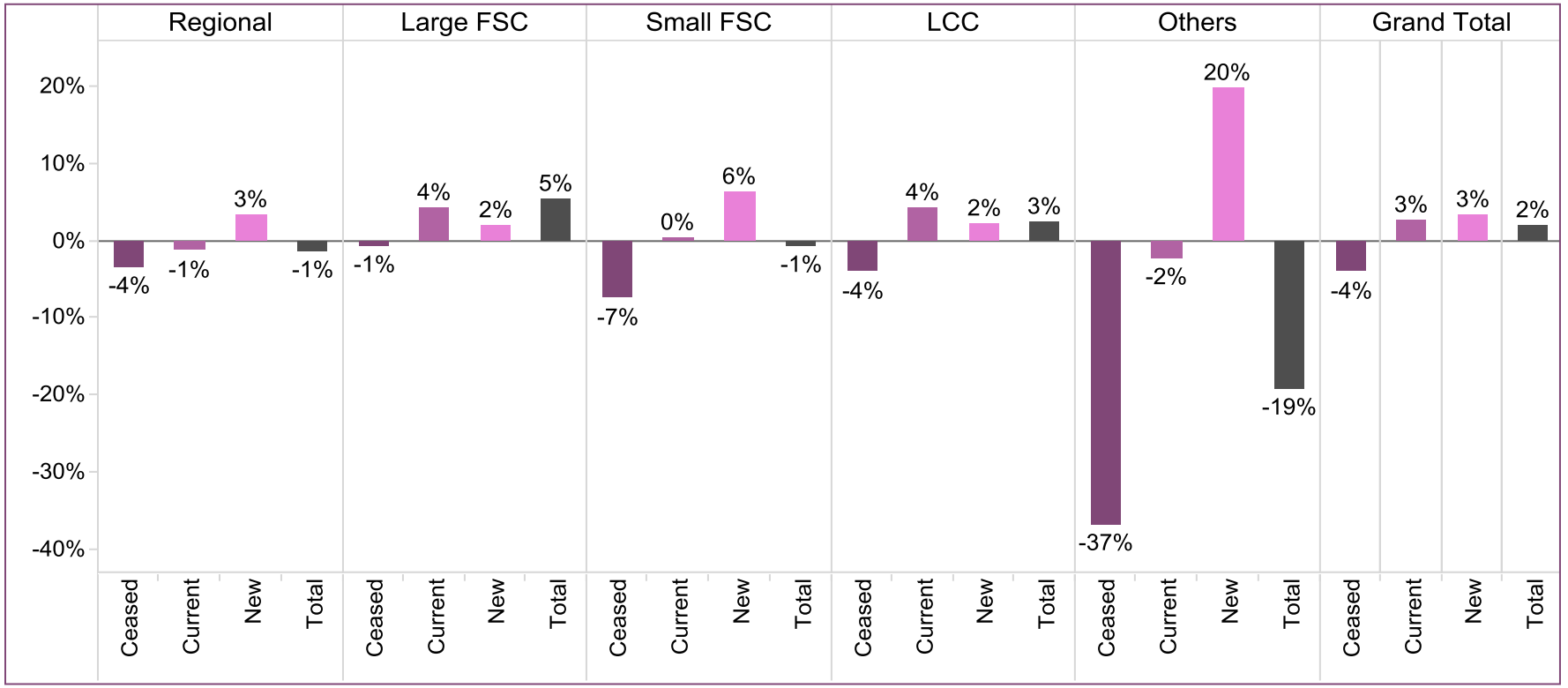
Intra-European domestic market grows its capacity by 2%

Large FSCs and LCCs grow domestic capacity as Regional and small FSCs shrink

Domestic capacity % changes (Summer 2014 vs. Summer 2015)



Seats Summer 2015

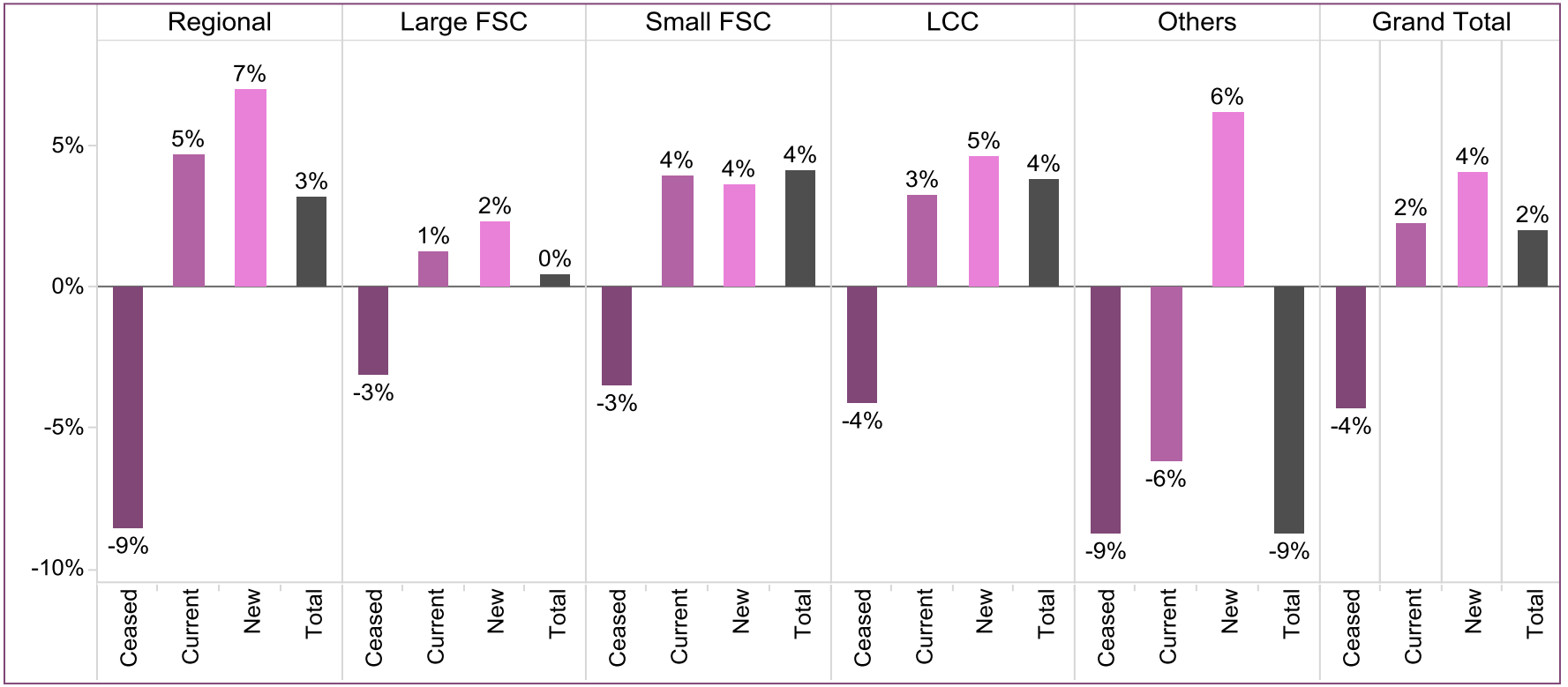
26m	68m	24m	44m	3m	165m

Note: Intra-European market operated by European airlines only. Further publication of operations is anticipated so these figures are subject to change.
Source: Innovata, April 2015 load, surface transportation excluded.

Intra-European international market grows by 5%

Most major carrier types exhibit a shift of capacity through route closings and new markets relative to S14

International capacity % changes (Summer 2014 vs. Summer 2015)



Seats Summer 2015

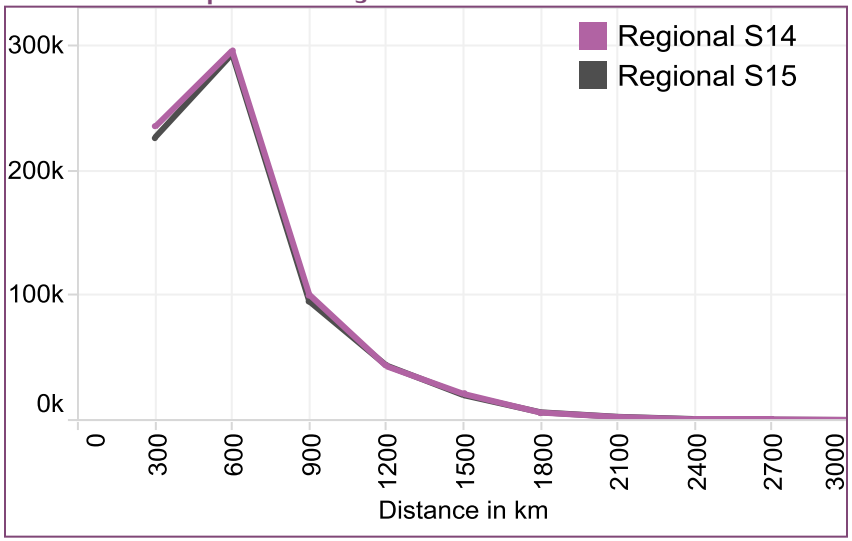
23m	111m	71m	155m	22m	383m

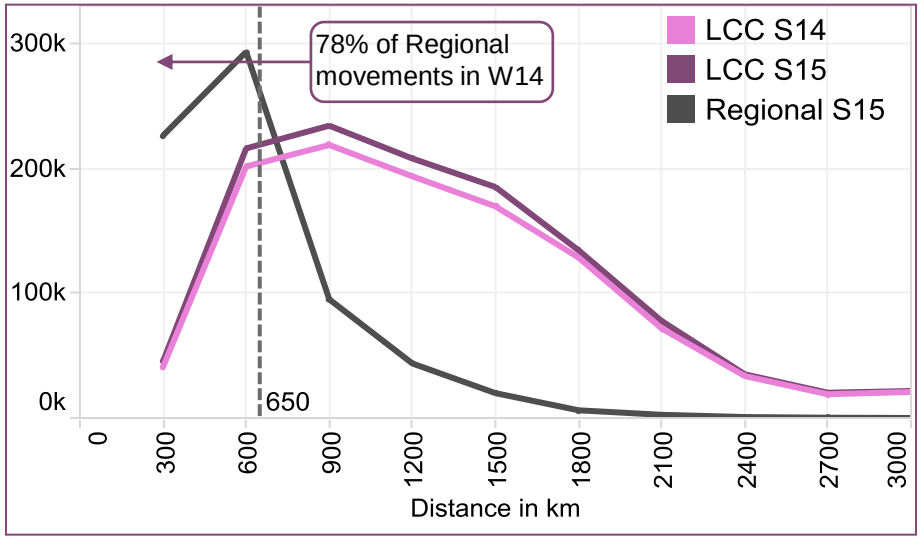
Note: Intra-European market operated by European airlines only. Further publication of operations is anticipated so these figures are subject to change.
Source: Innovata, April 2015 load, surface transportation excluded.

LCCs are strengthening operations on shorter sectors

LCC's are growing number of flights at all distance ranges

Total movements per sector length





% share (flights) | % growth (flights)

		Regionals S14	LCC S14	Regionals S15	LCC S15	Reg'ls S14/15	LCC S14/15
<= 650 km	0 - 300 km	33%	4%	33%	4%	-4%	11%
	300 - 650 km	45%	20%	45%	20%	-1%	8%
	Total	78%	24%	78%	24%	-2%	8%
Above 650 km	650 - 900 km	11%	17%	11%	17%	-5%	7%
	900 - 1200 km	6%	17%	6%	17%	1%	7%
	1200 - 1500 km	3%	15%	3%	15%	-5%	9%
	> 1500 km	1%	26%	1%	26%	2%	5%
	Total	22%	76%	22%	76%	-3%	7%

Note: Intra-European market operated by European airlines only. Further publication of operations is anticipated so these figures are subject to change.
Source: Innovata, April 2015 load, surface transportation excluded.

Competitive overview

ERA carriers continue to exhibit signs of consolidating capacity onto fewer routes and growing average aircraft size, relative to previous summer scheduling season

% changes (S14 vs. S15)

	Regional	ERA	LCC	Large FSC
Routes	-11%	-15%	1%	-4%
Seats	1%	2%	3%	2%
Flights	-2%	-2%	7%	2%
Avg. Route Capacity	13%	20%	2%	6%
Avg. Route Frequency	10%	16%	6%	6%
Gauge	3%	3%	-3%	0%

Routes with capacity share ≥ 75%

S14	69%	66%	70%	47%
S15	66%	65%	69%	47%

Seats with capacity share ≥ 75%

S14	69%	65%	55%	42%
S15	65%	62%	53%	43%

Regional / ERA members

- Greater capacity and fewer routes continues to point to more targeted capacity deployment vs. previous scheduling season
- This is being achieved through more frequencies and bigger aircraft
- Strong routes (>75%) is roughly similar to previous Summer

LCC

- Continued expansion of routes and frequencies drives greater seat capacity, despite lower aircraft gauge

Large FSC

- Large FSCs exhibit similar trends as ERA members in terms of route consolidation
- Increased capacity comes from greater route frequencies using similar gauge aircraft

Note: Intra-European market operated by European airlines only. Further publication of operations is anticipated so these figures are subject to change.
Source: Innovata, April 2015 load, surface transportation excluded.

Country-to-country seat capacity forecast

Top 15 country-to-country flows based on total seat capacity in Summer 2015

Cap Growth
-30% 30%

Capacity growth (Summer 2014 vs. Summer 2015)

	United Kingdom	Spain	Germany	Italy	France	Russia - European	Norway	Greece	Netherlands	Sweden	Switzerland	Portugal	Denmark	Poland	Ireland	Other
United Kingdom	0%	-7%	3%	0%	-7%	-17%	-4%	3%	-2%	0%	-7%	-2%	12%	13%	4%	2%
Spain	-8%	5%	0%	6%	10%	-18%	-7%	23%	0%	0%	3%	9%	1%	24%	4%	7%
Germany	3%	0%	2%	4%	-5%	-17%	-18%	6%	7%	10%	0%	11%	6%	11%	6%	4%
Italy	-1%	6%	4%	-7%	2%	-10%	-32%	-2%	7%	-6%	-1%	24%	12%	4%	21%	2%
France	-7%	10%	-6%	2%	-3%	-13%	-11%	25%	11%	-6%	-8%	4%	-3%	18%	5%	3%
Russia - European	-17%	-18%	-17%	-10%	-13%	15%	-6%	-26%	5%	-9%	-18%	-28%	-15%	-16%	-27%	9%
Norway	-4%	-7%	-18%	-32%	-11%	-6%	0%	-34%	-5%	-1%	-19%	-8%	-1%	23%	-5%	-1%
Greece	3%	22%	7%	-2%	26%	-26%	-34%	10%	4%	-4%	12%		37%	24%	6%	21%
Netherlands	-2%	0%	7%	7%	12%	4%	-5%	3%	-55%	3%	4%	9%	6%	12%	-6%	3%
Sweden	0%	1%	10%	-6%	-6%	-9%	-1%	-3%	3%	1%	4%	26%	0%	13%	-27%	8%
Switzerland	-7%	2%	0%	-1%	-8%	-18%	-19%	12%	5%	4%	5%	5%	-9%	-28%	11%	6%
Portugal	-2%	9%	12%	25%	3%	-27%	-8%	-100%	9%	26%	5%	8%	-4%	98%	-7%	9%
Denmark	12%	1%	5%	12%	-3%	-16%	0%	37%	6%	1%	-9%	-4%	4%	32%	17%	-2%
Poland	13%	24%	11%	2%	18%	-16%	23%	24%	12%	13%	-28%	98%	31%	7%	6%	13%
Irish Republic	4%	4%	6%	21%	5%	-27%	-5%	6%	-6%	-27%	11%	-7%	17%	6%	18%	18%
Other	2%	7%	4%	2%	3%	9%	-1%	22%	2%	8%	6%	9%	-2%	13%	18%	7%

Note: Intra-European market operated by European airlines only; countries are ordered as per total capacity in S15. Further publication of operations is anticipated so these figures are subject to change.
Source: Innovata, April 2015 load, surface transportation excluded.

Part 4: Winter 2015-16 Outlook

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Note

Winter 2015-16 schedules are currently not yet published to the point that a meaningful comparison can be made to Winter 2013-14. As soon as more these schedules are more fully published, an outlook will be provided as part of this monthly statistics package.

In the meantime, Winter 2013-14 has been included for reference.

REF: Winter 2014-15

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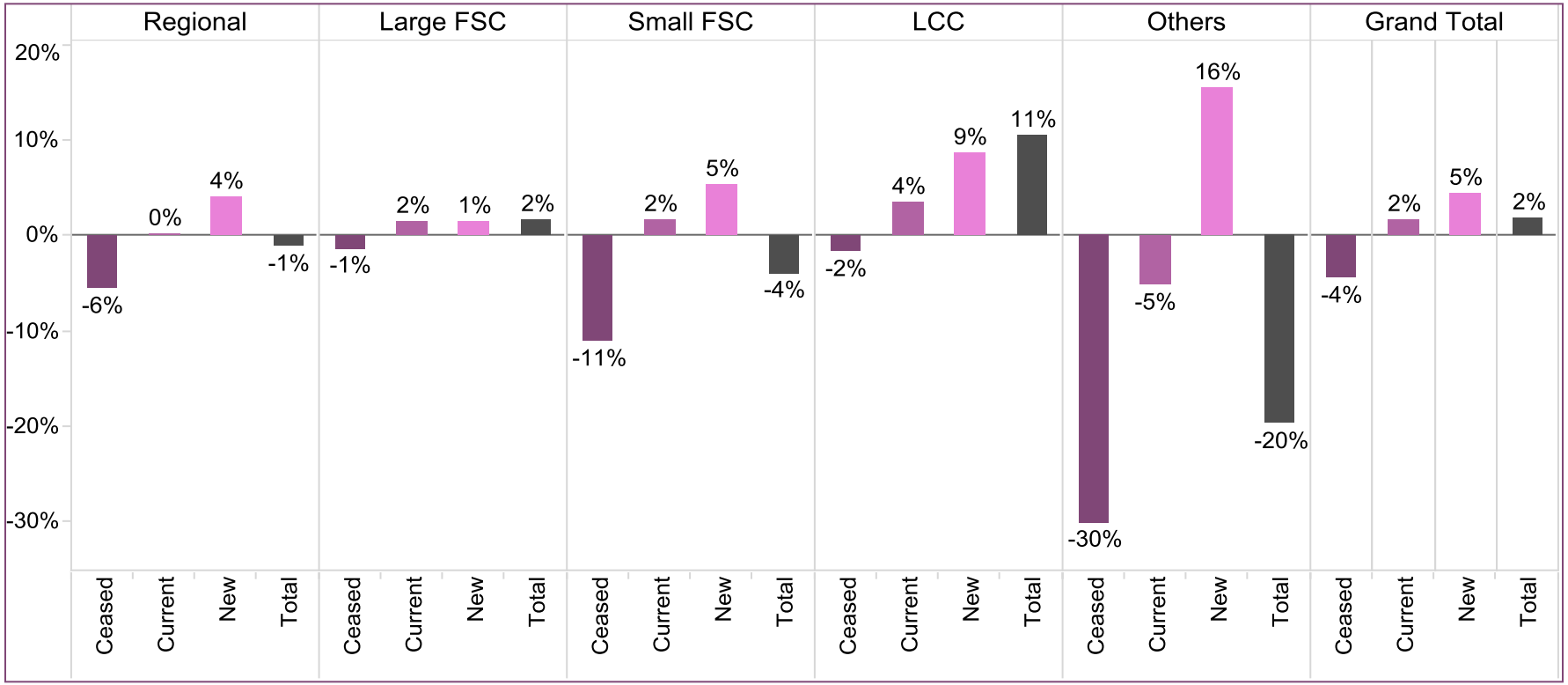
Intra-European domestic market grows its capacity by 2%

Regional airline domestic cuts are low relative to Small FSCs; LCC seat capacity is higher in W14-15 vs W13-14

Domestic capacity % changes (Winter 2013 versus Winter 2014)



Seats Winter 2014

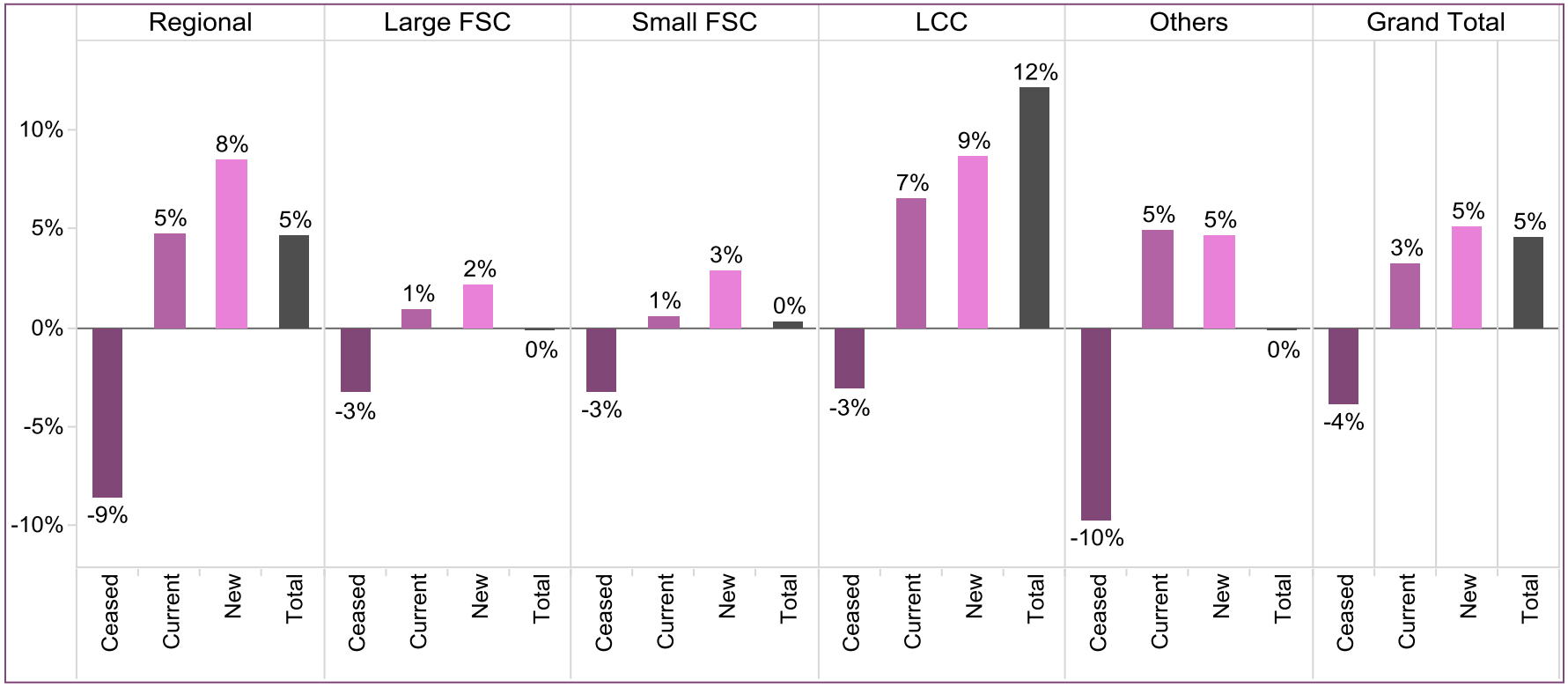
17m	44m	15m	26m	2m	104m

Note: Intra-European market operated by European airlines only. Further publication of operations is anticipated so these figures are subject to change.
Source: Innovata, March 2015 load, surface transportation excluded.

Intra-European international market grows by 5%

Regional carriers appear to have shifted international capacity to new routes vs. W13-14

International capacity % changes (Winter 2013 versus Winter 2014)



Seats Winter 2014

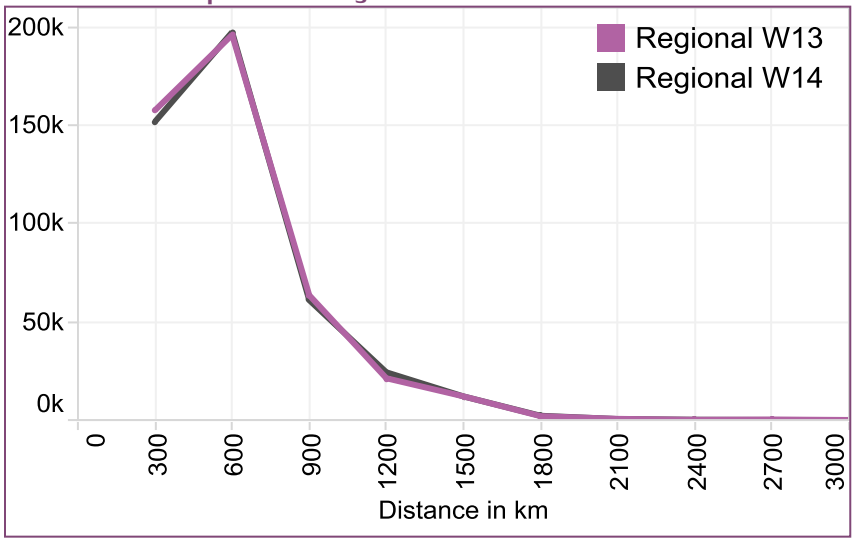
14m	63m	38m	74m	7m	196m

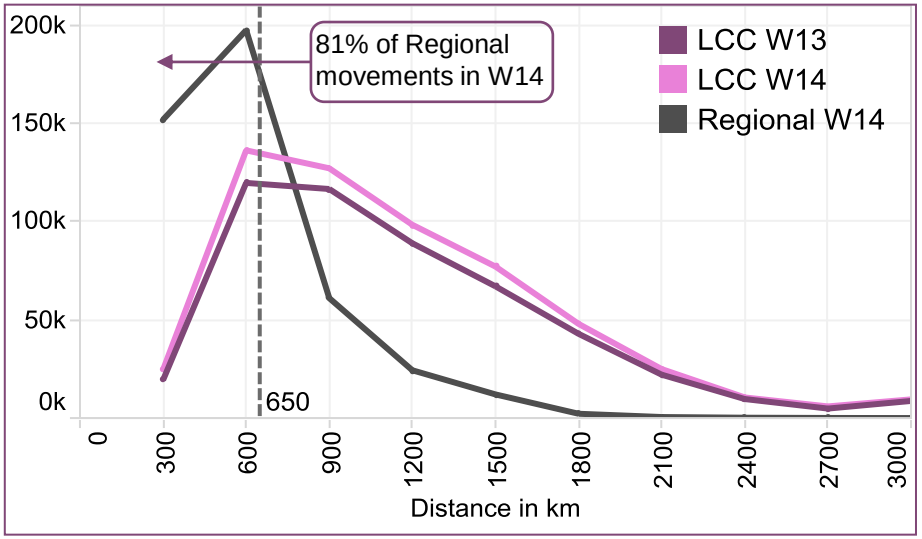
Note: Intra-European market operated by European airlines only. Further publication of operations is anticipated so these figures are subject to change.
Source: Innovata, March 2015 load, surface transportation excluded.

LCCs are strengthening operations on shorter sectors

In Winter 2014, LCCs are planning to expand slightly more on shorter sectors (+16% compared to +11% on sectors above 650 km)

Total movements per sector length





		% share (flights)				% growth (flights)	
		Regionals W13	LCC W13	Regionals W14	LCC W14	Reg'ls W13 - W14	LCC W13 - W14
<= 650 km	0 - 300 km	35%	4%	34%	4%	-4%	27%
	300 - 650 km	46%	26%	47%	26%	0%	14%
	Total	81%	30%	81%	30%	-1%	16%
Above 650 km	650 - 900 km	11%	20%	11%	19%	-4%	8%
	900 - 1200 km	5%	17%	5%	17%	14%	11%
	1200 - 1500 km	3%	13%	3%	13%	0%	15%
	> 1500 km	1%	20%	1%	20%	-2%	11%
	Total	19%	70%	19%	70%	1%	11%

Note: Intra-European market operated by European airlines only. Further publication of operations is anticipated so these figures are subject to change.
Source: Innovata, March 2015 load, surface transportation excluded.

Competitive overview

LCCs have shown growth through the Winter 14-15 period whilst regional carriers and largely maintained or slightly reduced operations

% changes (W13 vs. W14)

	Regional	ERA	LCC	Large FSC
Routes	-1%	0%	8%	3%
Seats	1%	1%	12%	1%
Flights	-1%	-3%	12%	0%
Avg. Route Capacity	2%	1%	4%	-3%
Avg. Route Frequency	0%	-2%	4%	-3%
Gauge	2%	3%	0%	1%

Routes with capacity share ≥ 75%

W13	72%	68%	74%	50%
W14	70%	65%	73%	48%

Seats with capacity share ≥ 75%

W13	69%	67%	59%	44%
W14	67%	64%	56%	43%

Regional / ERA members

- Regionals have published deployment of a similar number of seats while operating less flights and routes; routes are thicker in terms of seats
- Monopoly routes appear to be slightly lower vs. Winter '13 by around 2% pts

LCC

- LCCs have scheduled 12% more seats and flights deployed as in W13
- Strong monopolistic routes are lower year-on year

Large FSC

- FSCs have filed operations for a modest increase in routes, flights and capacity
- The proportion of routes and seats in monopoly is lower than both regionals and LCCs

Note: Intra-European market operated by European airlines only. Further publication of operations is anticipated so these figures are subject to change.
Source: Innovata, March 2015 load, surface transportation excluded.

Country-to-country seat capacity forecast

Top 15 country-to-country flows based on total seat capacity in Winter 2014

Cap Growth
-30% 30%

Capacity growth (Winter 2013 versus Winter 2014)

	United Kingdom	Germany	Spain	Italy	France	Russia - European	Norway	Switzerland	Netherlands	Greece	Sweden	Portugal	Denmark	Ireland	Austria	Other
United Kingdom	5%	6%	2%	5%	3%	-12%	-6%	7%	7%	38%	-6%	9%	6%	3%	11%	11%
Germany	6%	0%	4%	9%	-4%	-9%	-17%	0%	7%	9%	9%	24%	6%	6%	-2%	2%
Spain	2%	4%	0%	11%	7%	-13%	-10%	2%	7%	46%	10%	13%	-2%	11%	7%	15%
Italy	5%	9%	11%	-1%	5%	2%	-43%	5%	10%	62%	-14%	33%	-17%	30%	3%	8%
France	3%	-4%	7%	5%	-3%	-18%	-6%	0%	6%	25%	-6%	15%	-3%	9%	-6%	7%
Russia - European	-12%	-9%	-13%	2%	-18%	11%	-2%	-7%	39%	10%	6%	23%	-4%		-31%	13%
Norway	-6%	-17%	-10%	-43%	-6%	-2%	-3%	-20%	-1%	48%	-5%	12%	-11%	-4%	-32%	1%
Switzerland	6%	-1%	2%	5%	0%	-7%	-20%	13%	4%	24%	-2%	10%	3%	13%	-1%	0%
Netherlands	7%	8%	7%	10%	6%	39%	-1%	4%	-90%	14%	-6%	-4%	10%	-2%	-3%	9%
Sweden	-6%	9%	10%	-14%	-6%	6%	-5%	-2%	-6%	92%	4%	40%	-6%	-57%	-15%	1%
Greece	38%	10%	46%	62%	25%	9%	48%	24%	14%	24%	98%		63%		12%	24%
Portugal	9%	25%	13%	33%	15%	21%	12%	10%	-4%		39%	7%	-27%	42%	16%	36%
Denmark	6%	6%	-3%	-17%	-3%	-4%	-11%	2%	10%	62%	-5%	-27%	-5%	-8%	-33%	-6%
Irish Republic	2%	6%	11%	30%	9%		-4%	13%	-2%		-57%	41%	-8%	8%	-7%	19%
Austria	11%	-2%	7%	3%	-6%	-31%	-32%	-1%	-3%	12%	-14%	16%	-33%	-7%	-9%	-8%
Other	11%	2%	15%	7%	7%	13%	1%	0%	8%	23%	1%	36%	-6%	19%	-8%	6%

Note: Intra-European market operated by European airlines only; countries are ordered as per total capacity in W14. Further publication of operations is anticipated so these figures are subject to change.
Source: Innovata, March 2015 load, surface transportation excluded.

Glossary

Regional carrier	Carrier with an average stage length less than 500 km or fleet without narrow-body and wide-body aircraft (turboprops and / or regional jets only)
Large full service carrier (Large FSC)	Carrier whose fleet has more than 50 wide-body aircraft or more than 100 aircraft, including at least 1 wide-body
Small full service carrier (Small FSC)	Carrier whose fleet contains at least one wide-body aircraft but less than 100 total aircraft
Low cost carrier (LCC)	Any other carrier operating scheduled services with low-emphasis on its product
Domestic market	Origin and destination are located inside the same country
International market	Origin and destination are situated in different countries
CAGR	Compounded Annual Growth Rate
ERA member	All current ERA members who report data to Innovata (full list available on request)

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