

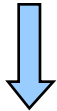


Forecasting Fleet Composition for the Next Decade

Austrian Airlines Group
Dr. Josef E. Burger, CCO

Changing Environment

- Air traffic is an industry of growth
- Competition is intensifying
- Polarization in consumer behaviour
- Cost consciousness to counteract declining yields
- Small aircraft operate with higher seat mile costs and therefore can only be utilized economically on niche-markets with low competition.
- Larger aircraft have higher trip-, but lower seat mile costs with the opportunity to optimize load factors with incremental revenues.



- The strategic approach, the business model selected and the routes operated define fleet composition.

Strategic Business Models

Network Carrier vs. Low Cost Carrier



	Network Carrier	Low Cost Carrier
Network	<ul style="list-style-type: none"> • Hub and Spoke • Hub Airports • Worldwide Network (Alliances) 	<ul style="list-style-type: none"> • Point-to-Point • Secondary Airports • (EU)-European players
Traffic Demand	<ul style="list-style-type: none"> • Generation 	<ul style="list-style-type: none"> • Shift
Traffic-Mix	<ul style="list-style-type: none"> • Business and Leisure 	<ul style="list-style-type: none"> • Leisure and price sensitive business traffic
Sales	<ul style="list-style-type: none"> • Multi channel distribution 	<ul style="list-style-type: none"> • Single channel distribution (Web)
Service	<ul style="list-style-type: none"> • Service 	<ul style="list-style-type: none"> • No Frills
Cost Advantages:	<ul style="list-style-type: none"> • Size • Alliance-Synergies • Simplification of processes 	<ul style="list-style-type: none"> • High aircraft utilization • High density seating • Low complexity
Fleet	<ul style="list-style-type: none"> • Regional -> Mediumhaul -> longrange aircraft 	<ul style="list-style-type: none"> • Standardized fleet



Strategic Positioning of Austrian

- Network carrier
- Quality carrier
- Member of STAR Alliance
- Clear Focus-East positioning

OS Network Strategy

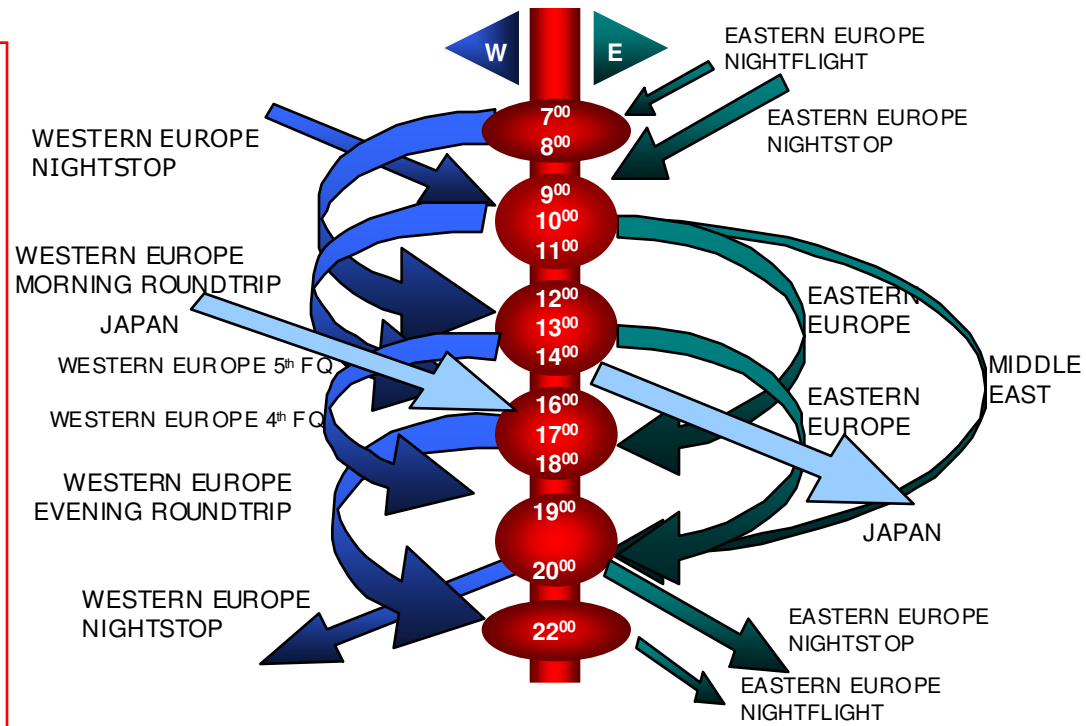
- Additional frequencies over destination increases
- Bidirectional Traffic System
 - Primary destinations: up to 5 Q's/day
 - Secondary destinations: up to 3 Q's/day
 - Tertiary destinations: daily
- Focus-East Strategy (CEE)
 - Grow frequency pattern in existing network
 - Pursue First-Mover Strategy into new markets
- Longhaul strategy
 - Emphasis on Eastern hemisphere
 - Selective destinations on the North Atlantic

OS Network Strategy

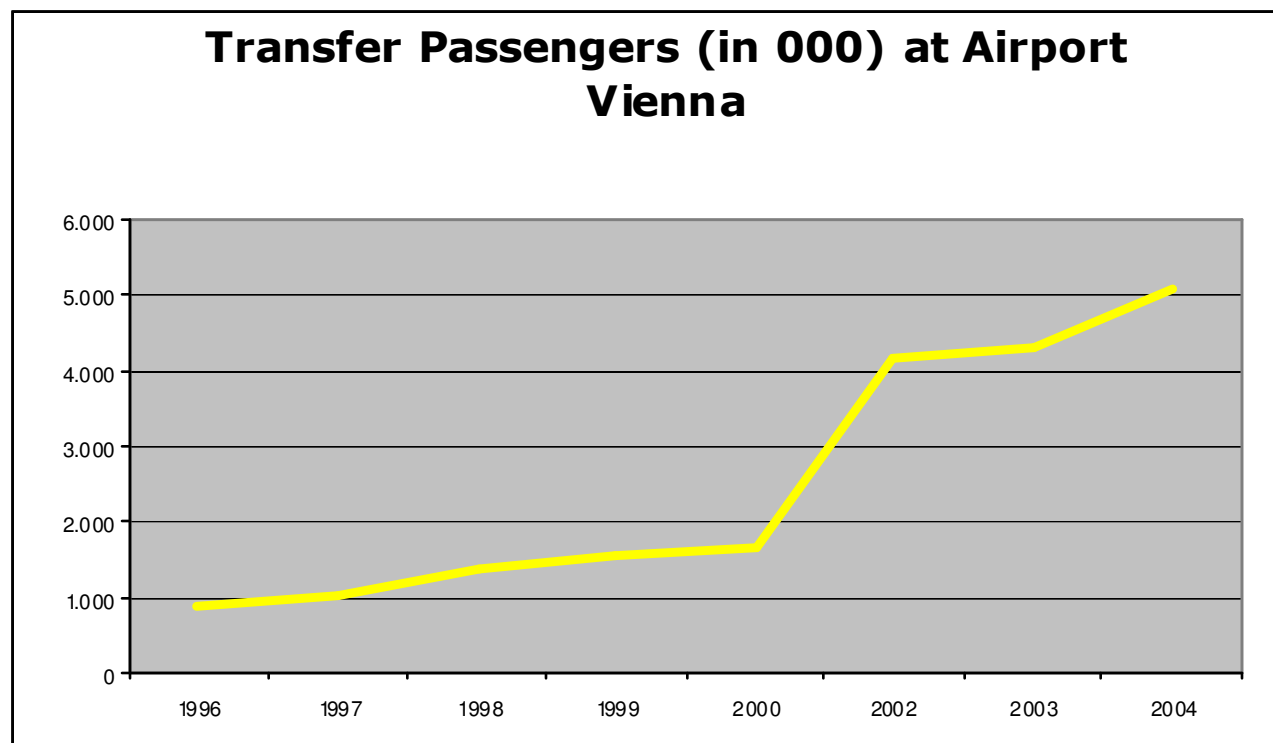
Network

- **European destinations:**
44 in EU
36 in CEE
- **Middle East destinations:**
12
- **Intercontinental destinations:**
15
- **Code Share destinations through our Star Alliance Network**

Traffic System



Development Transfer-Traffic Hub-VIE





Austrian Airlines Group High Fleet Complexity through Airline Consolidation

OS Fleet 2002 vs. 2005

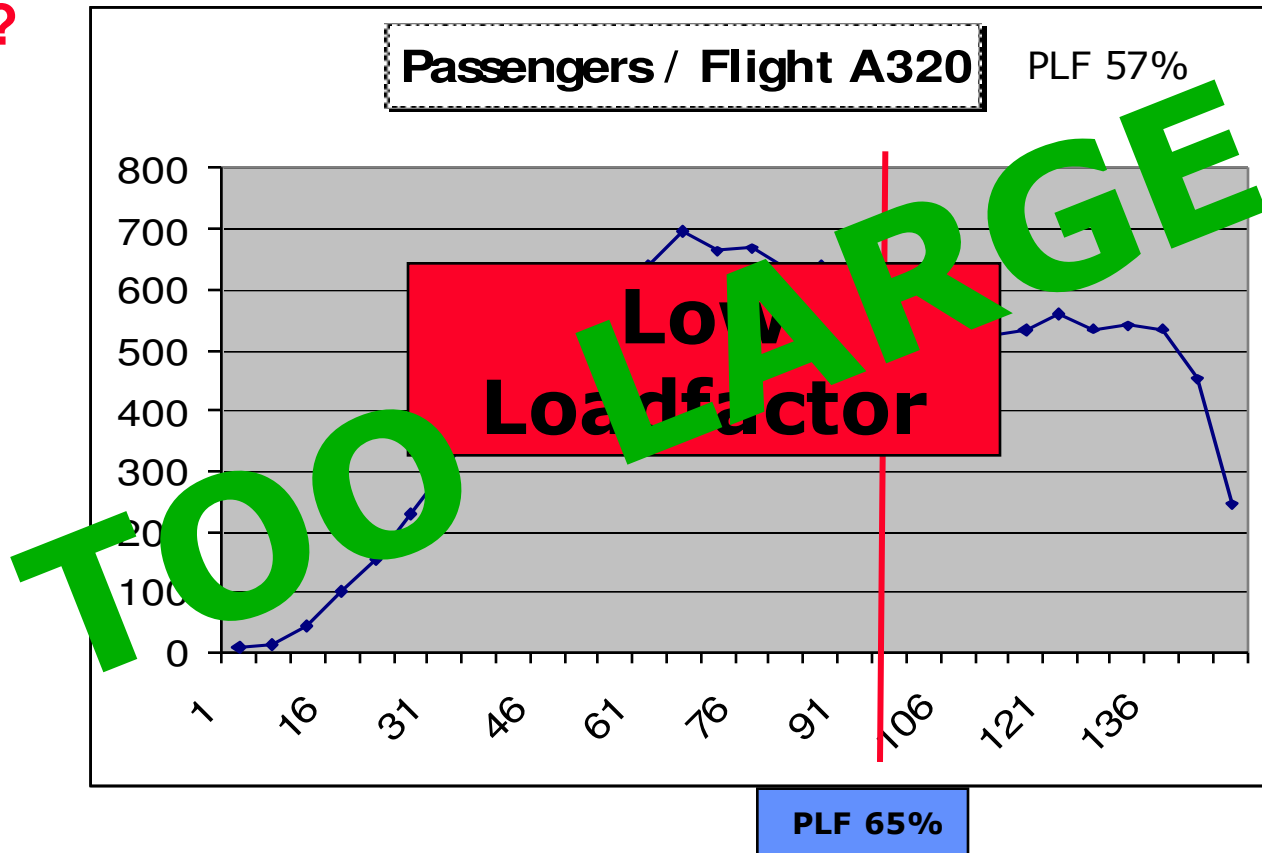
WE	ERJ DH8-300	
VO	DH8-100 / DH8-300 / DH8-400 CRJ F70	DH8-300 / DH8-400 CRJ F70 / F100
OS	F70 MD87 / MD 82 / MD 83 A320 / A321 A330 / A340	F70 A319 / A320 / A321 A330 / A340
NG	CRJ B737-400 B737-600 / B737-700 / B737-800 B767 B777	B737-600 / B737-700 / B737-800 B767 B777

**14 fleet specific
operating units**

**9 fleet specific
operating units**

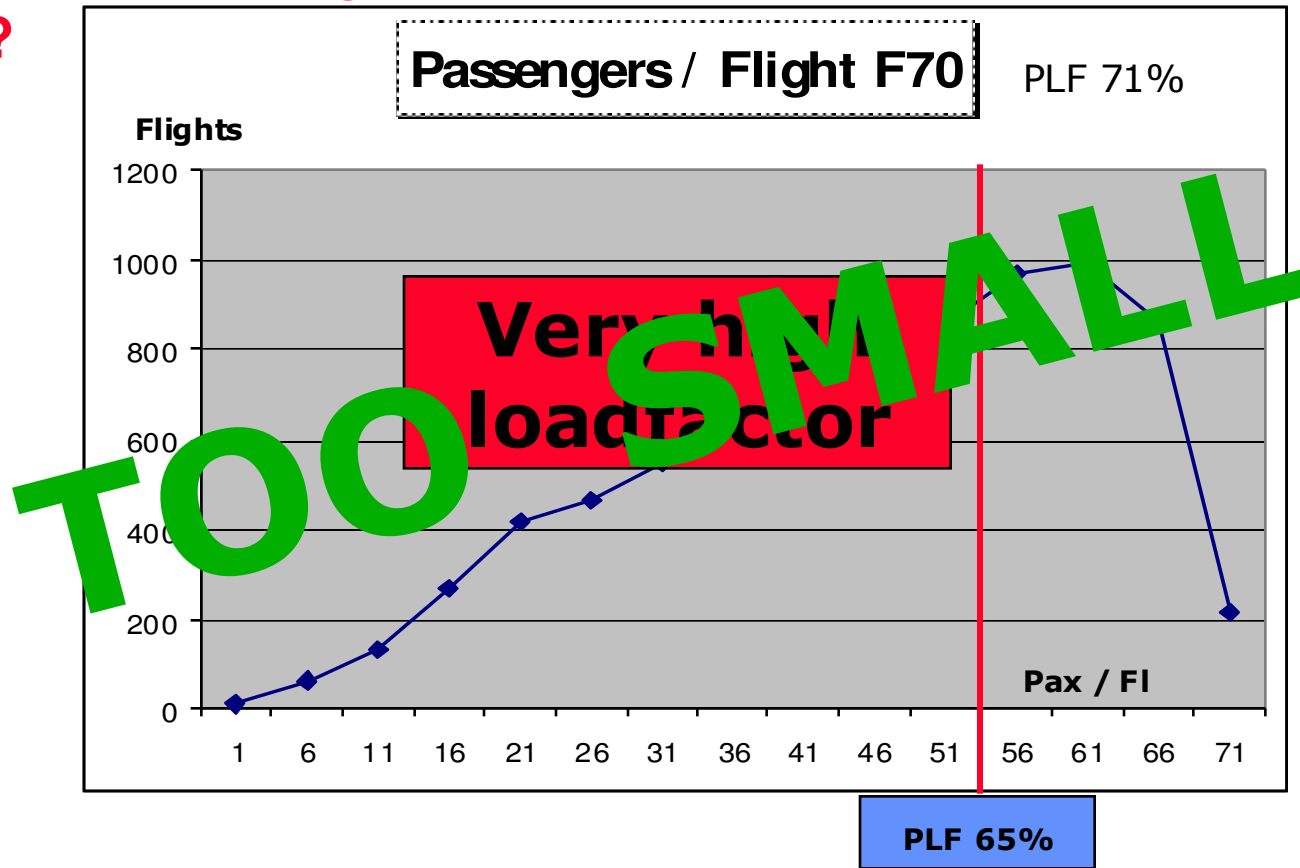
What is the right Aircraft Size

?



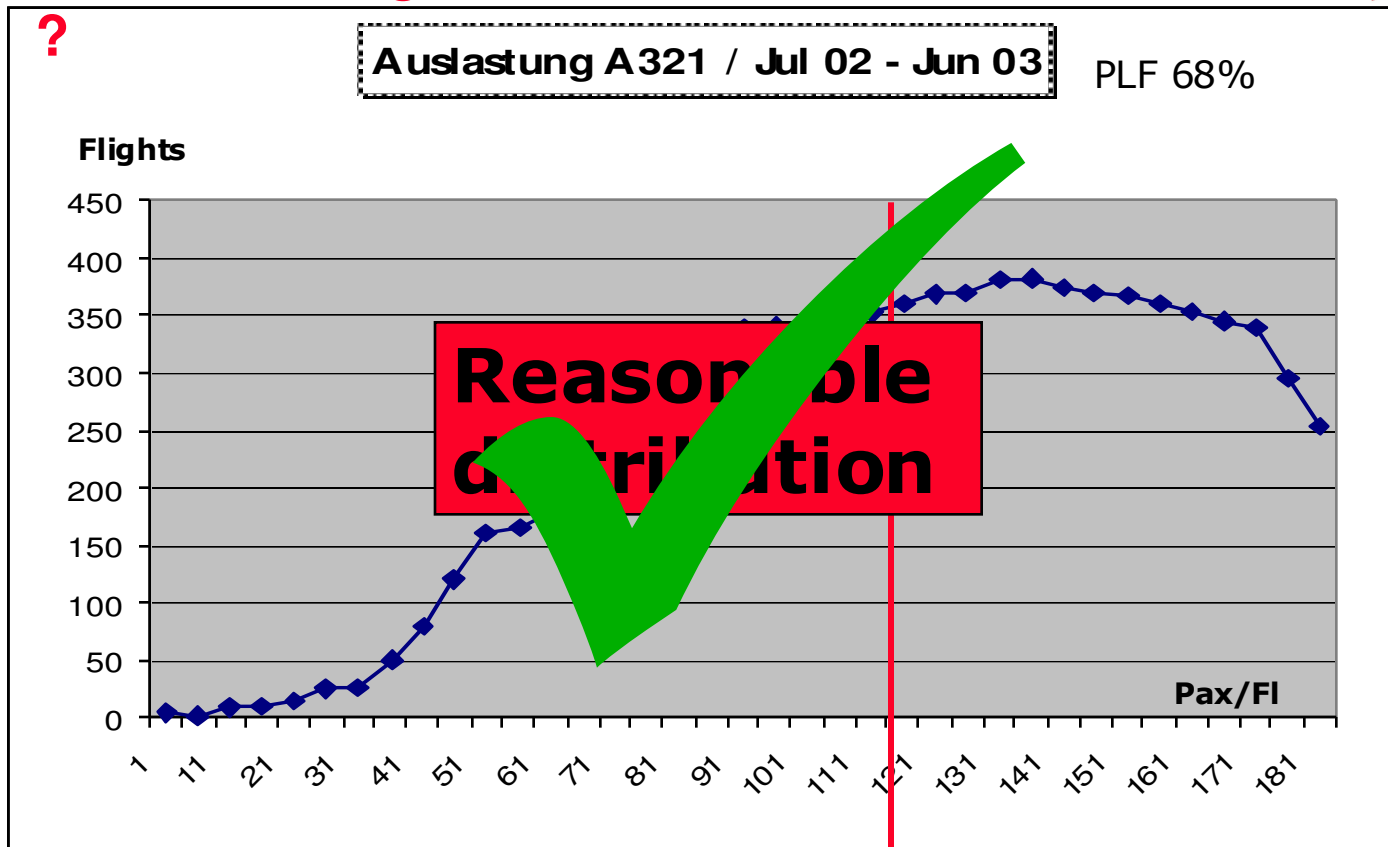
What is the right Aircraft Size

?



What is the right Aircraft Size

Austrian 



PLF 65%

Fleet Planning (Strategic Evaluation)

50- 70 seater A/C

- Declining yield and pressure on seat mile costs
- Growing traffic demand
- + New market opportunities (secondary / tertiary destinations Eastern + Western Europe)

80 – 120 seater A/C

- + Growing traffic on existing routes
- + Coststructure (F100)

140 – 180 seater A/C

- + Growing traffic demand
- More competition by LCC

Methodical Approach (Case Study)

- Passenger volume for base period
- Autonomous market increase for projected period
- Induced traffic increase (gaining marketshare)
- Status Quo SLF
- Status Quo capacity requirement
- Improvement SLF
- Adjusted capacity requirement
- Average A/C size in base period
- Average A/C size in projected period
- A/C utilization (Q's/d) in base period
- Increase of A/C utilization
- Number of aircraft required

Fleet Planning (Case Study OS)



	Short / Mediumhaul			Longhaul
	50-70 Seater	80-120 Seater	140-180 Seater	
Pax B 2005	2,7 Mio	2,4 Mio	2,2 Mio	1,6 Mio
Market increase p.a. for next 5 years in %	2	7	3	6
Pax 2010	2,9 Mio	3,4 Mio	2,5 Mio	2,1 Mio
Increase marketshare %	0	10	3	0
Pax 2010	2,9 Mio	3,7 Mio	2,6 Mio	2,1 Mio
SLF 2005 %	61	66	68	81
Seats offered B2005	5,3 Mio	3,6 Mio	3,0 Mio	2,2 Mio
Increase in loadfactor in %-pts	7	4	3	0
SLF 2010 %	68	70	71	81
Seats 2010	5,7 Mio	5,6 Mio	3,7 Mio	3,0 Mio
Average seats / AC 2005	58	95	167	314
Average seats / AC 2010	58	105	167	314
Flights per AC per day 2005	7,02	5,03	4,52	1,38
+ Increase in utilization %	5	5	5	10
Flights per AC per day 2010	7,37	5,28	4,75	1,52
Total AC needed 2010	36	29	13	17
Deviation 2005/2010	0	9	1	2



This evaluation resulted in the purchase of
9 + 6 x F100 by Austrian Airlines Group.