“Strengthen the competitiveness for a sustainable future”

Bernard Gustin
CEO Brussels Airlines
Chairman of the AEA
EAC, December 12th 2012
1. The importance of European air transport
   1.1. Contributor to the Economy & Employment
   1.2. The Paradox
2. A hostile external environment – the case of Brussels Airlines
   2.1. Macro economic context
3. In times of a crisis, we have to build on strong fundamentals
4. Strategic Plan
   4.1. Get the basics right
   4.2. Develop the basis
5. Conclusion
   5.1. Airlines for Europe
1.1. European air transport is a major contributor to the Economy and to Employment

€365bn

Annual Contribution of air transport to European GDP
If European aviation were a country, it would rank 10th among EU27 countries
Source: AEA Research, ATAG, Eurostat, Refers to direct, indirect & induced contribution.

5.1mill

Jobs generated by air transport in Europe
Contributing twice as much per employee to GDP than other sectors
Source: AEA Research, ATAG. Refers to direct, indirect & induced employment.

752mill.

Passengers on European airlines in 2011
More than the entire population of Europe
Source: AEA Research, ICAO
1.2. The Paradox: European aviation is struggling

2012 EBIT Margins Airlines of:

- North America: 3.0%
- Latin America: 2.7%
- Middle East: 2.5%
- Asia/Pacific: 1.9%
- Africa: 0.7%
- Europe: -0.1%

Source: IATA, September 2012 Financial Forecast
2. A hostile external environment urge airlines to adapt

**British Airways to cut 400 cabin crew jobs**

British Airways is cutting 400 senior cabin crew positions on both its long and short-haul routes.

It said that all the redundancies would be voluntary and that it had started a 90-day consultation process. The first cuts are expected to take effect from next March.

**EU legislation**

**Europe right and wrong on emissions trading**

Theodore Kaoufas - 19 November 2012, 12:45

**Low-cost carriers to play bigger long-haul role, says Gatwick boss**

**EasyJet Doubles Dividend as Business Travel Boosts Profit**

Air France CEO wants to partner with Air Berlin

Airline KLM to cut workforce by 3,000 jobs, says Telegraaf

**EU misses 'single European sky' deadline**

Iberia Crews Plan Strike

**Obama Signs Legislation Opposing EU Emissions Scheme**

AIAI Air Transport Perspective - December 3, 2012

**Emirates Says Committed to Qantas Deal**

Fuel prices put pressure on airline profits

**Etihad may buy 24% stake in Jet Airways for Rs 1,600 cr**

Mixed reaction to MEPs' rejection of ground-handling liberalisation

**AIAA, ERA and IACA Call on the European Parliament to increase competition in Ground Handling**

Europe's economy returns to recession
2.1. The case of Brussels Airlines: Macro economic context

No improvement foreseen in the near future (1)

**Fuel & USD**

Impact on our costs in 2011: €61.5 million (compared to 2010)
Forecast 2012: €46.1 million (compared to 2011)

**Inflation**

€15 million impact on our costs/year

**European Crisis**

Soft demand for intra-European travel

General overcapacity

Many airlines in difficulty have started a severe turn-around
2.1. The case of Brussels Airlines: Macro economic context
Negative impact on our profitability since 2011 (2)


2011:

- Start of restructuring
- Political crisis in Africa
- Fuel
- Necessary strategic investments
3. In times of a crisis, we have to build on strong fundamentals and be capable to adapt

**Winners**
- Strong core business
- Cohesive and aligned management with a clear strategy
- Lean and flexible operating model
- **Embrace turbulence as an opportunity and demonstrate courage to seize it**

**Everyone else**
- Vulnerable core business
- Divisive leadership or vague sense of strategic intent
- High fixed costs in rigid organization
- Allow trauma to thwart decision-making and force defensive/reactive moves

In times of a crisis, we have to build on strong fundamentals and be capable to adapt.
4. Strategic plan to increase market share & secure sustainability of results

**Rationale**
- Worsening economic environment (fuel, USD, growth)
- Increasing competition
- Volatile results

**Get the basics right**
- Restructuring the company to improve profitability
  - Beyond 2012-2013 plan
  - Decomplexify fleet & adapt to market conditions
  - Adaptation of tools & model to reap most revenues out of offer
  - Reduce unit costs to best benchmark for similar service
  - Move to an even leaner organisation

**Develop the basis**
- Develop the company to improve offer to the market
  - Investment in a state of the art product / cabin
  - Develop Long Haul market out of Brussels
  - Further build on African know-how
  - Develop niche markets in Europe

**Rationale**
- Increasing competition
- Potential of African market
- Potential of Brussels market (long-haul & niche destinations)
4.1. Get the basics right:
Our strategic plan “Beyond 2012-2013” (1)

The Beyond 2012-2013 focus areas are key elements for success

<table>
<thead>
<tr>
<th>Network profitability improvement</th>
<th>Other operating costs reduction</th>
<th>Revenue / passenger increase</th>
<th>Overall cost reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adapted costs ▼ Increased productivity</td>
<td>▼ New network plan</td>
<td>▼</td>
<td></td>
</tr>
<tr>
<td>€ 10 Mio</td>
<td>€ 82 Mio</td>
<td>€ 7.5 Mio</td>
<td>€ 11.5 Mio</td>
</tr>
</tbody>
</table>

By succeeding:
- we allow long-haul growth
- we safeguard employment and offer perspectives
- the excess staff stays temporary
4.1. Get the basics right: Go for a sustainable future (2)

- to cut 5,000 jobs
- cut workforce by 3,000 jobs, says Telegraaf
- looks to cut 400 cabin crew jobs
- planning to shed 400 senior cabin crew jobs but stressed there would be no compulsory redundancies
- cuts 800 jobs in 'final call' to save airline
- Reveals 4,500 Job Cuts

Geen ontslagen bij Brussels Airlines

Brussels Airlines - "We hebben gekozen voor tewerkstelling" (vakbonden)
BRUSSEL 07/12 (BELGA) - De vakbonden bij Brussels Airlines geven toe dat het personeel "ernstig moet besparen" in het kader van het reddingsplan 'Beyond 2012-2013'. Maar ze verdedigen het akkoord met de stelling "gekozen te hebben voor tewerkstelling". In het akkoord met de directie is immers een tewerkstellingsgarantie opgenomen tot december 2014.

De vakbonden zijn ook tevreden dat niet alleen het personeel inspanning gaat leveren, maar ook de aandeelhouder en de overheid. "We gaan ervan uit dat het personeel hiermee een essentiële bijdrage heeft geleverd om het voortbestaan van het bedrijf te verzekeren. We zullen er over waken dat hun vertrouwen niet wordt beschadigd", luidt het in een persbericht van de bonden.

Luchtvaart
Brussels garandeert jobs tot eind 2014

Un accord social garantit l'avenir de Brussels Airlines

Brussels Airlines heeft een akkoord gesloten met de sociale partners over een besparingsplan. Doordat iedereen inlevert, moeten er geen banen sneuvelen.
4.2. Develop the basis: Africa continues to grow and remains profitable (1)

Africa one of our most promising contributors

- GDP growth potential
- Growing middle-class
- Need for air-travel
- Importance of Cargo activities
- Increasing awareness for safety & security
- Some improvements made in terms of infrastructure
- Positive evolution in terms of political instabilities even though it stays challenging

Source GDP growth figures: ...........

Competition is increasing

Future projects
4.2. Develop the basis  
New York performing above expectations (2)  

Launch of New York JFK  
When there is a market, the product is right, the partnerships deliver and we market it correctly, we succeed even in a tough environment  

June - September above target & rest of the year positive  

<table>
<thead>
<tr>
<th>Month</th>
<th>Performance</th>
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<tbody>
<tr>
<td>Jun</td>
<td>104%</td>
</tr>
<tr>
<td>Jul</td>
<td>120%</td>
</tr>
<tr>
<td>Aug</td>
<td>118%</td>
</tr>
<tr>
<td>Sep</td>
<td>109%</td>
</tr>
</tbody>
</table>

Brussels Airlines n° 1 in terms of sales to JFK in June  

- Two carriers announced to leave JFK as of winter 2012  
- Strong point-to-point business (market leadership)  
- Positive impact on part of the European network  
- Reinforce Africa competitiveness (flow US-Africa)  
- USD revenues (natural hedging)  

So far a success despite tough competition
4.2. Develop the basis
Harmonization & Modernization of the fleet (3)

**New long-haul cabin**
- Increase of Business Class sales
- Increase of competitiveness
- High customer satisfaction

**Regional aircraft operations**
- Improve of profitability
- Lower costs of operations
- Fuel efficient
- Environmental friendly

**Fleet harmonisation**
- Reduced cost/seat
- Increased fuel efficiency
- Lower maintenance costs
- Reduced operational complexity
4.2. Develop the basis
Further invest in our services (4)
4.2. Develop the basis
Further invest in our products (5)
4.2. Develop the basis
Further build on our brand internally & externally (6)

Back to profit in 2014

- A profitable company
- Happy Loyal customers
- A company we want to work for

Company project
Build a company we want to work for
Develop positive company culture

Brand
Create customer loyalty
Specific experience
Ryanair and Easyjet created a world of « commodity » for aviation. We are now part of the « fast moving consumer goods »

Je me fous que personne ne m'aime. Je ne suis pas un aérosexuel. Je n'aime pas les avions, je n'ai jamais voulu être pilote comme tous ces pelotons de types qui ont rendu cette industrie populaire.

Michael O’Leary
4.2. Develop the basis
Some succeeded in turning commodity in to brands (8)

A clear vision:
Computer home used by every one

A coherent model:
Sell an experience
4.2. Develop the basis
...and even airlines can dot it (9)

From a dull, close to bankruptcy airline to one of the coolest Fast Moving Consumer Good Products on the market
5. Conclusion
The way forward for Brussels Airlines

- Clear strategy
- Offering growth perspective
- Resulting in first positive results and successes
- Our environment is deteriorating and we must take it into account and adapt
- Our future is dependant on restoring our financial credibility
- All stakeholders are committed to help us implement our plan
- Our future is in our hands
5.1. Airlines for Europe

Maximisation of European Airlines contribution to EU economy

Ensure a fair level playing field within Europe (harmonized social, tax regimes, benchmark int. competition ...)

Create an environment favouring industry development (SES, SESAR, Airports infrastructure & governance)

Develop a coherent external relations policy

Facilitate consolidation Sector’s turnaround (European chap 11 ...)

A Fertile Soil for European Air Transport
The future starts now!