

Estonian Air

Puhajaerv Seminar
November 17th, 2011

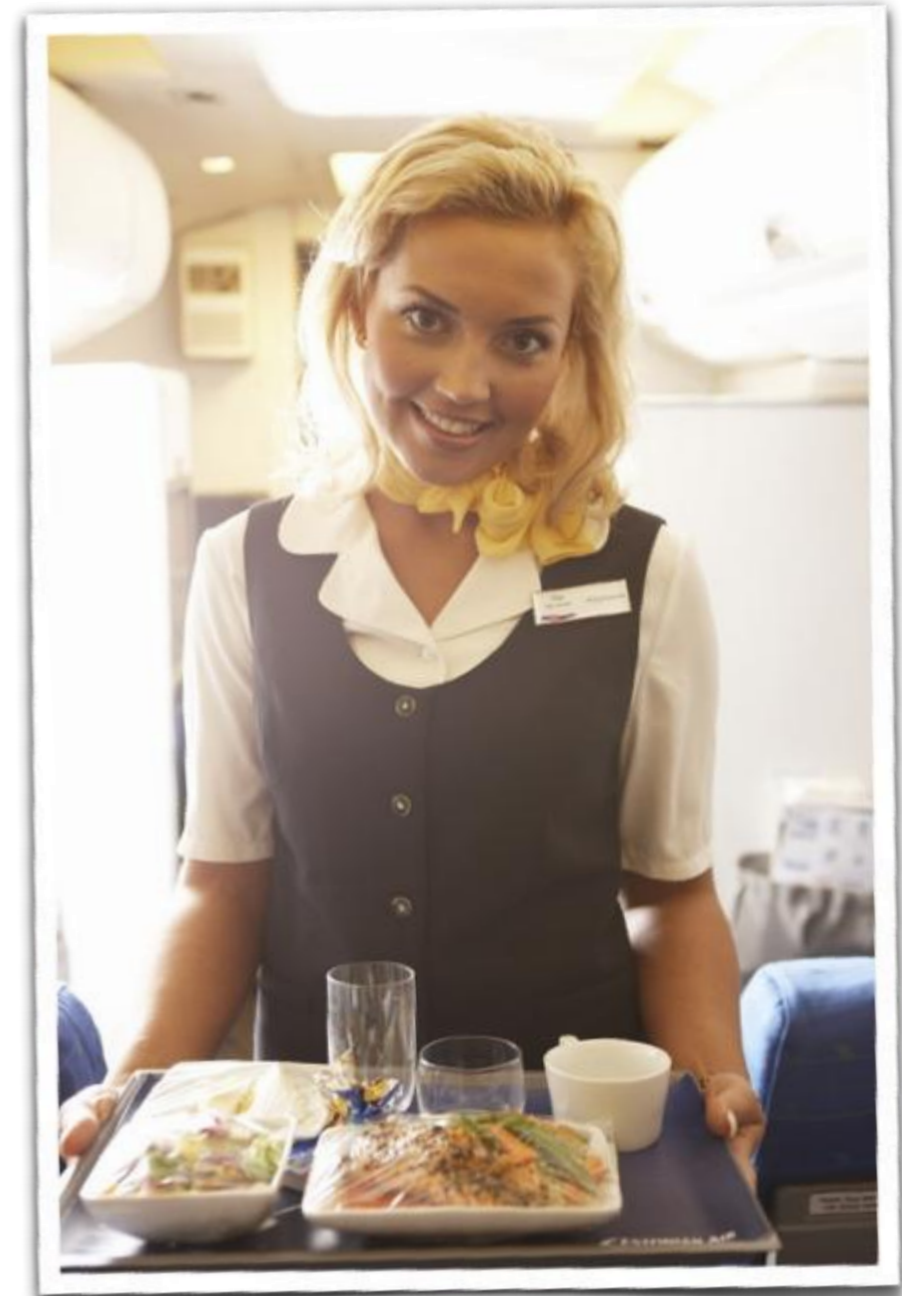


 **ESTONIAN AIR**

www.estonian-air.com

Estonian Air in brief

- ◀ Estonian Air is the national airline
 - Since October 2010, the Estonian government owns 90% of the company, SAS 10%
 - The airline reaches its 20th anniversary this year
- ◀ Flies to 21 destinations in Europe and CIS countries
- ◀ Operates 8 aircraft (4 B737, 2 CRJ900 and 2 S340)
- ◀ Carries approximately 600,000 passengers annually
 - Biggest operator out of Tallinn



Tallinn can be either the centre of the world or the periphery – we choose....



The geographical location of Estonia creates opportunities to attract several big passenger and cargo flows

Traffic flow	Annual RPKs in billions				Annual growth, %
	2008	2009	2010	2030	2010 to 2030
Within Europe	661	625	644	1,412	4.0
Europe to and from North America	432	405	424	863	3.6
Rest of World	52	69	88	422	8.2
Europe to and from Middle East	115	131	144	413	5.4
China to and from Europe	83	77	82	340	7.4
Africa to and from Europe	126	128	138	339	4.6
Europe to and from Southeast Asia	100	98	100	274	5.2
China to and from North America	63	61	71	265	6.8
Europe to and from South America	75	79	82	221	5.1
C.I.S region to and from International	76	84	100	215	3.9
Europe to and from South Asia	55	51	55	206	6.8
Middle East to and from North America	30	42	46	188	7.3
Central America to and from Europe	83	77	75	178	4.4
Europe to and from Northeast Asia	66	57	60	116	3.4
North America to and from Southeast Asia	39	30	31	105	6.4
Africa to and from North America	6	9	11	40	6.4
Africa to and from Southeast Asia	5	4	6	24	7.5
World Total	4,611	4,519	4,881	13,312	5.1

The traffic table is not a complete list of all traffic flows related to "World" as some are too small to display. (source Boeing Commercial Market Forecast 2011)

Two highlighted flows are the ones served by airlines flying to Estonia



Airlines are adjusting to become more efficient

< Consolidation will continue

- Even low-cost and regional airlines are coming together

< Average aircraft size will increase

- Many small regional markets will disappear together with the aircraft size fitting those – alternative means of transportation will win

< To fill the planes, airlines are after volumes with price

- Ancillaries become a key in future

< There is such thing as “minimum airline size” - currently estimated at 35-45 aircraft

- This is driven by the efficiencies gained by fleet/network size and resilience to crisis achieved by wide network



Estonian Air will grow in a sustainable manner

- Estonian Air has two clear ambitions:
 - Create viable and sustainable air transport network which is the backbone for all the other developments the current (and the future) government has set out themselves to achieve
 - To become profitable in next 24 months
- The profitability enables us:
 - To reduce the airline's dependency on its shareholder
 - To seek future growth from the emerging markets and to attract additional funding from other sources than the Estonian Government
- We will achieve the profitability with pragmatic and controlled growth while restructuring the company for higher efficiency
 - Two aircraft per year added in first two years – total seats of two aircraft less than one Boeing



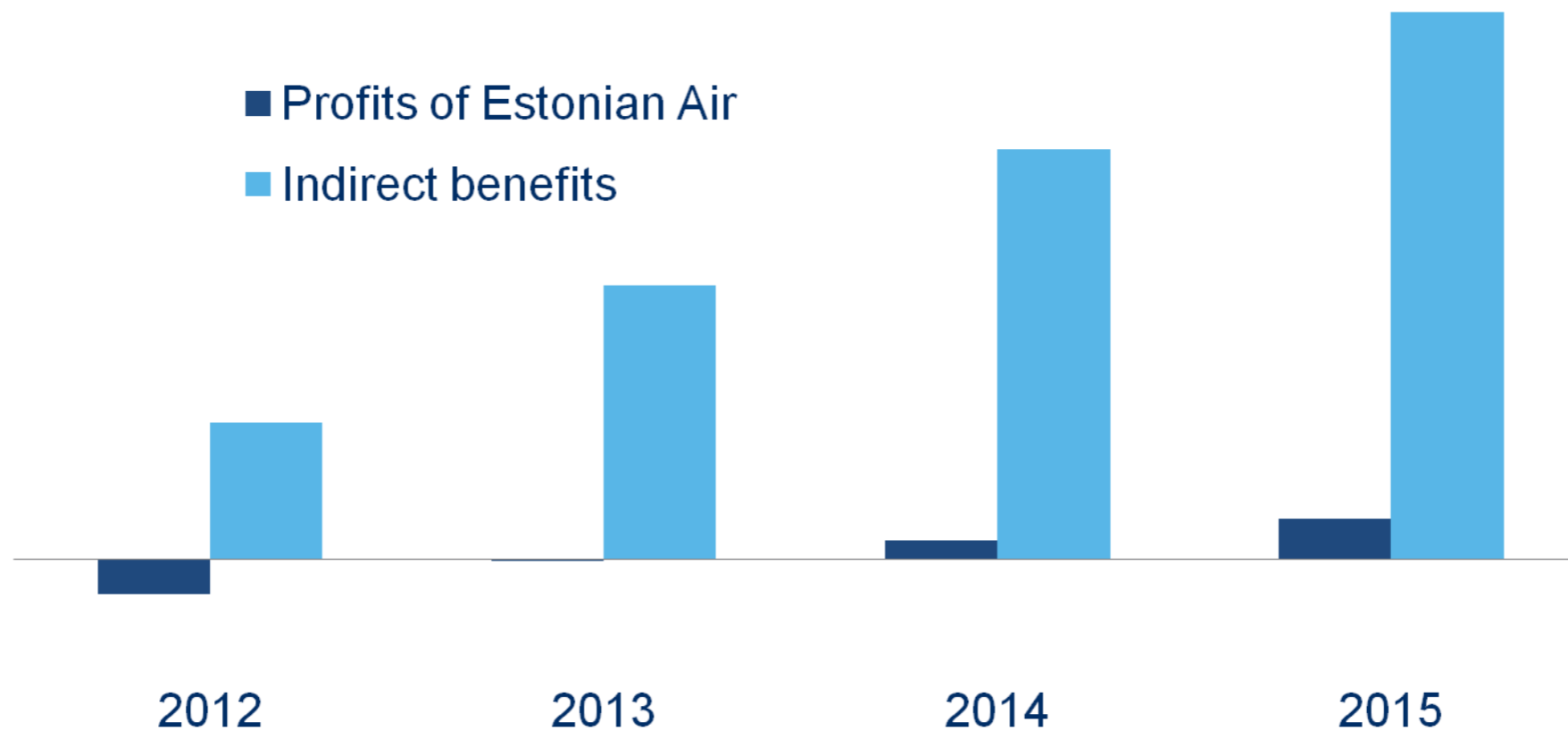
With new shareholders, management, and strategy, Estonian Air will target sustainable growth

- The restructuring of the corporate structure, fleet and network are the first steps for sustainable growth
- New multi-national management team will make sure that we provide truly Estonian experience in international markets
- Our shareholders are committed for the success of the Estonian Air



The reality is that the airline earns returns later while other stakeholders get immediate benefits

The economy reaps indirect benefits from a larger network and route map immediately, while profits would only come to Estonian Air after some period of time



Profits from EA business plan, indirect economic benefits from Ministry of Economy and Transportation study for Estonian Air



What do we need from Estonia to be successful



All the parties to pull to same direction

- - Estonia, Estonian Air and Estonian Airports to have joint marketing brand (compare to Singapore, Malaysia, Dubai, Bahrain, Riga campaigns) to get economies of scale

Resource Management

- Estonian Air needs 200 additional flight crew by end of 2013, not to mention other roles
- Co-operation with all the stakeholders to enable be flexible with resources
- Better bi-lateral conditions to CIS, Asia
- Cost Management

Passengers

- Some nationalism would help – naturally we need to earn it!
- Better infrastructure to allow diversity of event organisation (MICE, Sports)

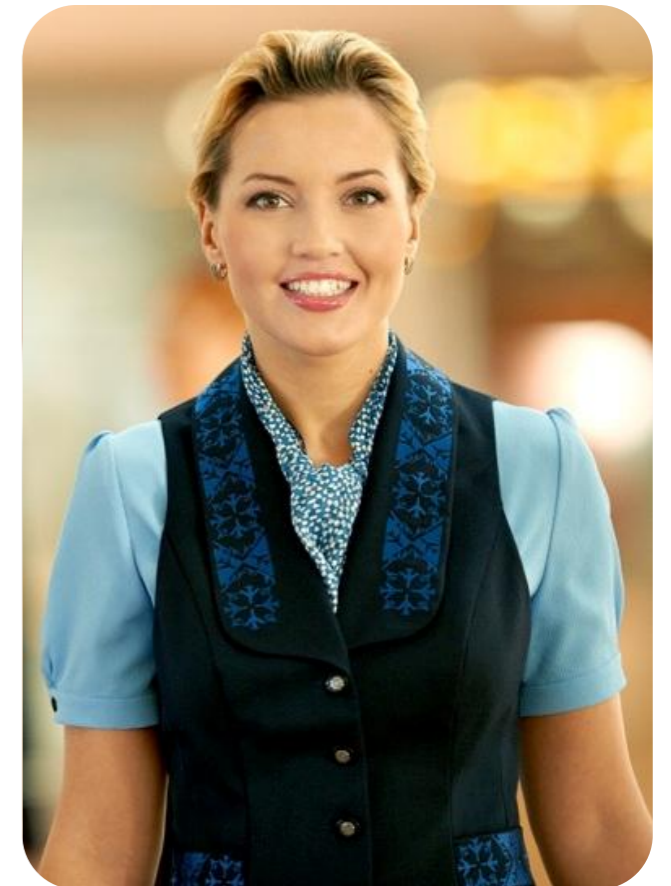
Service culture

- Estonia needs good standards in service training throughout the customer value chain
- More open immigration policy to attract cheap labour



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