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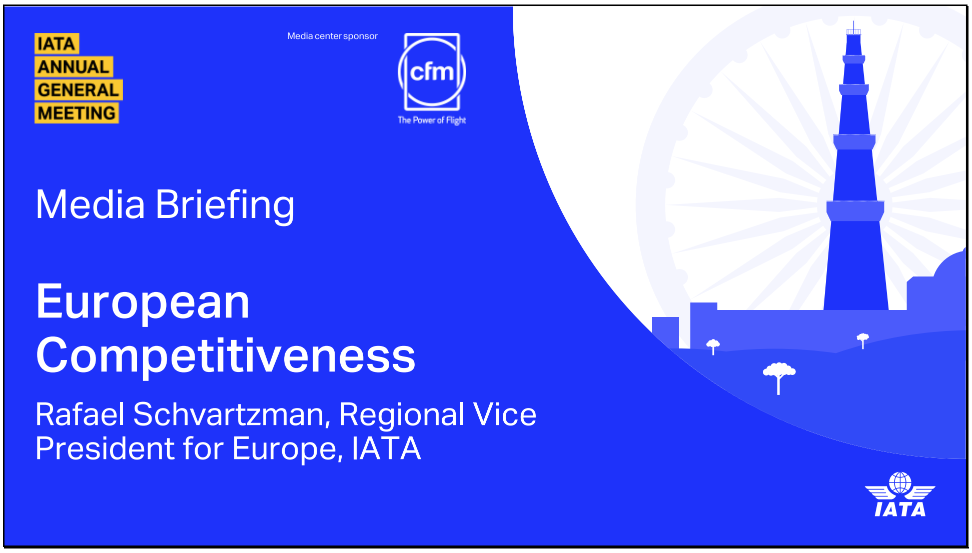
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Rafael Schvartzman, Regional Vice President for Europe, IATA
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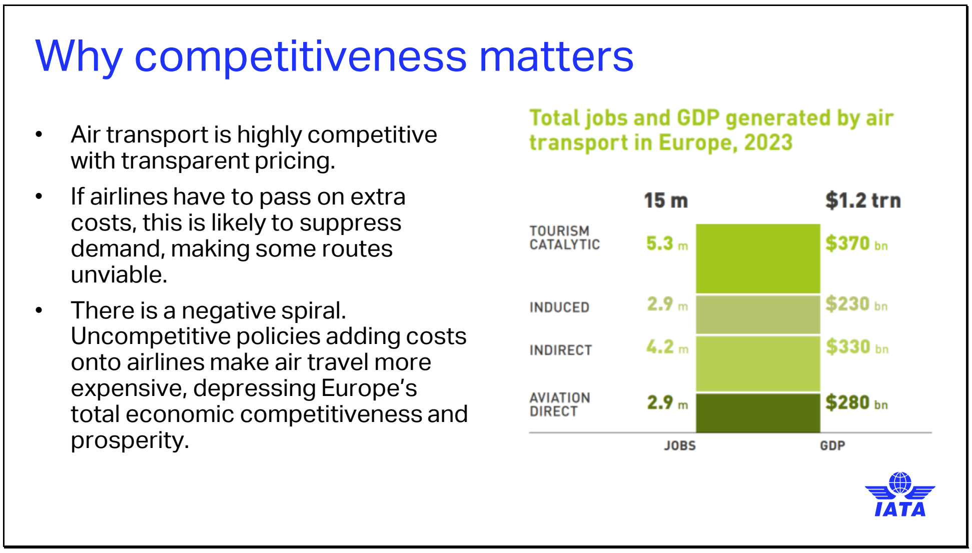
Slide 2



Good afternoon. Thank you for coming.

I want to give a brief overview of some key issues facing Europe in the context of competitiveness, which is something we've heard a lot about since the publication of the Draghi report last year.

In short, competitiveness matters. And competitiveness in an air transport market means cost competitiveness.

This is because the air passenger market is highly transparent and competition is high, while product differentiation opportunities are low. This leads to low margins and demand being highly price-sensitive.

Result? Any increase in costs creates huge difficulties for airlines.

If airlines have to pass through extra costs – which given very tight margins, they often have to do – then this is likely to depress demand for travel.

Fewer passengers means fewer routes and frequencies, which means fewer jobs and economic opportunities generated by airlines. The connectivity that creates so much prosperity across Europe is imperilled by the constant cost increases weighing airlines down.

The opening sentence of the transport chapter of the Draghi report states that "well-functioning transport networks and services and a prosperous transport industry are crucial to the competitiveness of the entire EU economy." And he goes on to state that "transport enables the prosperity of other branches of the economy." His analysis is confirmed by research from the Air Transport Action Group which shows aviation supports 15 million jobs and generates $1.2 trillion in GDP for Europe. It follows therefore that to improve European competitiveness, we must improve the competitiveness of European air transport.

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I'd like to examine four key areas where competitiveness can be enhanced.

- Consumer regulation - EU261
- Sustainability – specifically ReFuelEU
- Taxation
- Airport and ANSP infrastructure costs

These four areas represent cost burdens on the competitiveness of European air transport. And they are a result of political choices. Choices which regulators and politicians have within their power to improve.

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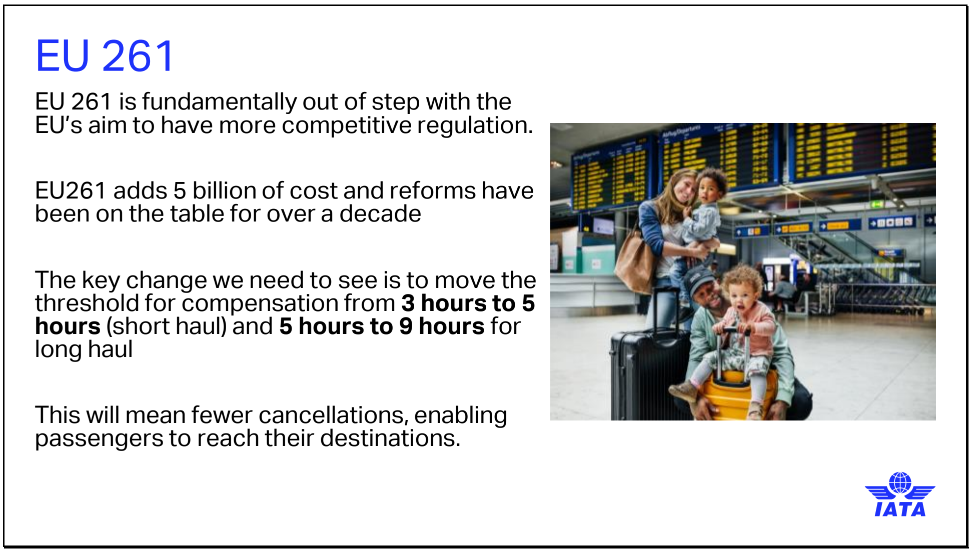

Let's start with consumer regulation, which in most of Europe is subject to EU261.

EU261is long overdue significant reform. It is hard to think of a regulation that is less in tune with the EU's desire to be more competitive. 261 adds at least 5 billion Euros of cost while having no effect on reducing delays and cancellations…other than to ensure airlines cancel flights after three hours which might otherwise take to the air.

EU 261 has been modified by judges more than 80 times. It is a mess, and as we speak, improvements are on the table awaiting the approval of EU transport ministers.

Our key request is to modify the thresholds for compensation – we would like to see these moved from the current 3 hours to 5 hours for short haul and from 5 hours to 9 hours for long haul. This would be a win-win in most circumstances. Why? Because for example, if an intra-EU flight gets delayed by 3 hours, then the airline cancels it and pays the compensation, even if the plane could have got in the air a bit after that. In fact, we think a majority of flights that are cancelled at three hours might be able to get going within five. On the principle that most passengers prefer to get to their destination 'better late than never', modifying the thresholds would be a definite improvement.

Our key message to regulators is: approve the threshold reform—it will reduce flight cancellations. It will also cut costs that have to be paid for by airlines and consumers, and thus help the economic viability of marginal routes around the EU.

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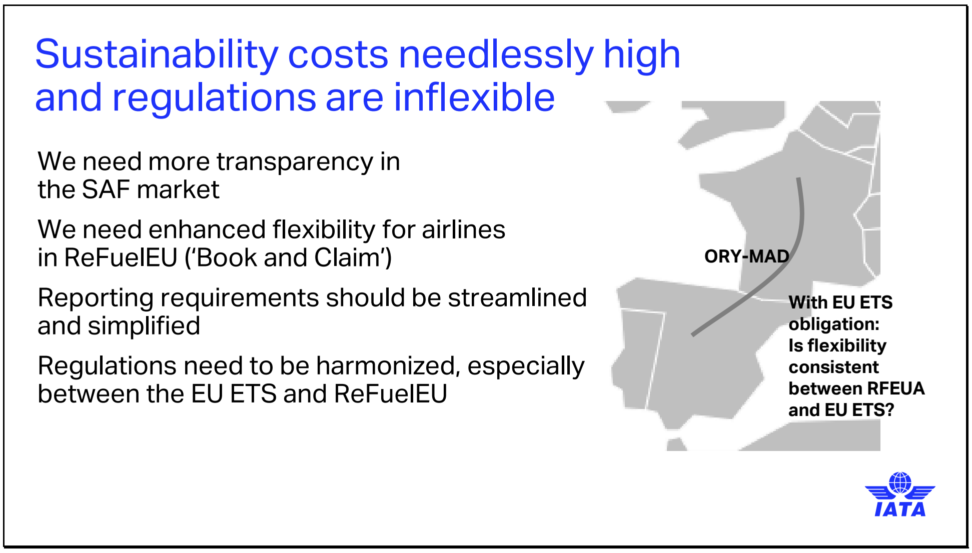

Now let's turn to sustainability. Aviation is committed to reaching net zero by 2050. But getting there will take a massive collective effort from industry and governments.

The EU have set the toughest environmental targets and mandates in the world. Logically, you would think they would have already put world-leading support in place for the industry to meet these targets, but unfortunately that is not the case. And that is making the cost of sustainability needlessly high.

The current mandate on SAF use – 2%, rising to 6% in 2030 – is an obligation on fuel suppliers that is simply passed straight onto airlines in their existing jet fuel contracts. As a result there is no transparency in the market, and airlines are paying US$1.7 billion extra in compliance costs for SAF. **If this money were instead to be diverted to buying more SAF it would reduce CO2 by an additional 3.5 Mt of CO2.**

Every extra dollar being spent over the odds on SAF diminishes the abilities of airlines to purchase SAF beyond the mandate, or invest in other sustainability measures. We need more transparency in the SAF market and this issue will be covered in more detail in the sustainability media briefing which follows later today.

The inflexibility of the regulation insisting on fuel being supplied equally across Europe also adds costs. More flexibility - at minimum an intra-EU book and claim system - would help airlines access more SAF, and for SAF to be scaled up where it is most efficient to do so.

Simpler and more streamlined reporting requirements would also help – especially with regard to anti-tankering.

Fourthly, sustainability regulations need to be harmonized. There is a mismatch between ReFuelEU and the EU Emissions Trading Scheme. At the moment, for example, an airline flying from Orly to Madrid can only access the ETS/SAF benefits if the SAF is provided physically at Orly (which fuel suppliers are not obligated to do). The ETS rules need to change to cater for the flexibility which has been granted to the fuel suppliers.

These four steps will help improve European competitiveness without diminishing any commitment to sustainability – on the contrary, they will make it far more likely that we can reach the EU's targets. And in the case of a book and claim system, the EU have an opportunity to be first-movers and establish global best-in-class regulation to make this work.

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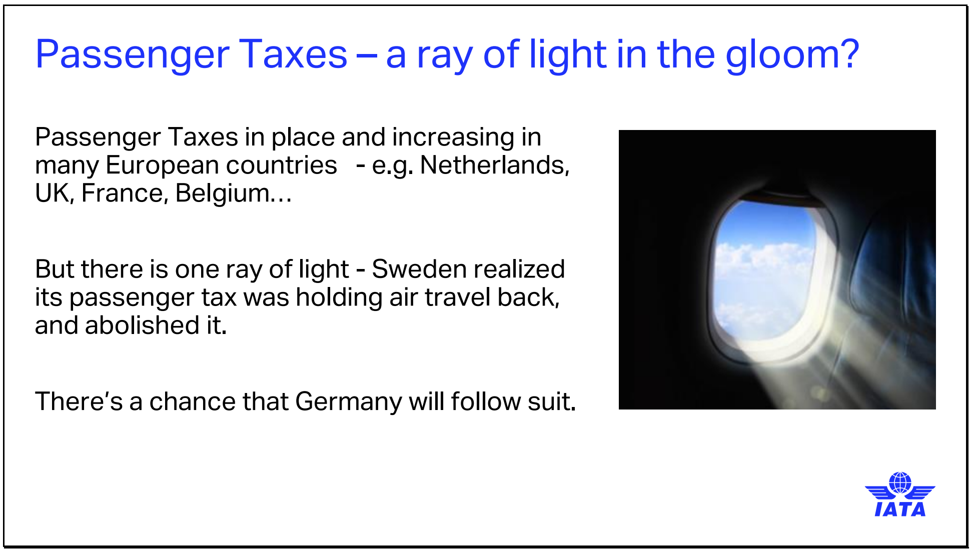

Taxation is another additional cost burden that is under the control of governments. And it has been another great year for tax collectors, less so for passengers and airlines.

We've seen tax rises in France and the UK, with the Netherlands and Belgium pushing to increase their existing taxes.

But at least the picture is mixed. Sweden has abolished its passenger tax (effective this July), and Germany is considering following suit. And we also saw taxes on airlines cut in Hungary and Italy. Airlines pay hundreds of billions in taxes every year. We are committed to paying our share. But passenger taxes are self-defeating – they restrict connectivity and thus general economic activity which supports the overall tax base of a nation.

Slide 7

The costs of airport and ANSP infrastructure are increasing year-on-year, with little performance improvement to show for it. And the profitability in the value chain is completely unbalanced.

Airlines make an average return on invested capital of less than 7%. That's for a sector that is risky, so in theory returns should be high in good times to cover for inevitable shocks. Europe's airports, in a far less risky sector, are making more. Some of the most profitable airports are Lisbon, with a return on capital employed of 21%, Lyon with a ROCE of 15%, and Athens at 14%.

Remember that many airports have a "heads I win, tails you lose" approach to charges. If their profits exceed their expected returns, they get to keep the additional money, but if they fall below expectations, airports will try to recoup them later through higher charges. Effectively their return is nearly risk-free, whereas anyone who has ever held airline shares will confirm that airlines are certainly not risk-free!

The current system does not incentivize efficiencies or stop airports from earning unjustified excessive returns. That's one of the reasons we have called for a revamp of the European Airport Charges Directive.

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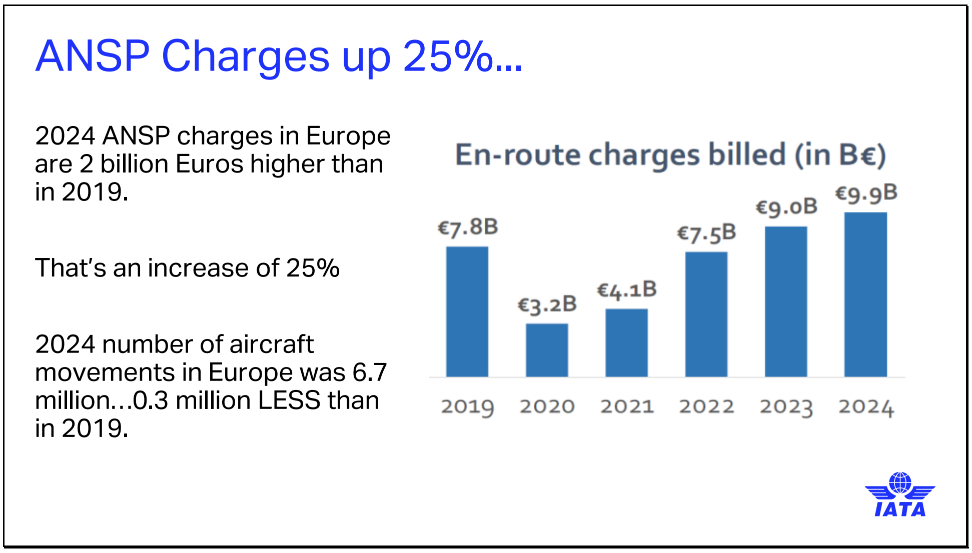


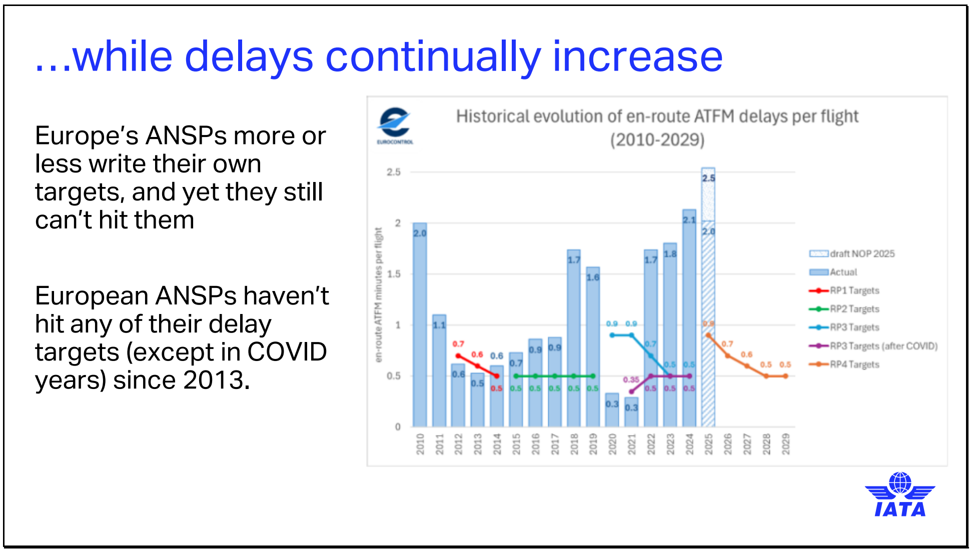
ANSP charges, as the chart on the slide shows, are rapidly increasing. Charges in 2024 were 2 billion Euros higher than in 2019 – almost 25% more, to manage 0.3 million fewer aircraft movements.

We saw double-digit increases in charges across most of the ANSPs in Europe.

Some of the biggest price offenders are Switzerland, which charges 18% more than the next highest-charging country, the Netherlands. France, Belgium and Germany are also expensive, particularly when their performance is taken into account (France and Germany are responsible for more than 50% of all delays).

What is even more dismaying is when you look at the latest Performance planning under the EU regulations for these states, they are all part of FABEC, who collectively have failed to deliver compliant plans for the next performance cycle: RP4 (2024-2029) each of which have planned to fail to meet both Capacity and Cost efficiency targets.

Slide 9



What is even worse, delays are continually increasing (ATC capacity was the major cause for delays in 2024, accounting for 8.9 million minutes). ANSPs are not hitting the modest performance targets they set for themselves, as the chart from Eurocontrol clearly indicates.

Excepting the COVID years, the last time Europe's ANSPs met their delay target was in 2013, when the iPhone 5 was the latest thing and Alex Ferguson was still manager of Manchester United.

The gap between their targets and reality is approaching fantasy levels now. Indeed, Eurocontrol has warned that the best-case scenario this summer sees delays reduced to 2.02 minutes per flight – still well over double the target number. And there are no penalties for this continued abject failure!

It's important to note that while 2.02 minutes per flight of average delay doesn't sound so bad, that is equivalent to approximately 70,000 minutes of delay for the day as a whole and can be expected to translate to 15-20 minutes of delay per delayed flight. Basically, if your flight is delayed, its going to be delayed *significantly*.

These sorts of delays are unacceptable, and all the more galling as costs continually rise.

Europe's competitiveness will always be hampered unless it tackles the chronic inefficiency of its ANSPs through targeted measures.

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I'll conclude with a final thought on capacity.

Globally, the aviation industry is growing. We are here in India, which is looking to turbocharge its growth. This is the most populous country on the planet, with a growing middle class that want to travel. If Europe wants to get its share of that travel, it needs to ensure strong connectivity to India.

Yet, capacity in Europe is facing a crisis. Much-needed airport expansion remains on the drawing-board, whether it is in Lisbon, in Poland, or at Heathrow. And some of our most important hubs face huge challenges to maintain their current capacity. Amsterdam is the most tragic case. You all know of the long-standing legal challenges that the industry has been forced to undertake to ensure the Netherlands stands by its international agreements, and proceeds with a proper Balanced Approach to noise at Schiphol.

The lack of capacity is just one example, along with the challenges I have just explained in this presentation, why Europe will be the slowest-growing aviation region over the next 20 years. That slow growth could fall even further if these competitiveness problems are not addressed.

The Draghi report correctly identified many of the key issues Europe must tackle to restore its prominence and prosperity. Many of these difficulties are external, in the face of major geopolitical, technological or demographic challenges. But many of the competitiveness problems faced by air transport are self-induced by Europe's politicians.

And the positive side to that is that Europe also has the means to reverse those problems, if sensible regulatory and fiscal solutions are put in place. Thank you.

Now I'm happy to take your questions.