

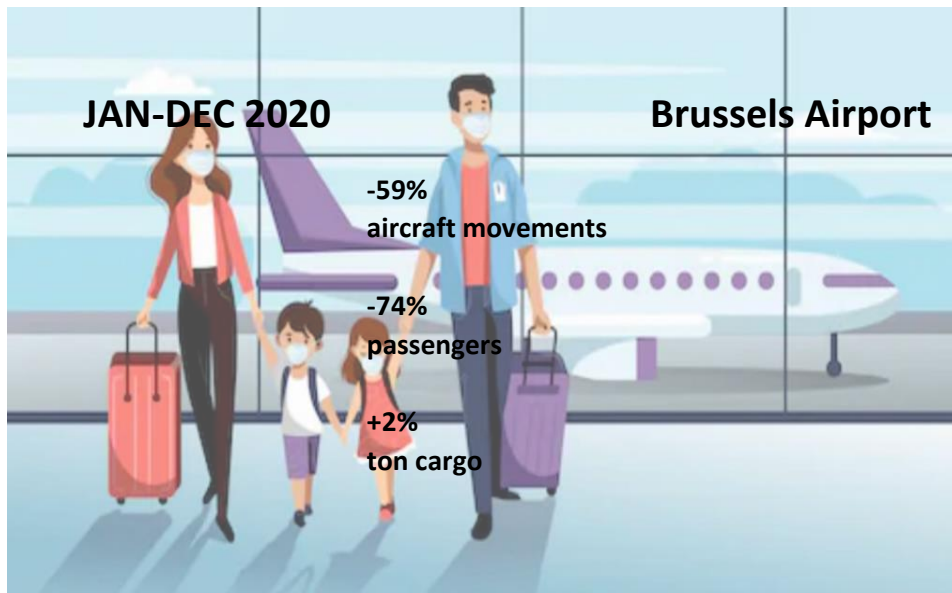
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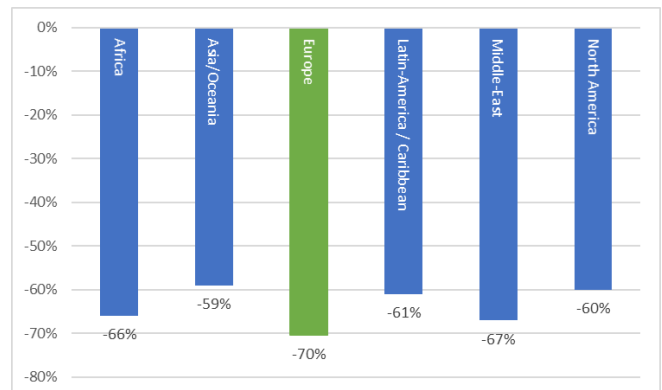


01 » IMPACT OF COVID-19 ON THE AVIATION SECTOR

Impact on passenger transport worldwide

COVID-19, together with the measures taken to contain it, has had a major impact on the aviation sector. Between **January and December 2020**, global passenger transport **decreased by at least 59%** compared to the previous year.

In **Europe**, that drop was the largest, at **70.4%**. In 2020, Europe's airports lost **around 1.7 billion passengers**.

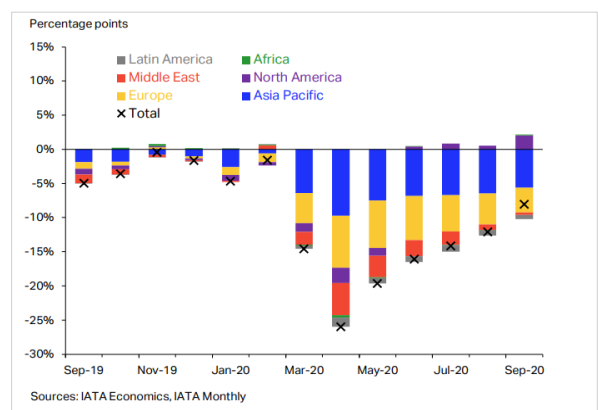


Impact on global freight transport

Obviously, the measures taken as a result of COVID-19 also gave rise to significant economic effects, which also affected freight transport by air. The difference in levels of activity depended, however, on the region and/or the type of cargo involved.

In **April 2020**, for example, the number of **tonne-km of cargo transport worldwide was 25% lower** than normal. These negative figures improved gradually, however in **September**, the amount of cargo being transported in

tonne-km was still 10% lower, whereas in **December**, that figure was still **0.5% lower**. The **reduction in cargo capacity** (which is **approximately 25% lower than usual**) still forms an obstacle when it comes to increasing volumes. The number of dedicated freighters has actually increased, but belly cargo has reduced enormously (between 60% and 80%).



Position of Brussels Airport

Compared to (the **average** figure for) other airports in Europe, **Brussels Airport has been more severely affected** with regard to passenger flights (which are its core business) (Jan. to Sep. 2020: -68% compared to -71%; Sep. 2020: -73.1% vs. -84.8%; the same trend from October to December).

Amongst other things, this can be attributed to the **differences in the measures** implemented in each country (travel advice, etc.), but also to the fact that there are (almost) **no domestic flights** and also proportionally **fewer intercontinental flights** (note that non-EU traffic is currently performing better).

Measures

In order to ensure that the sector is able to survive and recover, measures will of course be required. That is why many countries have also provided **government support** in the form of loans, temporary redundancy schemes, subsidies, etc.

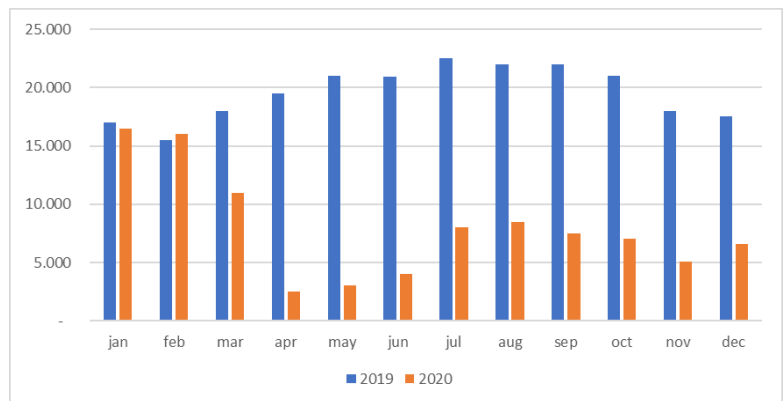
Even the **European Commission** itself has implemented a variety of measures, including **licence retention** for airline companies temporarily experiencing financial difficulties and the **slot waiver**, in which the 'use-it-or-lose-it' rule has been temporarily suspended (around 80% of the slots requested must be used in order to be given priority in the subsequent period). That temporary suspension is expected to last until summer 2021, after which the rule will be amended from 80/20 to 40/60, to ensure that a situation of fair competition can still prevail.

02 » IMPACT OF COVID-19 ON AIR TRANSPORT AT BRUSSELS AIRPORT

Impact on number of aircraft movements

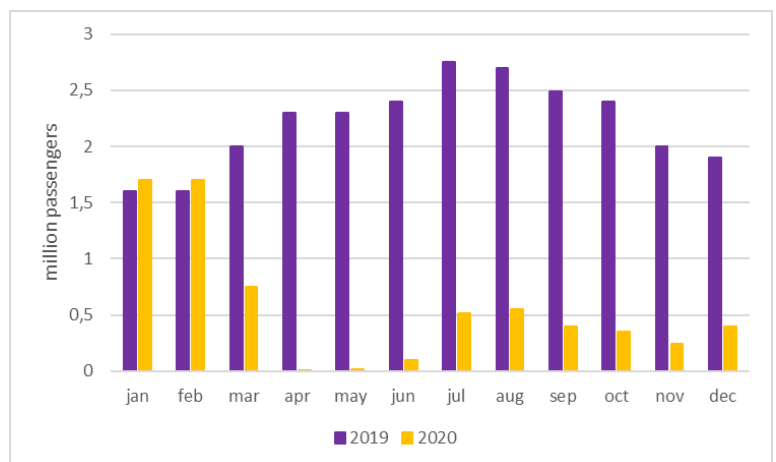
The COVID-19 crisis has had an enormous impact on air traffic from and to Brussels Airport. The number of aircraft movements **between January and December 2020 was down by almost 60%** compared to the same period in the previous year.

That decrease occurred despite a **good performance** in terms of **freight traffic** and does not take the **lower seat occupancy of passenger aircraft** into account.



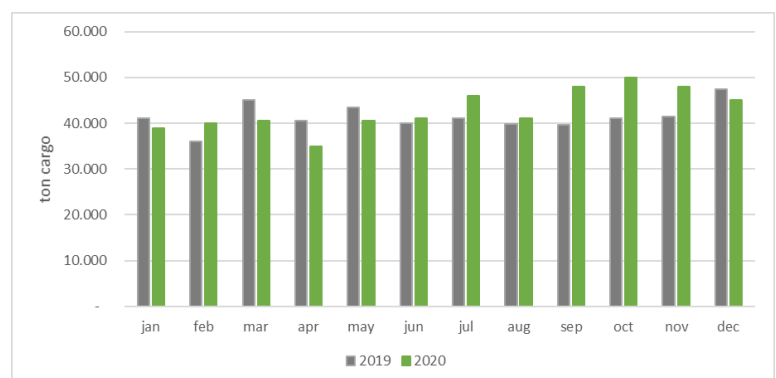
Impact on passenger figures

In **2020, 74% fewer passengers** made use of Brussels Airport than in 2019. The first impact was observed at the beginning of March in the case of flights to Asia and Italy. After that, restrictions were placed on flights to the United States, after which all non-essential travel was prohibited at the end of March. Figures picked up slightly again in June and July, but that slight uptick was snuffed out again in its prime soon afterwards. In **September 2020**, figures were **down by almost 85%** compared to September 2019, a trend which then continued in the months that followed.



Impact on freight traffic

The COVID-19 crisis has had a limited effect on the **cargo volumes** transported. The **significant fall in belly freight** (i.e. freight carried on passenger flights) by **53.7%** was fully compensated for by a **significant increase** in the number of movements of **full freighters (+42.8%) and forwarders (+18.3%)**. One of the factors involved the (full or partial) use of passenger flights to transport freight (around 1,300 flights



by 30 different airlines in the period up to September 2020). In total, the number of tonnes of cargo transported by air was **around 2.2% higher in 2020** than in 2019.

03 » IMPACT OF COVID-19 ON PLAYING FIELD AT BRUSSELS AIRPORT

AIRLINES

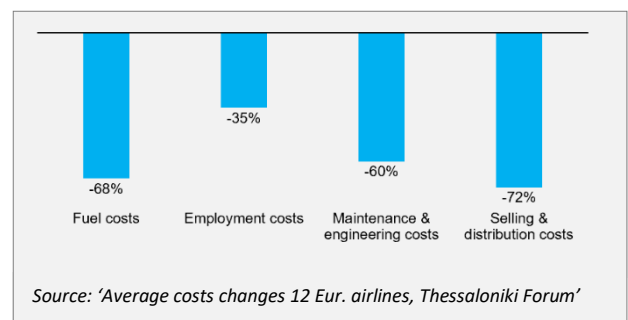
Impact in terms of economic effects

As a result of COVID-19, passenger airlines had to suspend their flights to Brussels Airport in spring 2020 and after that switched to a reduced flight schedule. Following a limited revival from June to August, increasing infection rates in Belgium and Europe from September onwards led to a **reduction in the number of flights of between 75% and as much as 95%**.

On average, the **turnover** of companies operating at Brussels Airport, **decreased by approximately 70% in 2020** when compared with 2019. This is of course a direct result of the fall in the number of passengers and flights and a reduction of over 10% in terms of seat occupancy.

While operating revenues were down by 70%, the **operational costs** decreased by only **40% to 50%** due to the fixed costs and the need for additional (safety-related) investments.

As a result, this created a situation in which the airlines had problems repaying their costs/debts (including lease rentals). As a result of the COVID-19 crisis, many airlines **also had to cut back their fleet (and their workforce)**, by



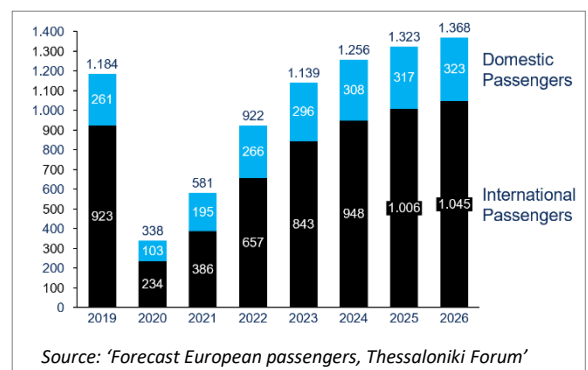
implementing measures such as premature depreciations, in some cases by as much as 30%. This meant that the leasing of certain types of aircraft was postponed or halted and specific aircraft or even entire fleets were placed in temporary storage, which also had an effect in terms of maintenance (and maintenance costs).

In addition, many companies took advantage of **financial aid** from governments (in the form of loans, postponed income tax or other taxes). Brussels Airlines itself obtained a loan of 290 million euros from the Belgian government. Various agreements were also entered into with financial institutions and suppliers (e.g. repayment instalments, interest rates applied, etc.)

Future & measures

The airline sector continues to be heavily affected by the COVID-19 crisis and the expectation is that **passenger numbers** won't return to 2019 levels until **around 2024**.

This means that survival will therefore become increasingly **more difficult**. Even companies which have obtained loans must ultimately earn sufficient money to be able to pay them back. Forecasts also indicate that **insolvencies** are



likely to occur or that smaller players will be swallowed up by larger ones (**consolidations**).

What is more, the expectation is that though **tourism** will in fact **pick up again**, **business travelers**, who often generate the highest revenues, are likely to take **many fewer** trips by air in the future.

The combination of insolvencies and consolidations (i.e. reduced capacity) and a fall in the number of business travelers (and revenues) may lead to a situation in which tourists will be required to pay more for their flight.

03 » IMPACT OF COVID-19 ON PLAYING FIELD AT BRUSSELS AIRPORT

Brussels Airport Company

Impact on income and costs

Primarily as a result of the significant fall in traffic, **aeronautical revenues fell significantly** in 2020 and this will also be the case again in 2021 (though the figures are still very uncertain).

It goes without saying that Brussels Airport also reduced its **costs** as much as possible and will continue to do so in 2021. What is more, the **investment envelope** was reviewed and, wherever possible, **deleted/postponed**. Amongst other things, this took the form of temporary closures of certain

parts of the infrastructure, a stop on recruitment, maximising temporary/economic redundancy and the cessation of capacity-related investments.



Aircraft parking

In view of the fact that since the start of the COVID-19 crisis, the number of flights has decreased significantly, many (passenger) airlines found it necessary to take part of their fleet out of active service, which meant that a number of aircraft had to be parked up on a long-term basis.

| | Average parking time (in hours) | | Evolution |
|-----|---------------------------------|-------|-----------|
| | 2019 | 2020 | |
| Jan | 2.23 | 2.09 | -6% |
| Feb | 2.01 | 1.84 | -9% |
| Mar | 1.82 | 2.75 | 51% |
| Apr | 1.72 | 10.25 | 495% |
| May | 1.72 | 5.72 | 232% |
| Jun | 1.66 | 33.34 | 1910% |
| Jul | 1.57 | 17.33 | 1007% |
| Aug | 1.57 | 5.79 | 270% |

In normal circumstances, airlines pay a parking fee, however BAC has decided for the time being to exempt the home carriers from the need to pay a parking fee. After all, they have very few options when it comes to parking up their (non-active) fleet at any other location and it is also advantageous for maintenance purposes that the aircraft remain parked up at their home airport.

Other players

Impact on ground handling companies

Just like the airline companies and the airport itself, the ground handling companies at Brussels Airport were also **severely affected** by the impact of the coronavirus. One of the baggage and platform handling companies for passenger flights, **Swissport Belgium NV**, was declared **insolvent** as a result of the crisis and will be replaced by a new player, once an official tendering procedure has been completed. In the meantime, a temporary licence valid for a period of 6 months has been issued to the ground handling company Alyzia SAS.

04 » IMPACT OF COVID-19 ON CHARGES AND THE BUSINESS MODEL

Current charges: extension of the regulated period QQ3

On 14 January 2020, the consultation regarding the formula for tariff control and the charging system for the subsequent regulated period of five years (i.e. from 1 April 2021 to 31 March 2026) got under way. In view of the unstable figures and the uncertainty, the **consultation was brought to a stop** in late February 2020, following a proposal by the Regulatory Body.

The Regulatory Body subsequently issued a formal recommendation to the Minister for Mobility, advising that due to the exceptional economic situation, the current regulatory period should be extended until March 2022 and subsequently once again until March 2023 and the current charges should be frozen (but still subject to index-linking with reference to the health index). Those measures were confirmed by law.

Current charges

| | | |
|------------------|-----------------------|---------|
| Pax charges | Originating passenger | € 21,74 |
| | Transfer passenger | € 11,17 |
| | Transit passenger | € 0,00 |
| Parking charges | PAX | € 0,78 |
| | CARGO | € 0,22 |
| Security charges | Originating passenger | € 7,29 |
| | Transfer passenger | € 7,29 |
| | Transit passenger | € 7,29 |
| LTO charges | PAX | € 3,41 |
| | CARGO | € 2,72 |
| Bussing charge | Originating passenger | € 0,62 |
| | Transfer passenger | € 0,62 |
| | Transit passenger | € 0,62 |

Future charges – focus on cost minimisation and stimulating a re-start?

The fact that Brussels Airport Company is completely revising its investment plans has already been mentioned. As part of that process, costs will be reduced as much as possible and the re-start thoroughly evaluated. In addition, voices from within IATA and the various airline companies are speaking out in favour of granting start-up incentives as a means of promoting a more rapid recovery (whether or not with government assistance).

The future – necessity for a new business model?

Even though the long-term consequences are still difficult to estimate, the COVID-19 crisis may possibly have a permanent impact on the aviation landscape. First of all, it will be important for airports and airlines to win back passengers' trust (with regard to safety and security), to rebuild their networks and to ensure their financial viability.

The insolvencies and consolidations that have taken place seem to have created a **larger market share** for the low-cost carriers and home carriers. The reason for this is because the **low-cost companies** have, in the majority of cases, turned out to be more resistant to the consequences of the crisis, thanks to their adapted business model – good liquidity, tailor-made cost management and agility (which make it easier to relocate capacity and to serve new routes). In many cases, the **home carriers** received (financial) support from governments and therefore have a chance of survival. This may possibly have an effect in terms of the political input in the aviation sector. The importance of **regional airports** could **decrease**, thereby increasing the **importance of certain key hubs**.

Potentially, a whole new landscape could also be created as far as the charges are concerned. Due to an increasing awareness of climate change, the principle of “the user pays” could become even more important than it is today.