Air Connectivity in Cyprus

2017 & beyond

2016 –Record passenger numbers

Passenger traffic – 8.97m total passengers

18% growth over 2015 – 1.36m additional pax

Growth in both airports: Larnaka 24.5% & Pafos 2.6%

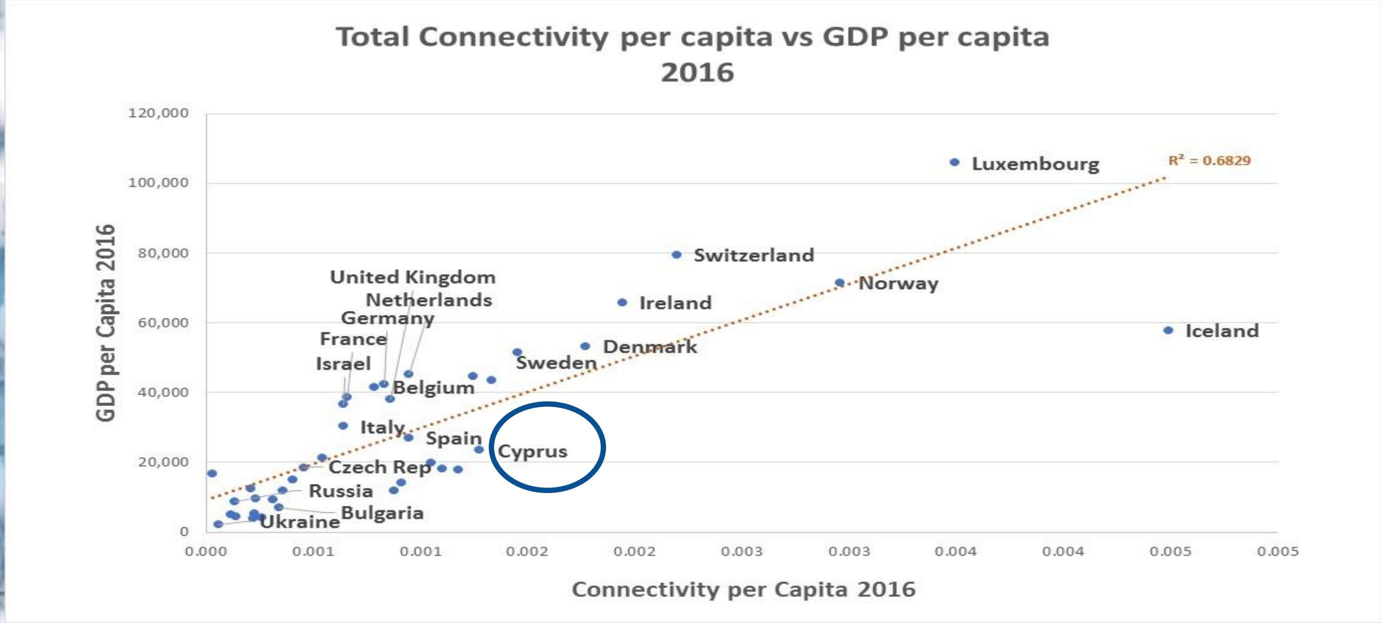
Insights of 2016 Growth

Top four markets accounted for 85% of growth

- United Kingdom (+13%) – new routes , spread over the year
- Russia (+47%) – Full recovery and further growth by 30%
  – New airlines & Tour operators (Pobeda, Rossiya, Coral, Annex, etc.)
- Greece (+14%) – Increased capacity stimulated the market with cheap fares
- Israel (+47%) – New entrants in the market and more capacity
- Secondary markets such as Ukraine (+24%), Poland (+10%), Romania (+20%), Switzerland (+32%)

Over 50% of growth in months other than Jun – Sep

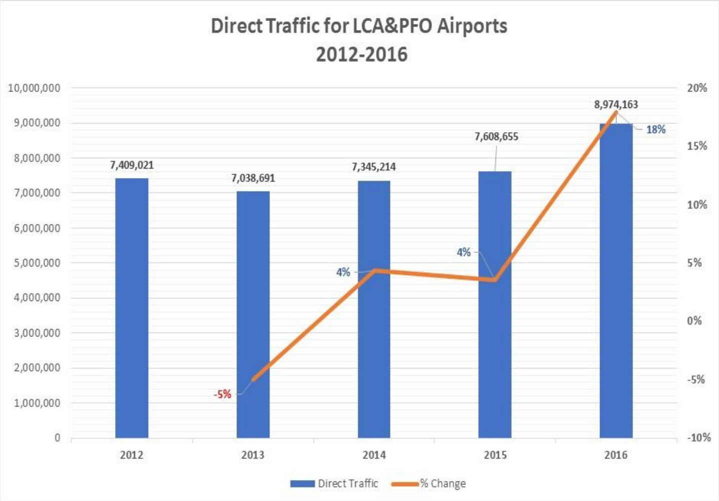
Cyprus connectivity is satisfactory

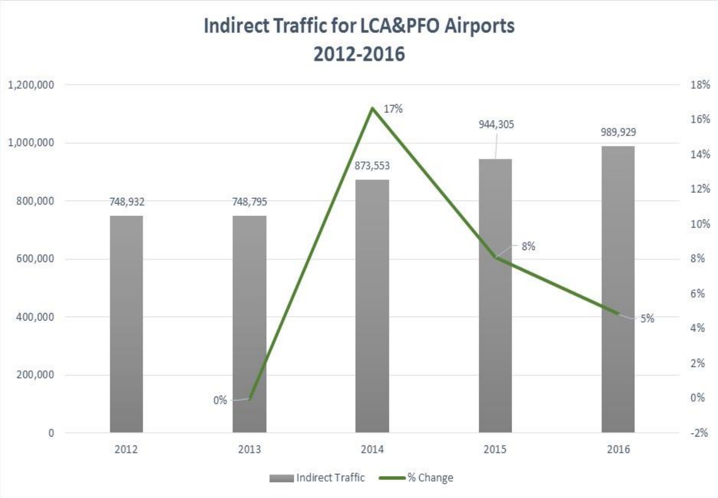


In fact it shows that the available connectivity could support a higher GDP.

Source: ACI_2016_Connectivity Report & IMF 2016

Cyprus connectivity 2012-2016





- ✈ Cumulative growth over 20% with 20 new routes and 17 new airlines entering the market
- ✈ Still potential for direct connections as close to 1m passengers are flying via elsewhere

Larnaka – Madrid demand

http://www.anna.aero/2017/02/08/larnaca-madrid-skyscanner-unserved-route-week-120000-annual-searches/?utm_source=anna.aero+newsletter&utm

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8 Feb 2017 // Unserved Route of the Week // No Comments »

Larnaca-Madrid is "Skyscanner Unserved Route of the Week" with 120,000 annual searches; will it be easyJet orange or Cobalt blue to serve?

Larnaca to Madrid? "Are you kidding!?" do we hear you say? This is what looking at Skyscanner search demand is all about. If 120,000 travellers are looking for Larnaca-Madrid on Skyscanner, just imagine what the true demand is when combined with other sources – airline booking engines etc. Could be double that!

With over 117,000 searches in the last year, a potential new route from **Larnaca** to **Madrid** has been identified as this week's "**Skyscanner for Business**-anna.aero Unserved Route of Week" – a powerful analysis based on aspirational data captured from the Skyscanner.net flight comparison site used by +60 million unique visitors per month. "The Larnaca to Madrid route is definitely a viable potential sector with real inbound and outbound demand," states Maria Kouroupi, Senior Manager Marketing & Communications at Hermes Airports, which operates Larnaca Airport.

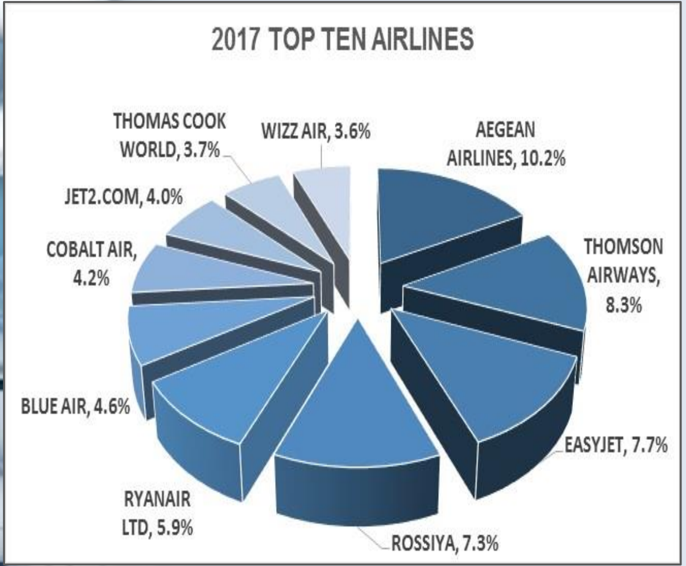
Related Articles

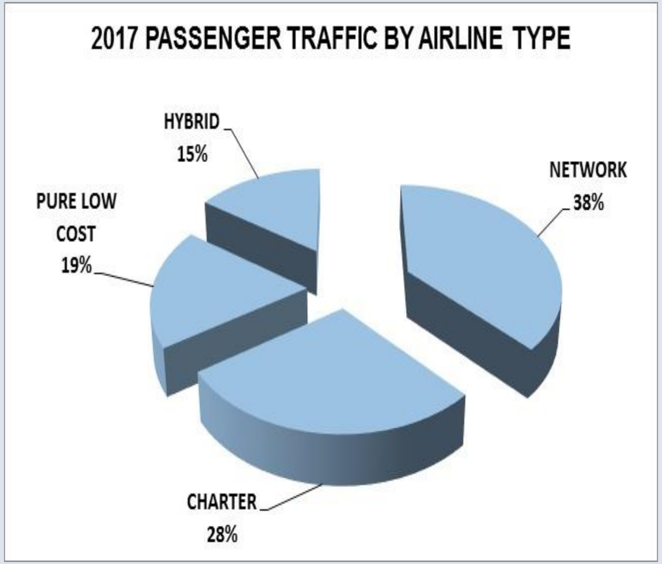
Malta-St Petersburg is "Skyscanner Unserved Route of the Week" – 76,000 annual searches – why isn't Ryanair "Russian" in?

Billund-Madrid is "Skyscanner Unserved Route of the Week" – 46,000 searches in past year; Iberia? – or Ryanair to return??

Atlanta-Tel Aviv is "Skyscanner Unserved Route of the Week" with 50,000 annual searches; time for Delta Air Lines to return?

Cyprus is served by a big number of airlines

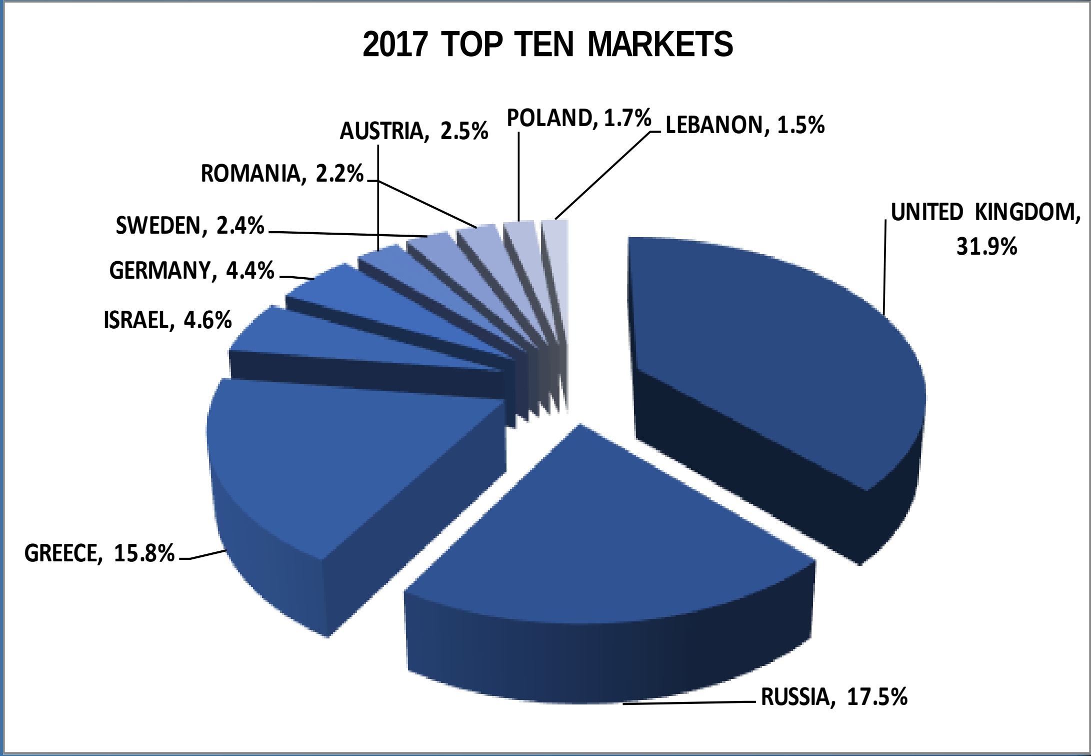




- ✈ 77 airlines have operated out of Cyprus from both airports during the year.
- ✈ Balanced portfolio of airlines.

Overdependence on three countries

- Big number of markets served 40 different countries
- over 140 routes to 115 destinations
- Over dependence on three markets (67% of total)
- Israel, Germany gaining shares but still low contribution



2017 passenger forecast

Growth at a slower pace – estimated at 3.6%

UK & Israel continue to grow - certain routes could have over capacity

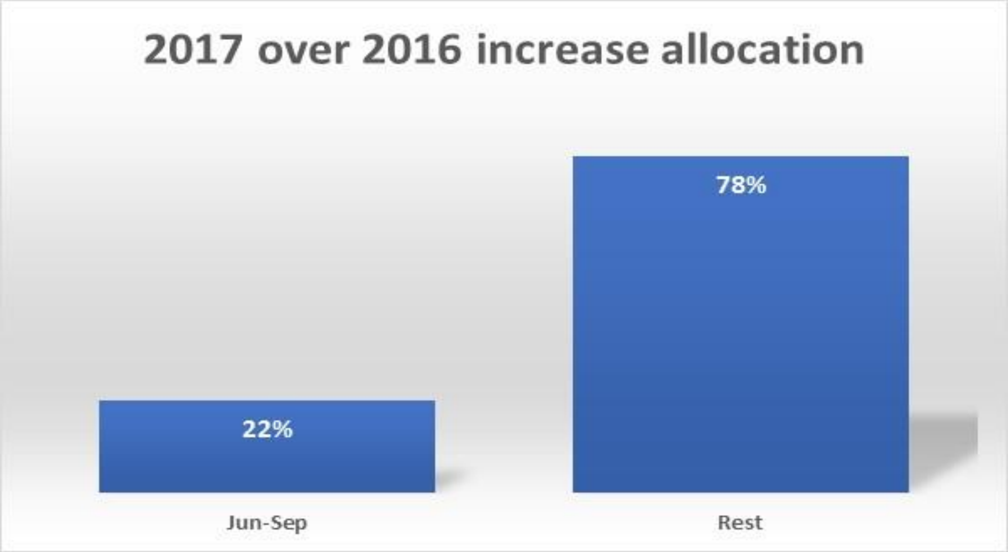
Russia expected to stabilize at 2016 levels

Greece expected to reach 2016 levels although capacity has been reduced for now

2017 passenger forecast

Germany has the biggest growth in capacity -75%

Majority of growth in the off peak months



Key Trends in the Airline industry

- Consolidation
  - 3 main large legacy carrier groupings (IAG, AF-KLM, Lufthansa Group) & 2 Low Cost Carriers (Ryanair & easyJet) controlling 65% of total European capacity
  - Legacy airlines are cutting back short haul services to avoid competition with 2 main European LCCs and,
  - Have their own LCCs (Vueling, Eurowings etc,)

Source: Current Challenges & Future prospects for EU Secondary Airports – Directorate General for Internal Policies - European Parliament

Key Trends in the Airline industry

- Hybridization
  - The big four low cost airlines (Ryanair, easyJet, Norwegian, Wizz Air) are expanding fleets
  - Departed from original model and operate in main airports, offer seat allocation, are talking about connectivity agreements and ‘hubbing’
  - Working with Travel agents & tour operators
  - Legacy carriers adopt concepts of LCCs such as selling services (luggage, inflight food etc.)
- Charter segment – refocus on core business with less individual
- Direct Connectivity gains more Vs Indirect Connectivity
  - Much of the growth driven by smaller scale airports with less developed hub & spoke model.

Source: Current Challenges & Future prospects for EU Secondary Airports – Directorate General for Internal Policies - European Parliament

Challenges

- Relatively longer sector length
- Small local market
- High dependence on tourism demand (80%)
- Weak, or outdated Cyprus branding
- Low penetration of Cyprus in the individual market segment
- High seasonality

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Opportunities

- National Tourism Strategy implementation
- Take advantage of unexplored customer segments in all markets
- Invest in airlines that have capacity to expand and close gaps
- Closer collaboration with stakeholders
- New incentive schemes to support growth from existing routes as well.

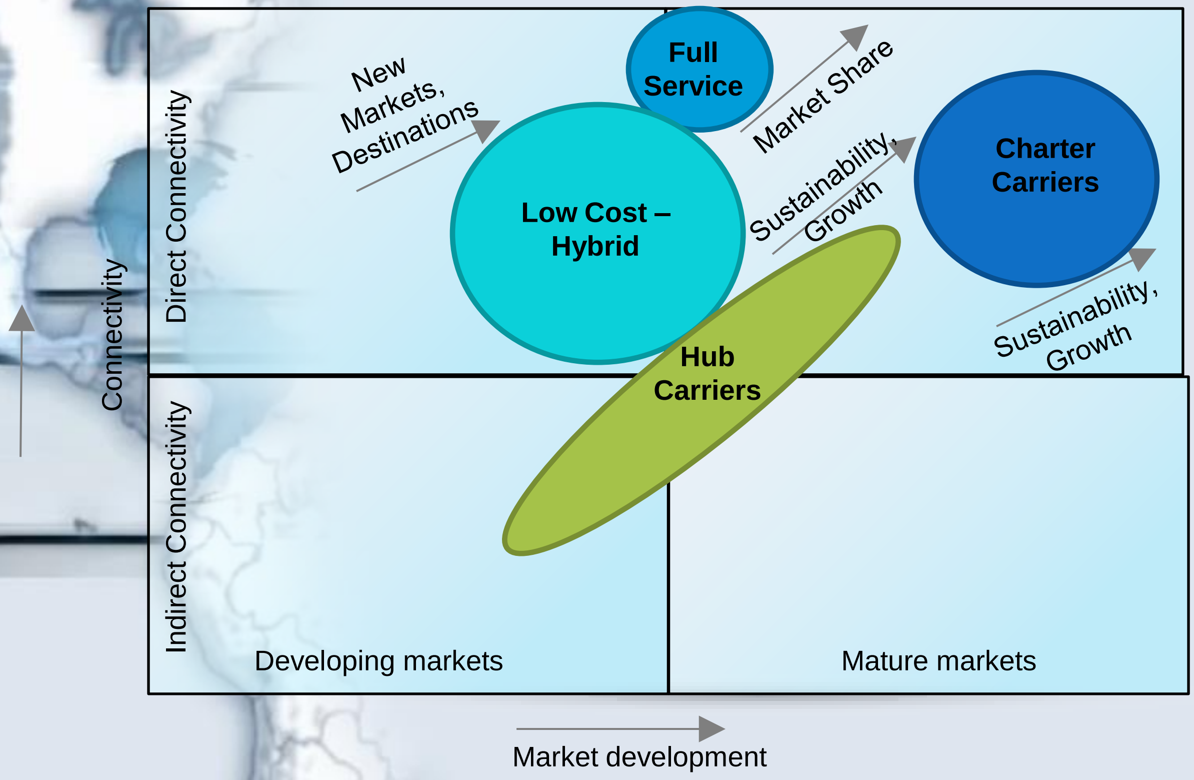
Strategic priorities & targets

Increase direct connectivity in/out of Cyprus with focus on unserved or underserved markets

Extend the season, and gradually close gaps in the winter operations

Maintain a diverse portfolio of airlines and explore each model’s potential

Market – Airline Positioning



Hub Carriers
Aegean, British Airways, Austrian Airlines, Lufthansa, Aeroflot, Globus

Low Cost – Hybrid Carriers
Ryanair, easyJet, Wizzair, Norwegian, Germania, Blue Air.

Full Service
Recent Cyprus based entrants

Charter Carriers
TUI, Thomas Cook, Jet2, Rossiya

Collective power is key

- Work together with neighboring countries for attracting traffic from long haul destinations
- Work with airlines and stakeholders to improve seasonality
- Work closer with airlines & Tour operators in promoting Cyprus
- Support the implementation of National Tourism Strategy

THANK YOU