9TH AVIATION STAKEHOLDERS CONVENTION

18 – 19 MAY 2021 | VIRTUAL CONFERENCE

AFRAA

Ethiopian

Economic Impact of COVID-19 on African Aviation and Analysis of the Market Outlook

"Building Blocks for the Air Transport Industry Recovery"

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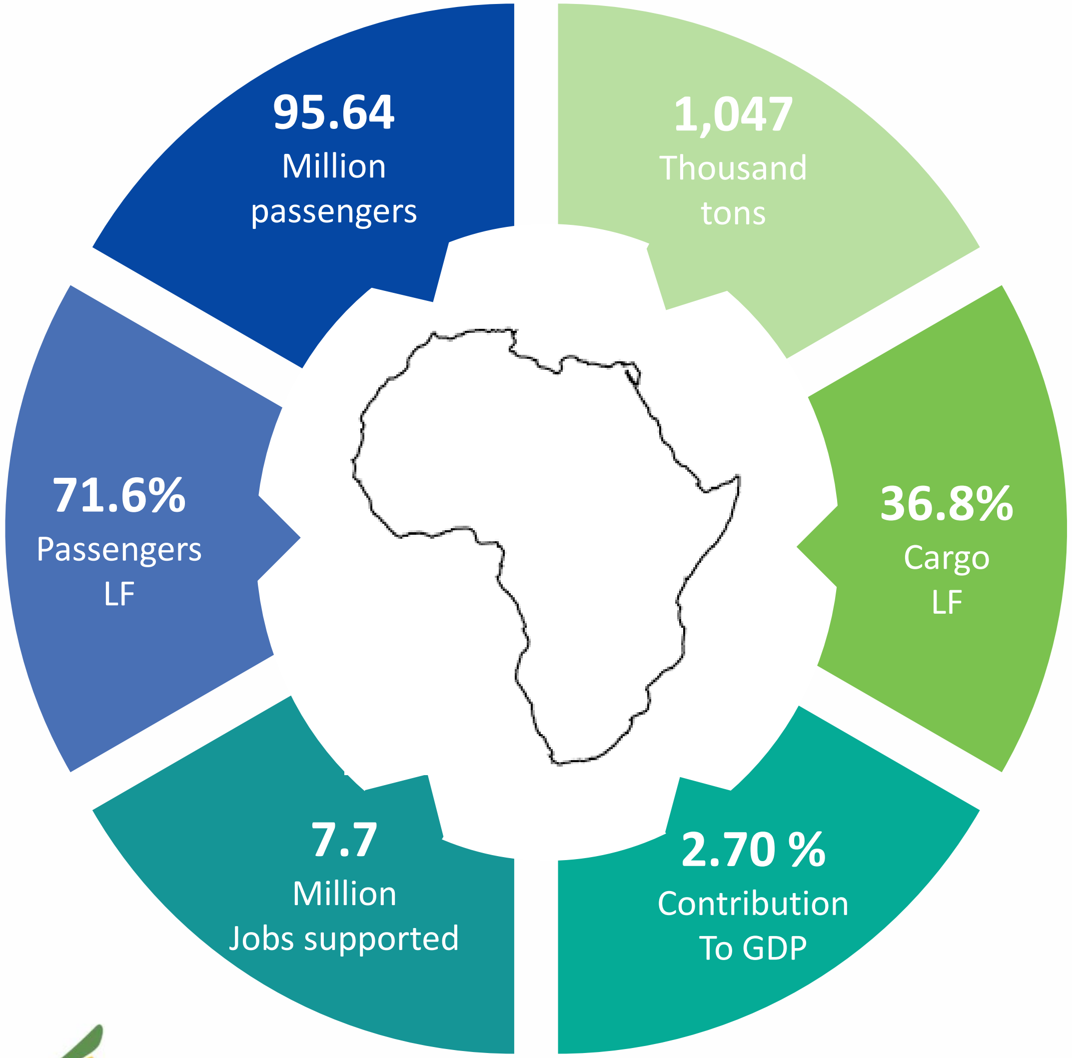
Benefits and challenges of Aviation in Africa

Benefits of Aviation in Africa



The aviation industry is a critical sector of the global economy:

- ✓ **Encompasses transportation of passengers and goods (cargo) as well as airport operations.**
- ✓ **Generates revenue to the economy**
- ✓ **Creates Jobs**

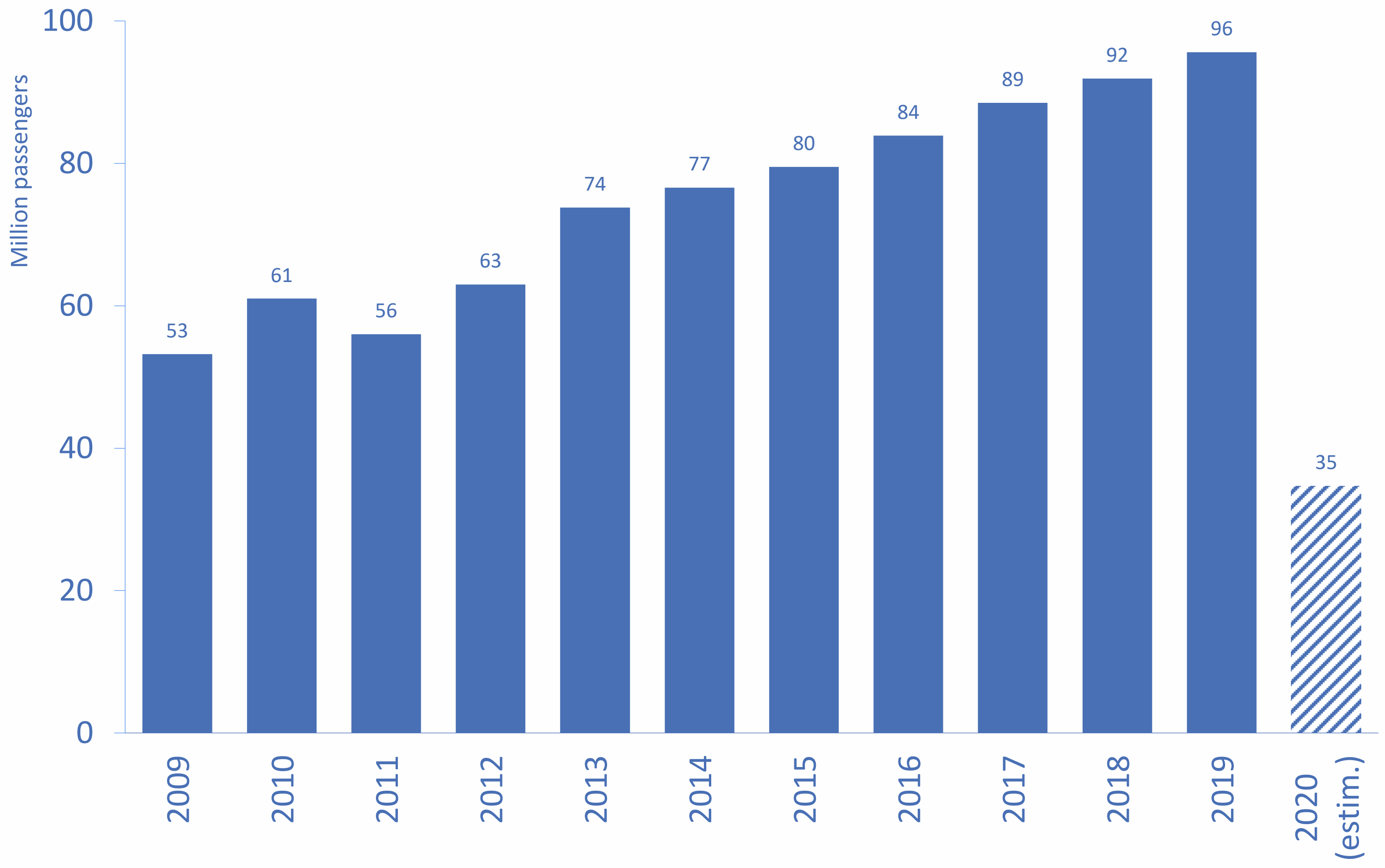
Source : AFRAA / IATA / ATAG 2019

Challenges facing the Aviation industry in Africa

- ✓ **Imposition of high taxes and charges on the airlines by various governments compared to other regions,**
- ✓ **Poor intra-African connectivity coupled with market access limitations,**
- ✓ **Inflated price of jet fuel,**
- ✓ **Blocked funds,**
- ✓ **Rising number of foreign competitors,**
- ✓ **Unfavourable investment environment,**
- ✓ **More recently, COVID-19 outbreak resulting to halting of passenger air transport for a while.**

Air transport Report 2020 : Impact of Covid-19 on African Airlines operations

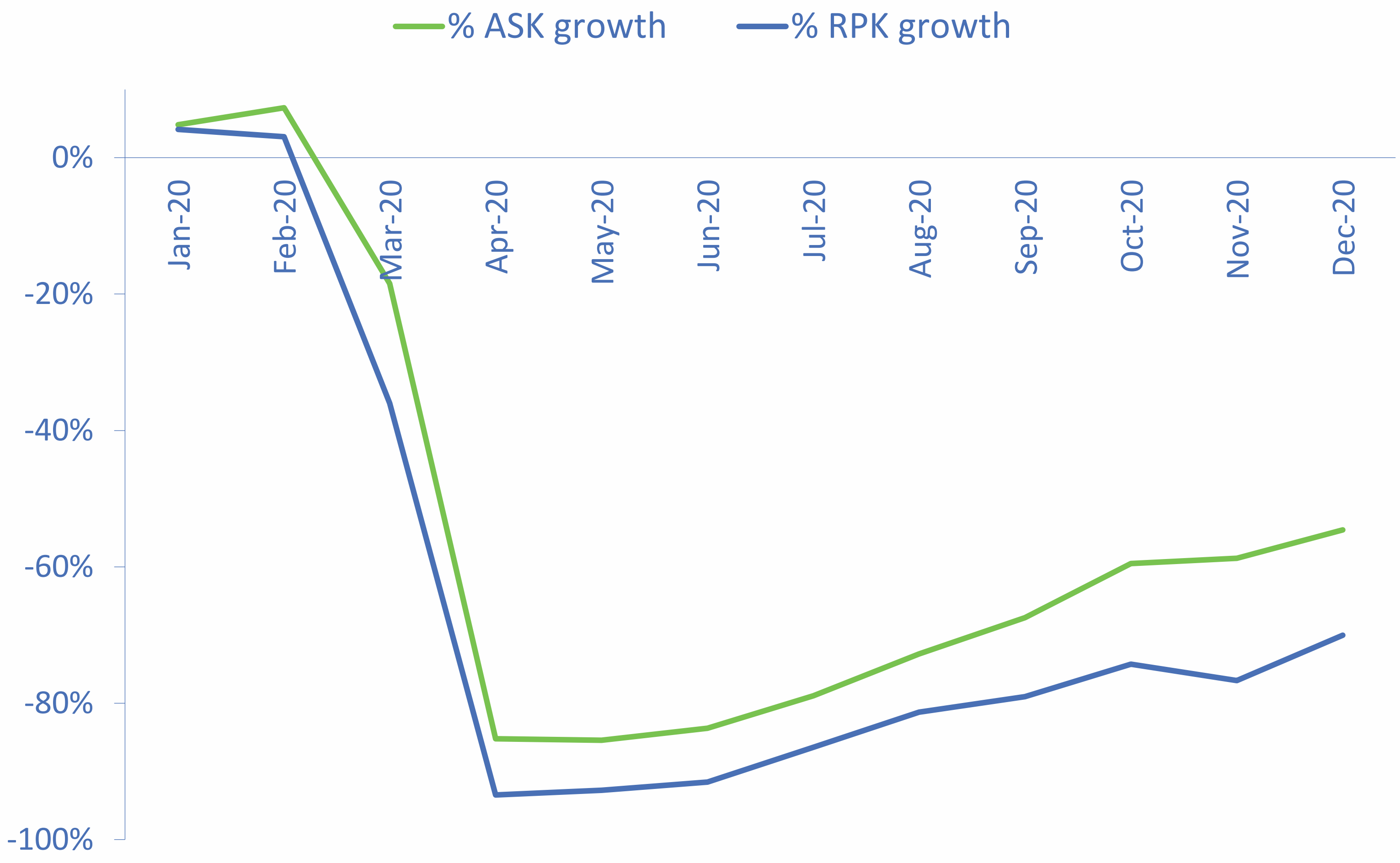
Passenger traffic Evolution



Source : AFRAA / IATA

- ✓ **African Airlines' scheduled passengers 2020 : 34.7 million (AFRAA estimations).**
- ✓ **Estimated 63.7% year-on-year drop compared to 2019.**

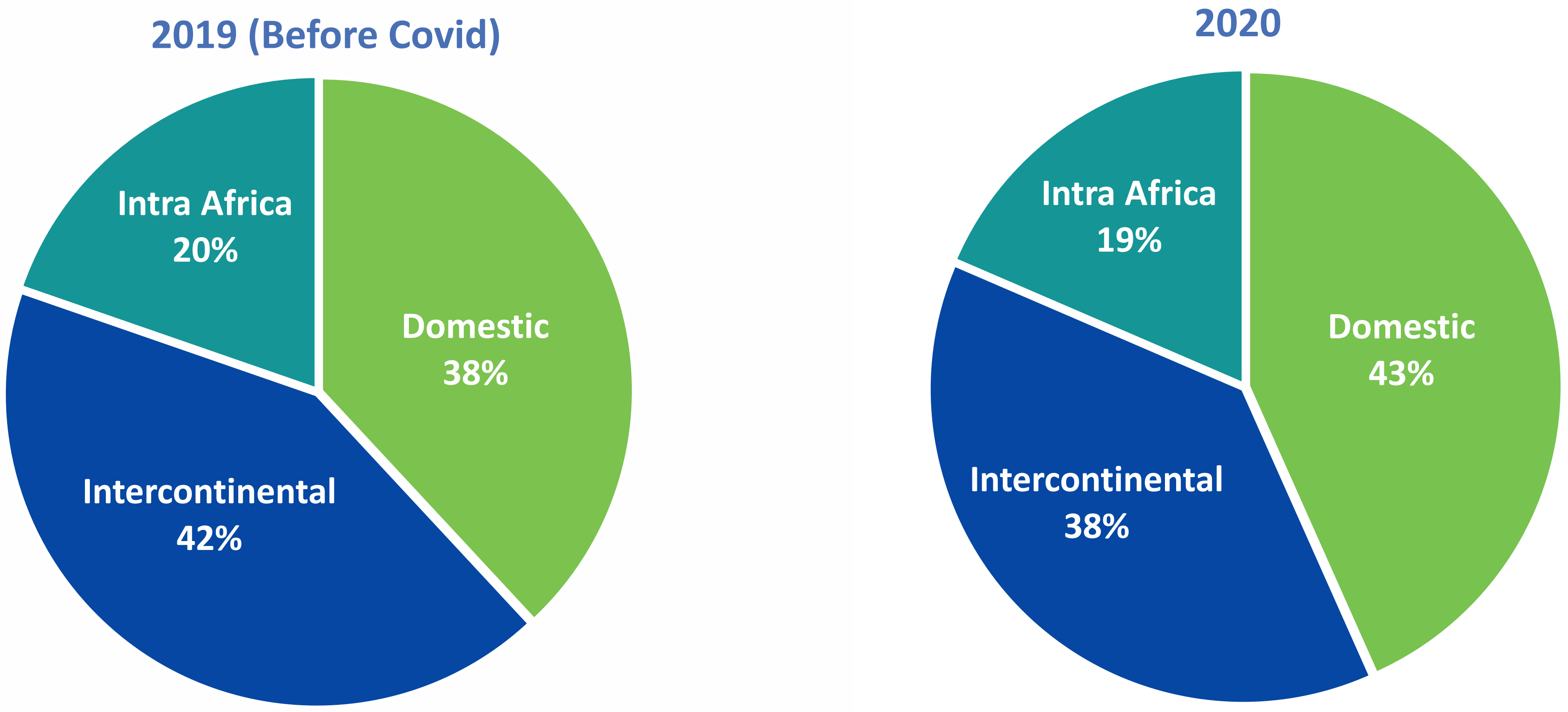
ASK and RPK growth in 2020



Source : AFRAA / OAG

- ✓ **Majority of carriers grounded their aircrafts from end of March 2020.**
- ✓ **Drastic ASK and RPK drop of 85% and 94% in April.**
- ✓ **Traffic reduction continued until June, before reversing with the gradual opening of borders.**

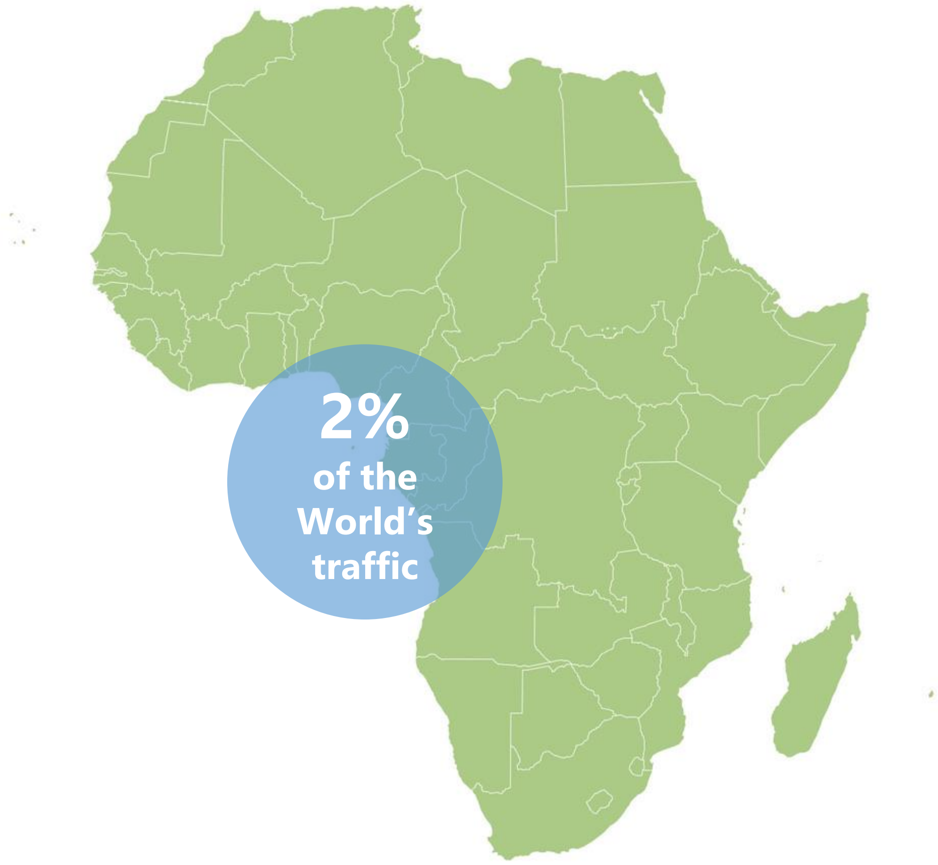
Passengers Traffic Distribution



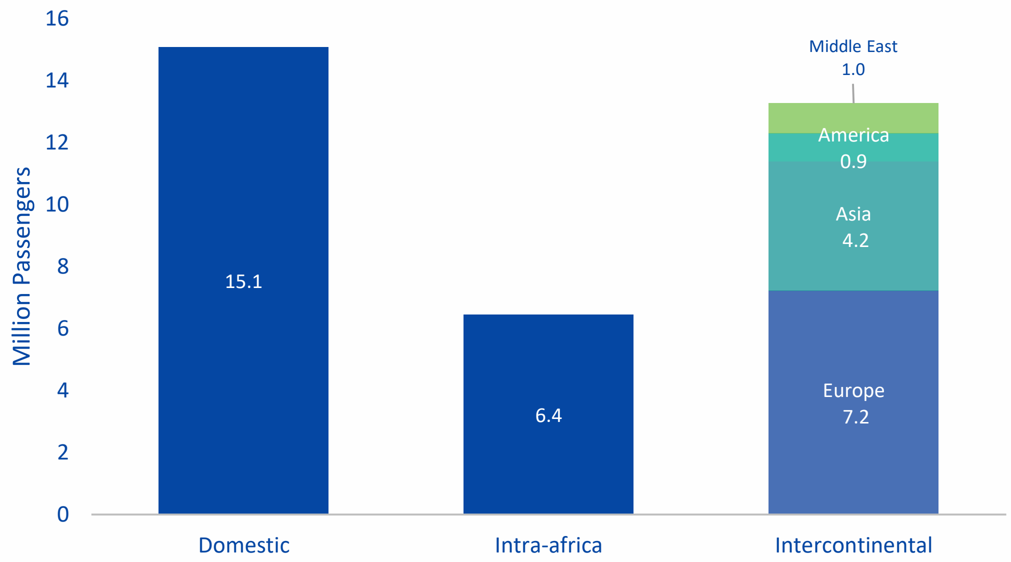
Source : AFRAA/OAG

The structure of Passenger traffic distribution changed from the period before and after the Covid-19 outbreak. The share of International that used to be dominant (42%) reduced in favor of Domestic market.

All Africa



Traffic repartition 2020



63.7%
YoY Traffic drop compared to 2019

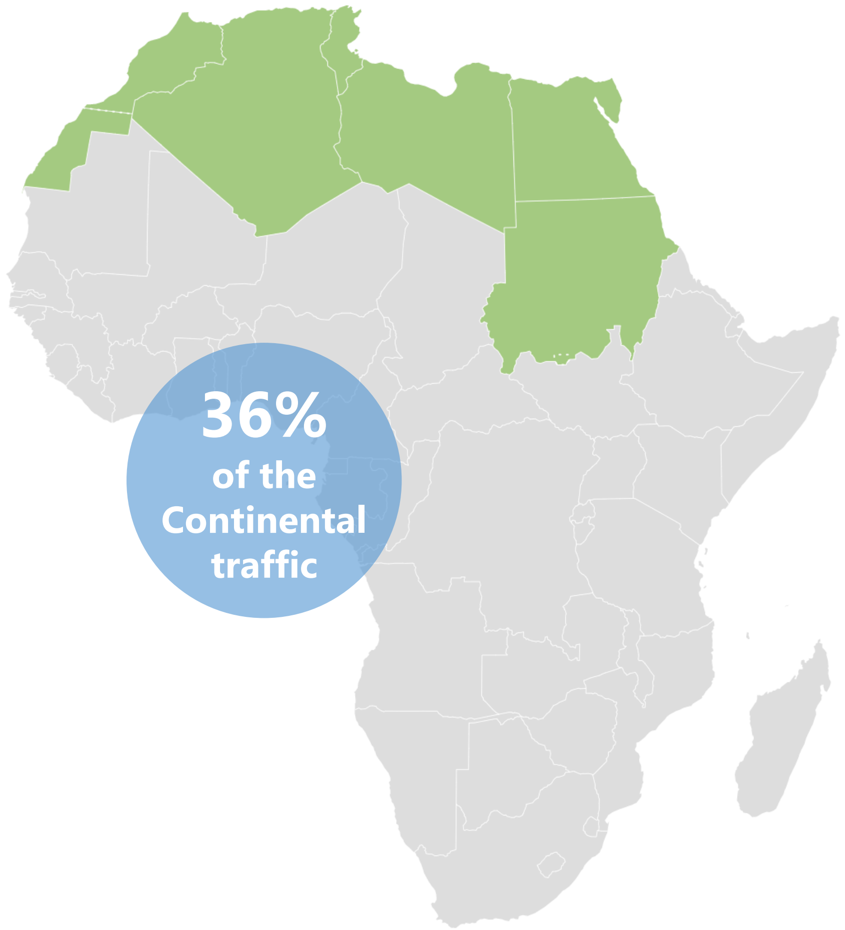
43%
Share of **Domestic** traffic

56%
Europe is the first intercontinental destination from Africa

4%
YoY drop on traffic share to **Asia** from 11% to 7%

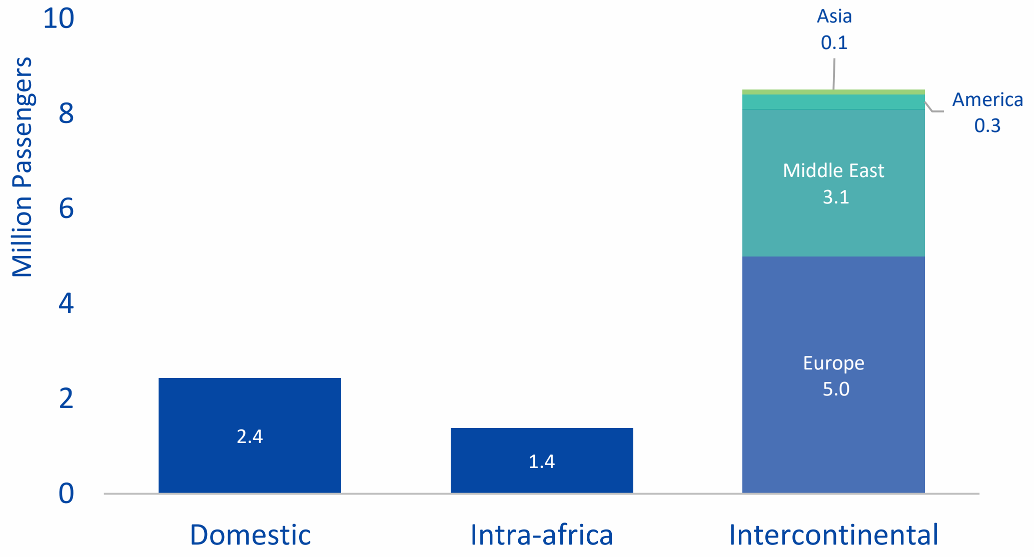
Source : AFRAA/OAG

Sub-regional insights : Northern Africa



Source : AFRAA/OAG

Traffic repartition 2020



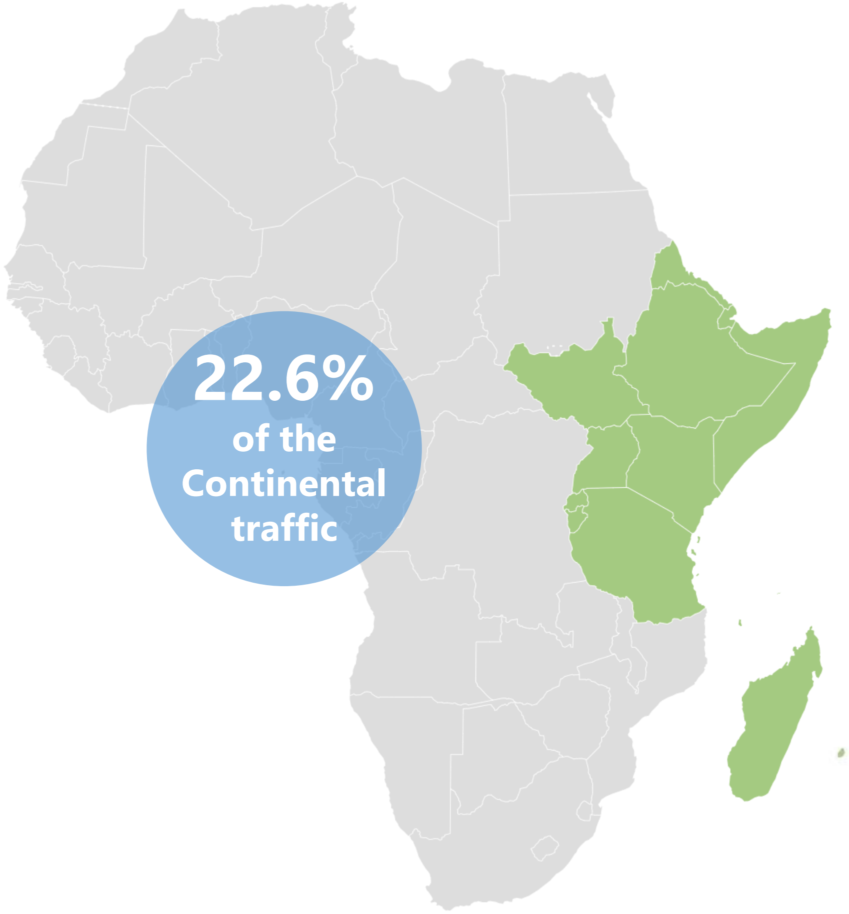
61%
YoY Traffic drop compared to 2019

40.5%
of the traffic directed to **Europe**

5%
YoY traffic drop toward **Europe**

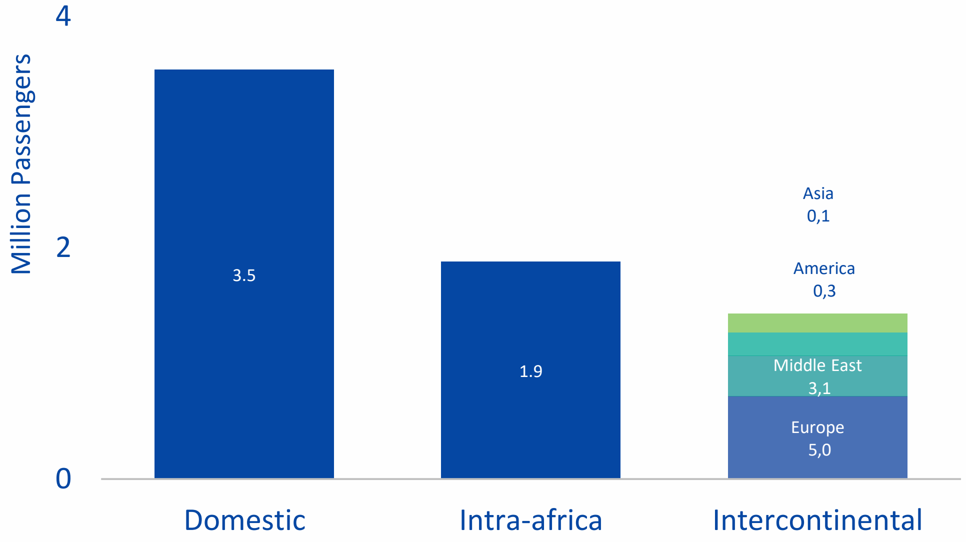
20%
Share of **Domestic** traffic. Continental average is **43%**

Sub-regional insights : Eastern Africa



Source : AFRAA/OAG

Traffic repartition 2020



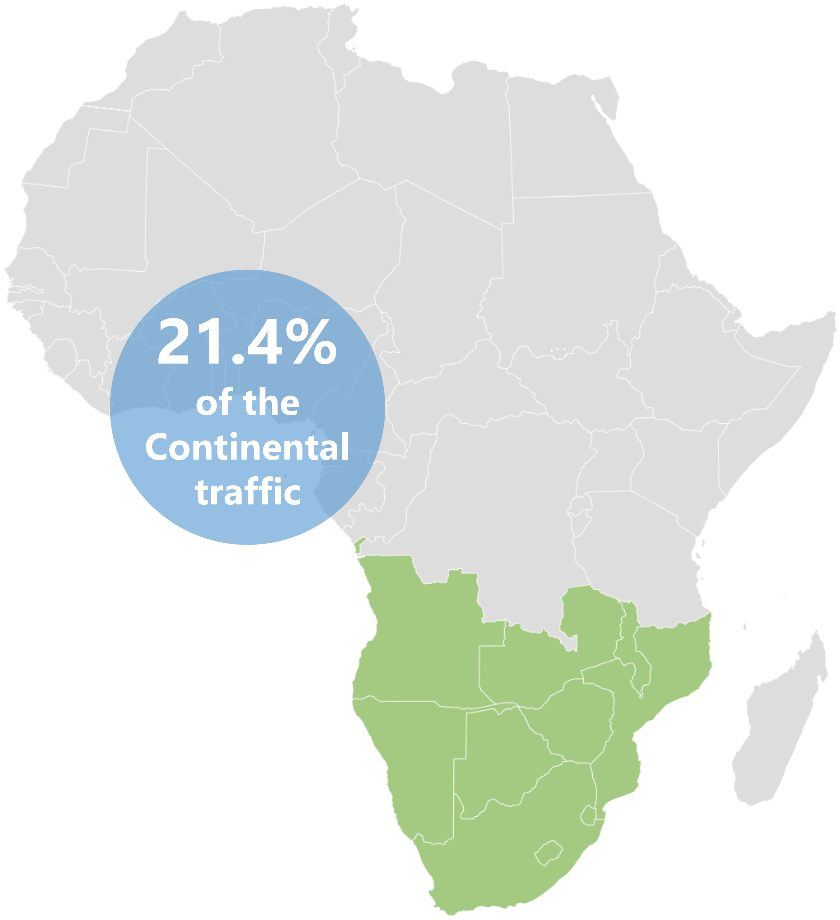
70%
Share of Domestic + Intra-African traffic

11%
YoY Increase on Domestic traffic share compared to 2019

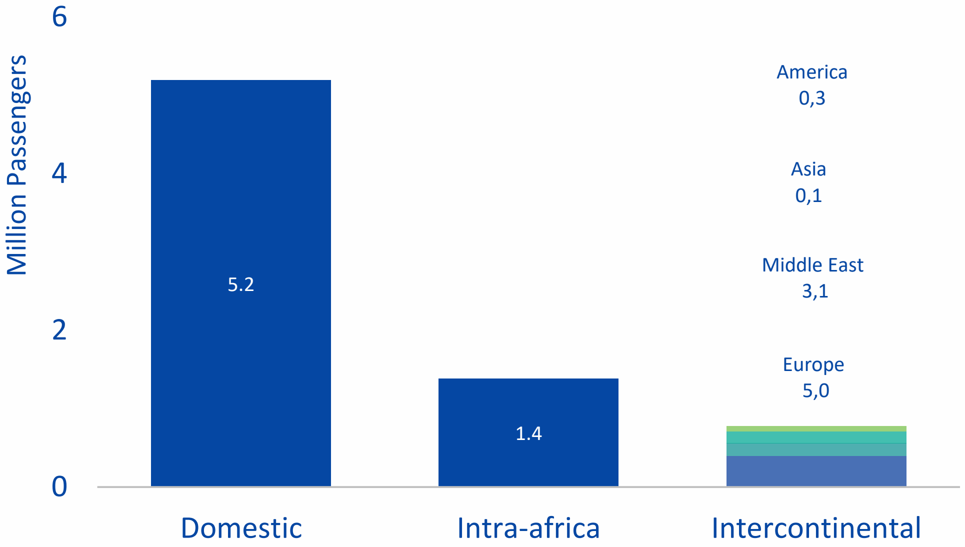
6.2%
YoY drop on Intra-African traffic compared to 2019

12%
Share of Europe which is the first intercontinental destination

Sub-regional insights : Southern Africa



Traffic repartition 2020



63.6%
YoY traffic drop compared to 2019

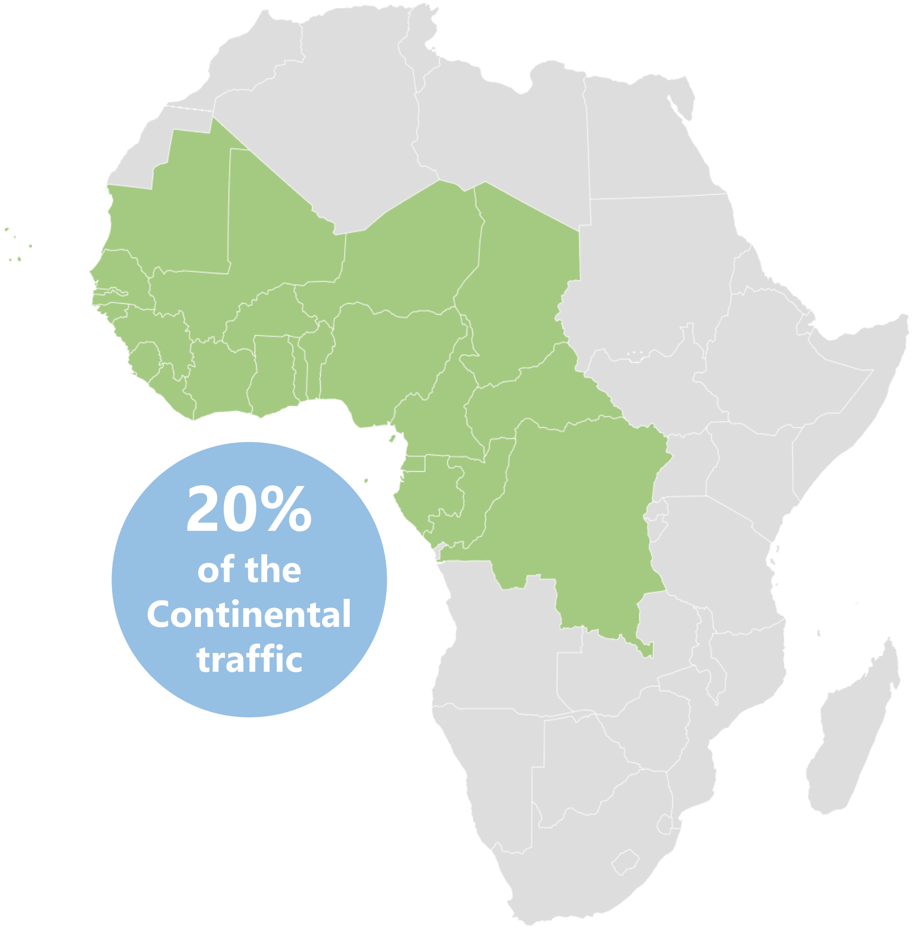
70.6%
Share of Domestic traffic 4.5% more than in 2019

1.2%
YoY Intra-African traffic drop compared to 2019

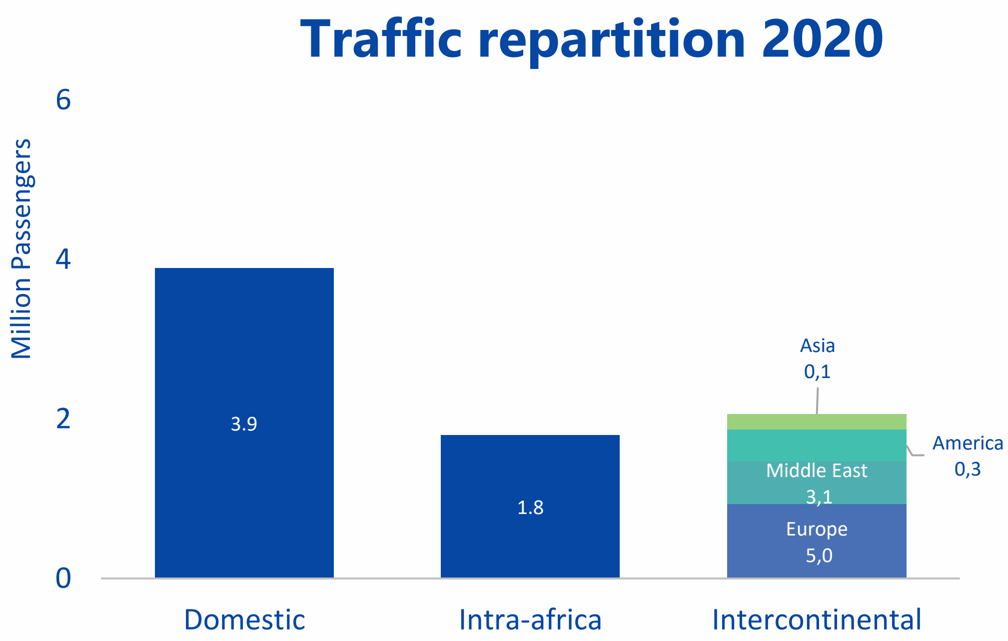
3.4%
YoY intercontinental traffic drop compared to 2019

Source : AFRAA/OAG

Sub-regional insights : Western and Central Africa



Source : AFRAA/OAG



51.%
Share of Domestic traffic in 2020, That is a YoY increase of 11.3%

5.7%
YoY drop on Intra-African traffic share compared to 2019

10%
Share of traffic to Europe, representing a 2% drop compared to 2019

2.9%
Drop on traffic to Asia compared to 2019 where the share was 5.8%

Key facts

Source : AFRAA/OAG

Significant increase in **Domestic** traffic, particularly :

+11.3% in Central and Western Africa

+9.2% in Eastern Africa

On the contrary, the share of **Intra-African** traffic remained stable : **only 1% increase**

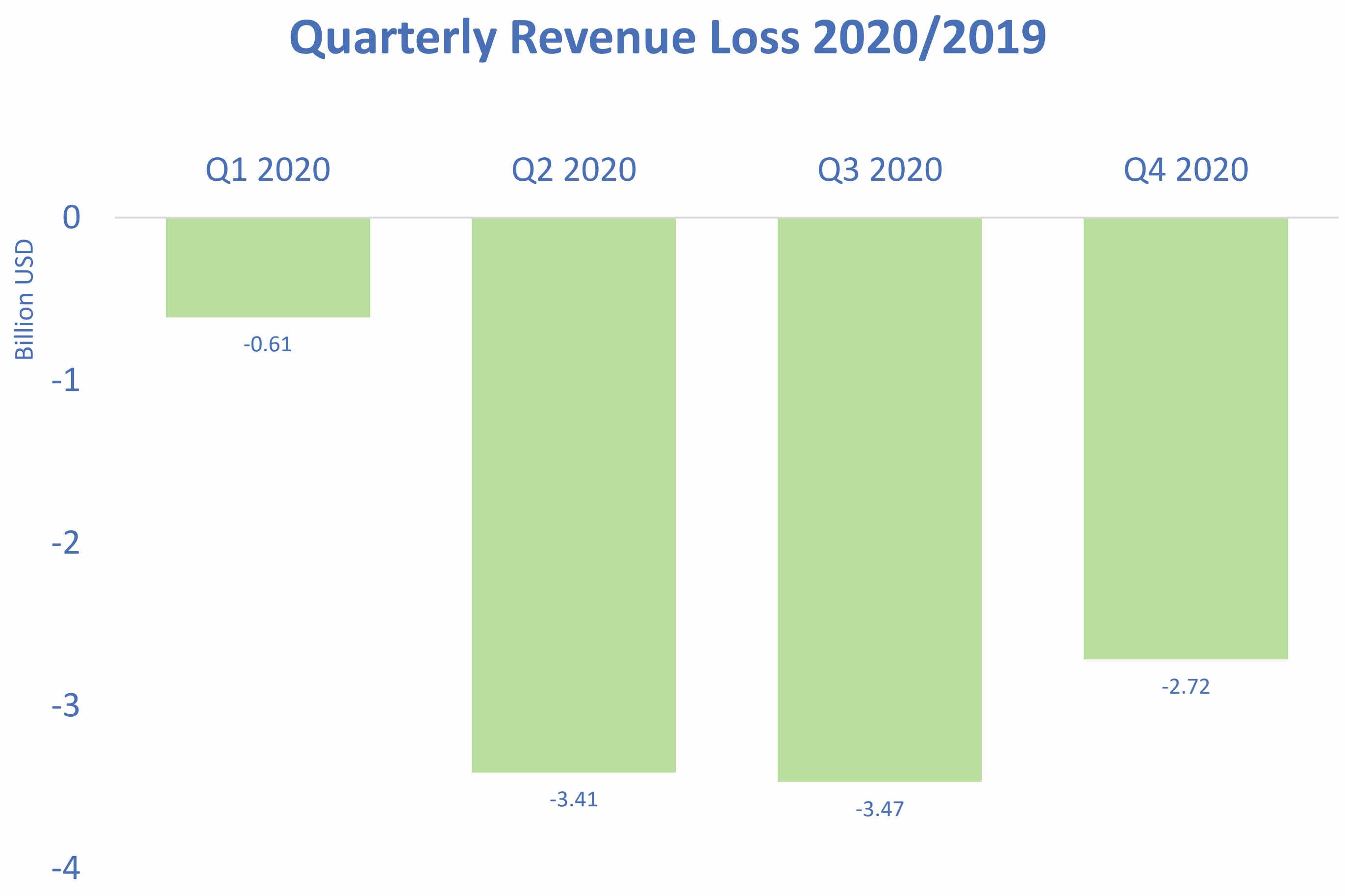
Europe is the first destination from all the regions in Africa.

Northern Africa is leading with 40.5% of its traffic directed to Europe

Due to the Covid crisis, the traffic to **Asia** and **America** dropped by 2.2% YoY.

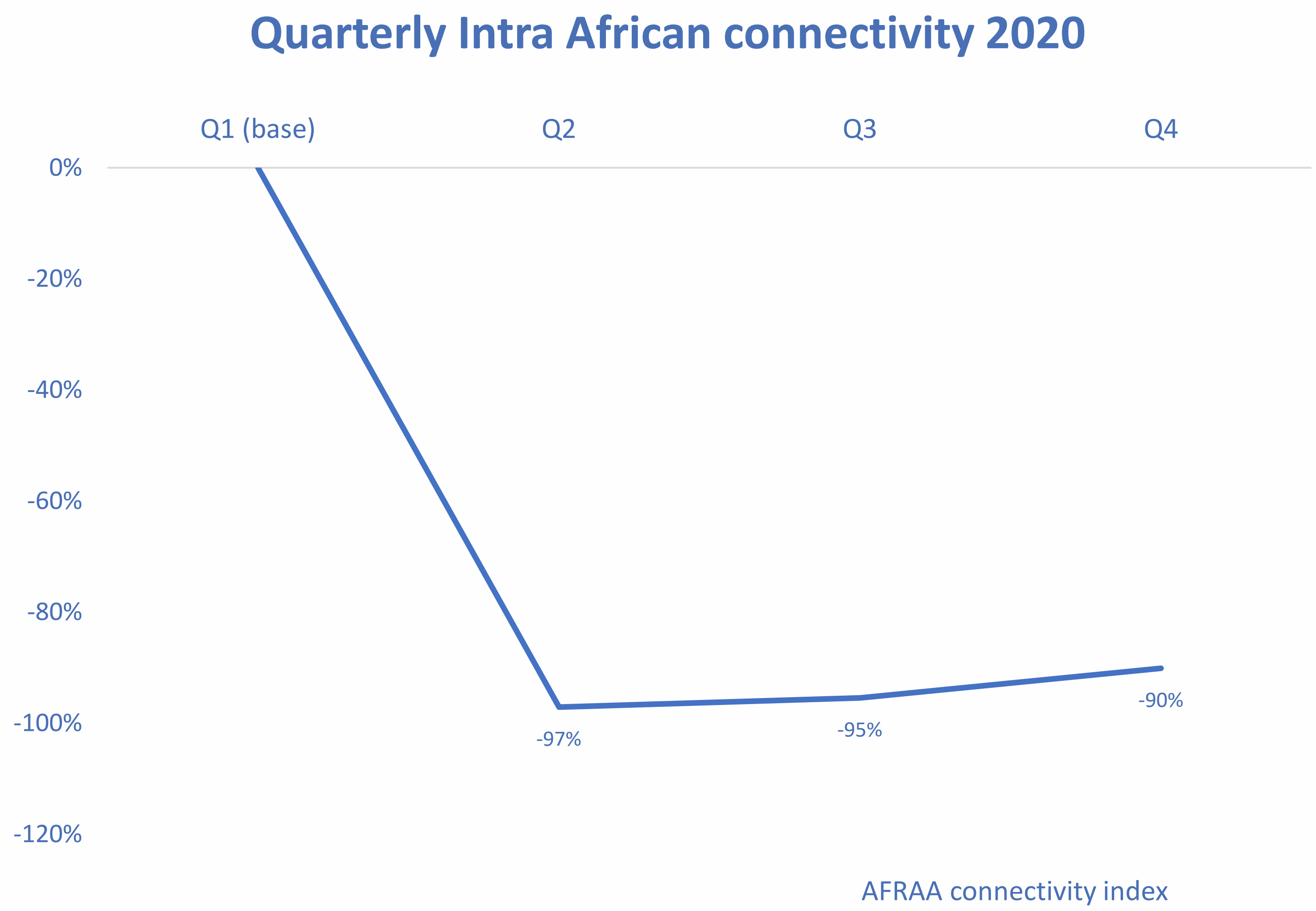
Eastern Africa is the most impacted region as the traffic dropped from 11.1% to 7.7%

Financial Impact



- **Estimated Revenue loss for 2020 : USD 10.21 billion**

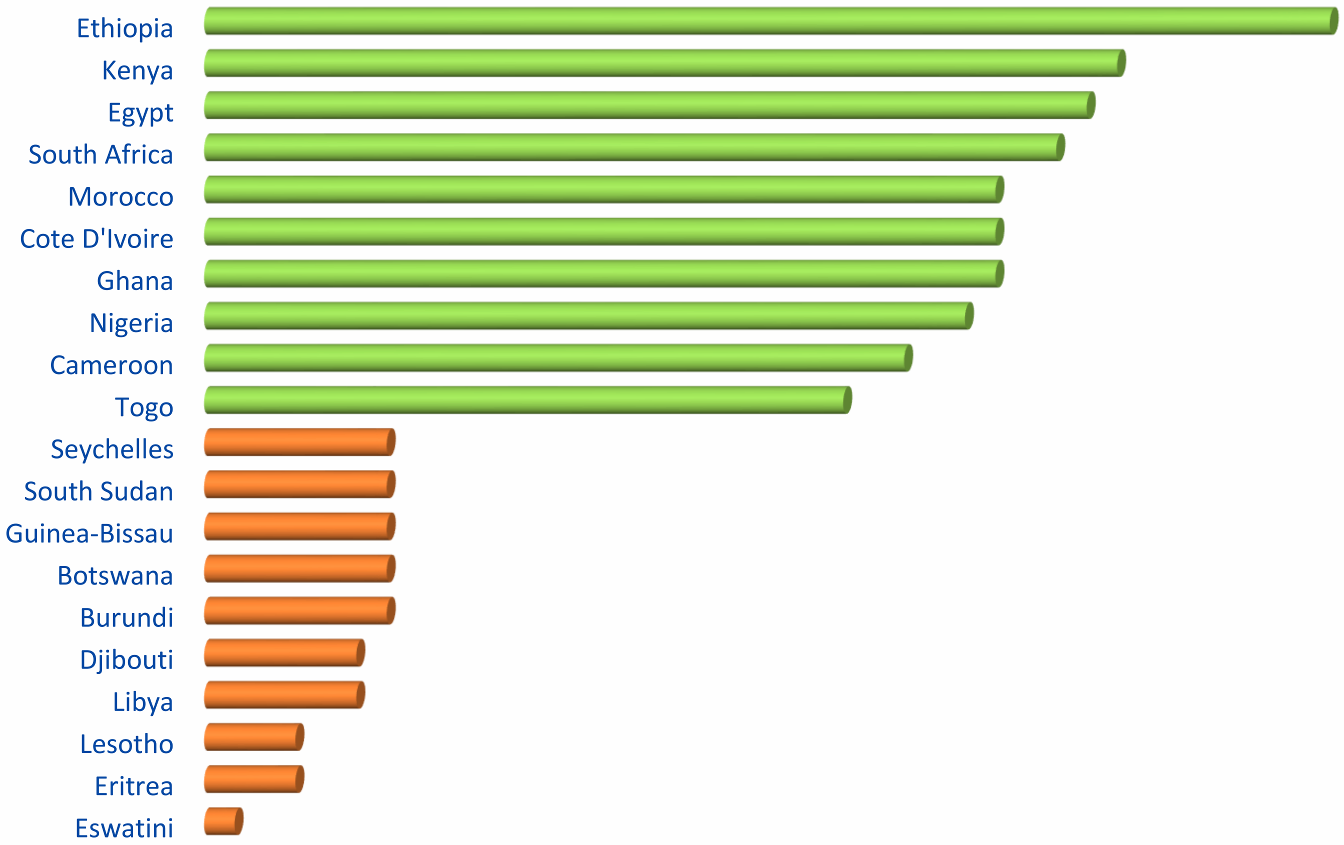
Intra-African connectivity



- **Sharp drop of 97% during the second quarter, due to the Covid crisis.**
- **By end of 2020, the level of intra-African connectivity was 90% under the level of quarter 1.**

Intra-African country openness

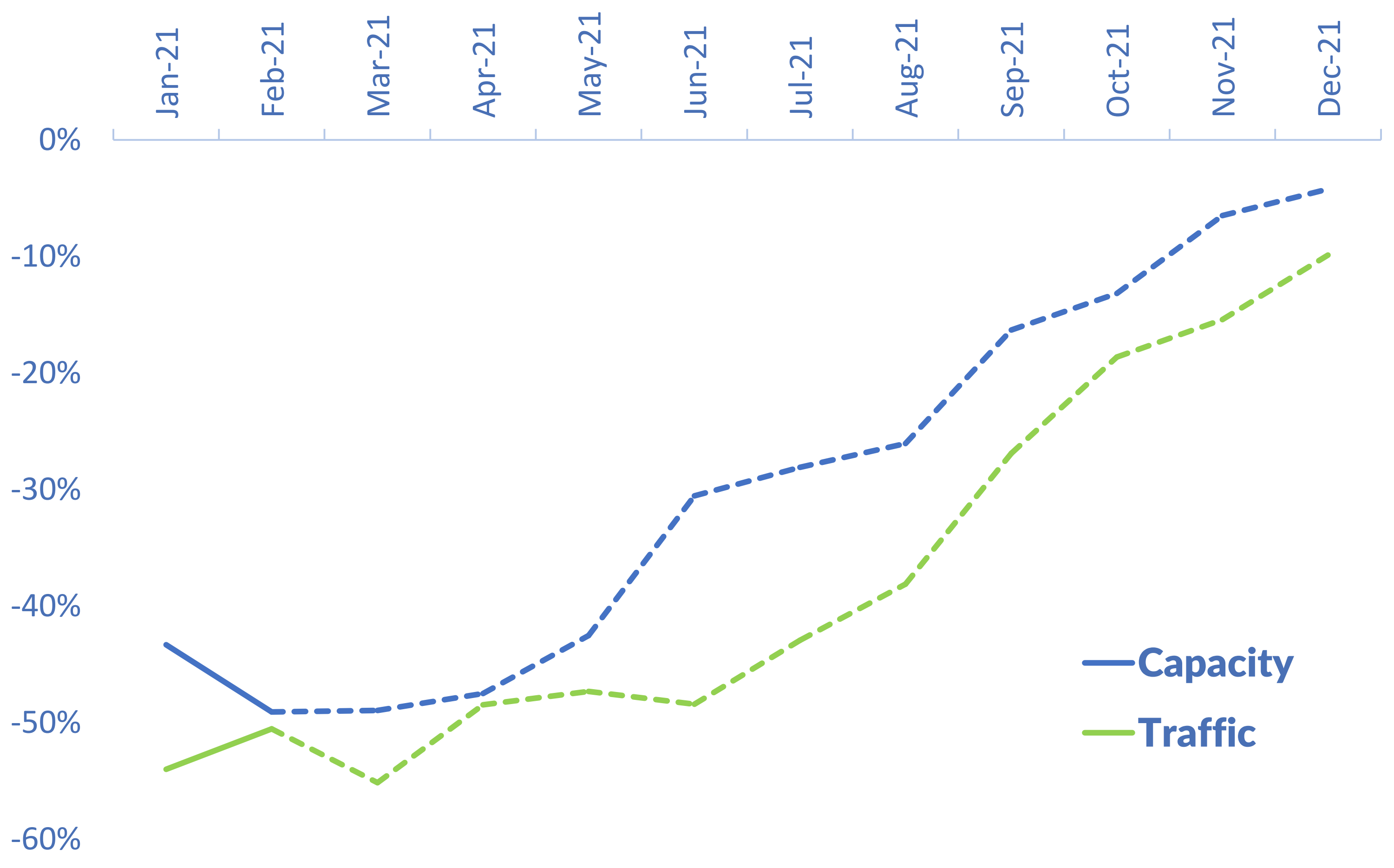
Top 10 best and worst connected countries in Africa



- ✓ **13 have direct flights to more than 20 other African countries. Ethiopia and Kenya lead with 30 direct flights and more to other countries within Africa.**
- ✓ **Lesotho, Eritrea and Eswatini have direct flights to 3 or less other African countries**

2021 Projections

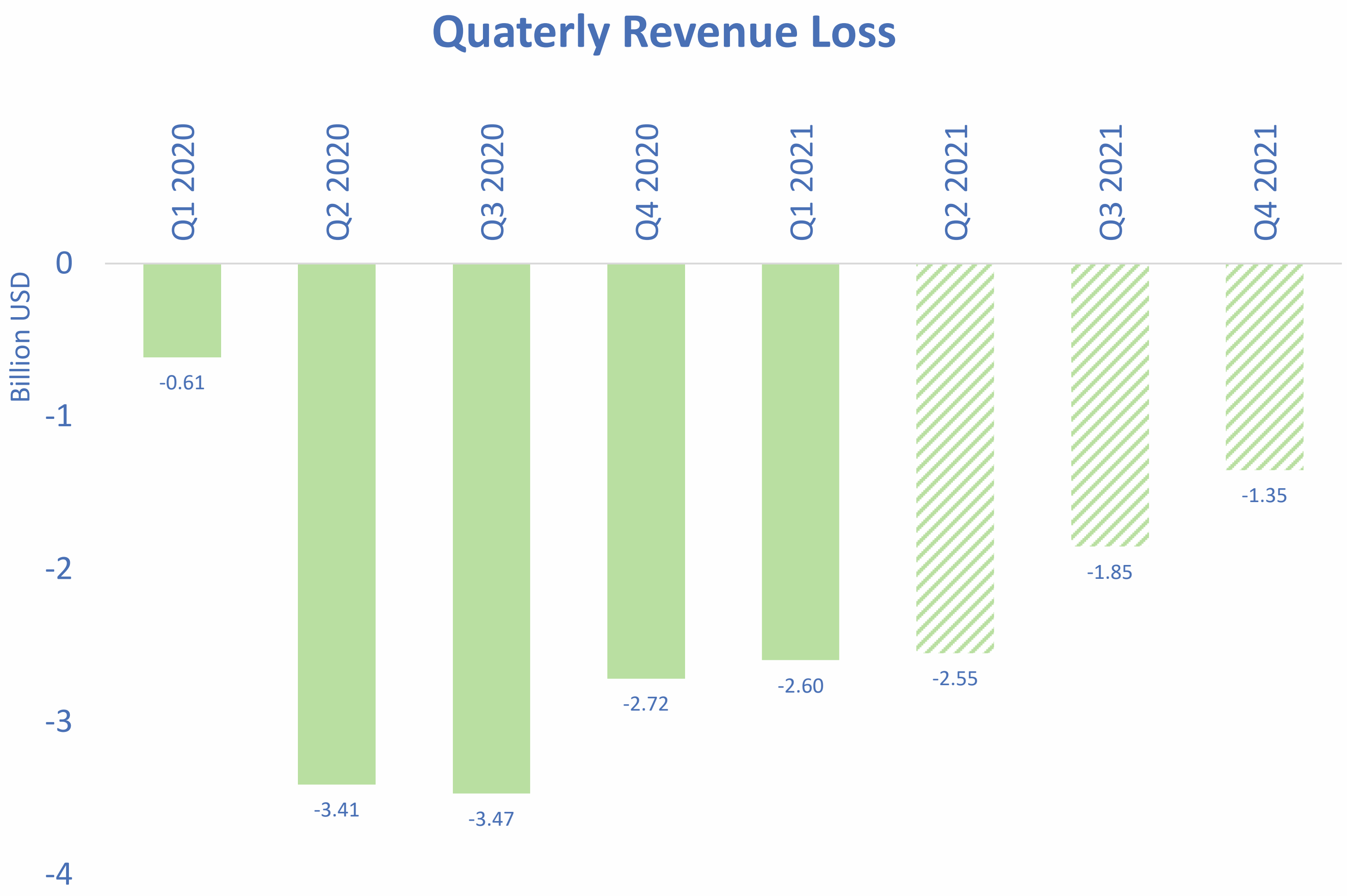
Capacity and traffic



- ✓ **African airline's capacity to reach 60% of 2019 levels.**
- ✓ **Traffic to reach 45% of 2019 level (AFRAA estimations)**

Source : AFRAA / OAG

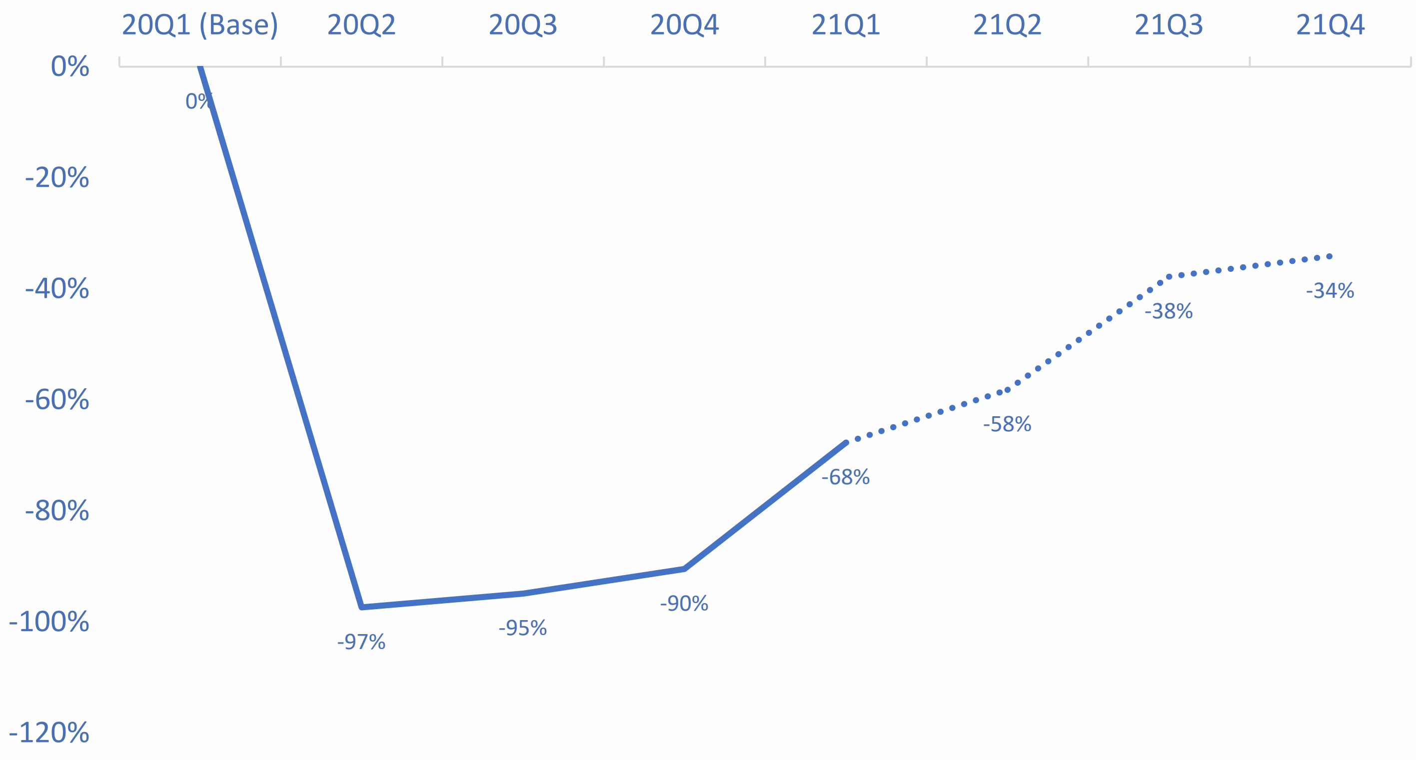
Financial results



- **Estimated Revenue loss for 2021 : USD 8.35 billion**

Intra-African connectivity

Quarterly connectivity projections



AFRAA connectivity index

- **Intra-African connectivity globally improved during the first quarter of 2021 to reach 68% of the level of Q1 2020.**
- **The connectivity level will continue to increase, but will not reach its initial level in 2021.**

Conclusion

What to keep from this presentation?

- ✓ 2020 was a tough year for Aviation in Africa with the Covid19 Outbreak
- ✓ Capacity, Traffic, connectivity and Revenues felt drastically, compared to 2019
- ✓ 2021 is expected to be another difficult year : traffic recovery to reach only 65% of 2019 levels
- ✓ Estimated Passenger Revenue losses for African airlines in 2021 : USD 8.35 billion
- ✓ Intra-African connectivity which was already poor will not reach the Pre-Covid level in 2021
- ✓ AFRAA has put in place a set of initiatives to assist member airlines to recover

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THANK YOU

"Building Blocks for the Air Transport Industry Recovery"