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# Hainan Airlines' Strategy in the China-Europe Market

Driven by China's Secondary Hubs' Expansion

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The image features a background of a sunset or sunrise over a vast landscape with mountains and a body of water. In the upper right, a white HNA Aviation aircraft with a red and yellow tail is flying. A semi-transparent white box on the left contains the text 'HNA Aviation' between two horizontal lines. On the right side, the large number '01' is displayed in a bold, dark font.

**HNA Aviation**

**01**

# HNA Aviation

Totally there are **11 airlines** within HNA Group in Mainland China, which include **2 full service airlines**, Hainan and Beijing Capital Airlines, and 7 low-cost carriers.

**Full service network airline, global network, quality brand.**

HU Hainan Airlines

**Tianjin** based airline, premium long-haul services.

GS Tianjin Airlines

JD Beijing Capital Airlines

Beijing based **full service** airline, **Beijing's new airport.**

FU Fuzhou Airlines

**Fuzhou** based **low cost** carrier.

PEK Beijing

UQ Urumqi Airlines

**Urumqi** based airline.

URC Urumqi

XIY Xi'an

TSN Tianjin

PN West Air

**Chongqing** based **low cost** carrier.

PVG Shanghai

8L Lucky Air

**Kunming** based **low cost** carrier.

CKG Chongqing

KWL Guilin

FOC Fuzhou

GX Beibu Gulf Airlines

**Nanning** based airline.

KMG Kunming

NNG Nanning

Y8 Suparna Airlines

**Shanghai** based airline.

HAK Haikou

GT Air Guilin

**Guilin** based airline, **travel & tourism market.**

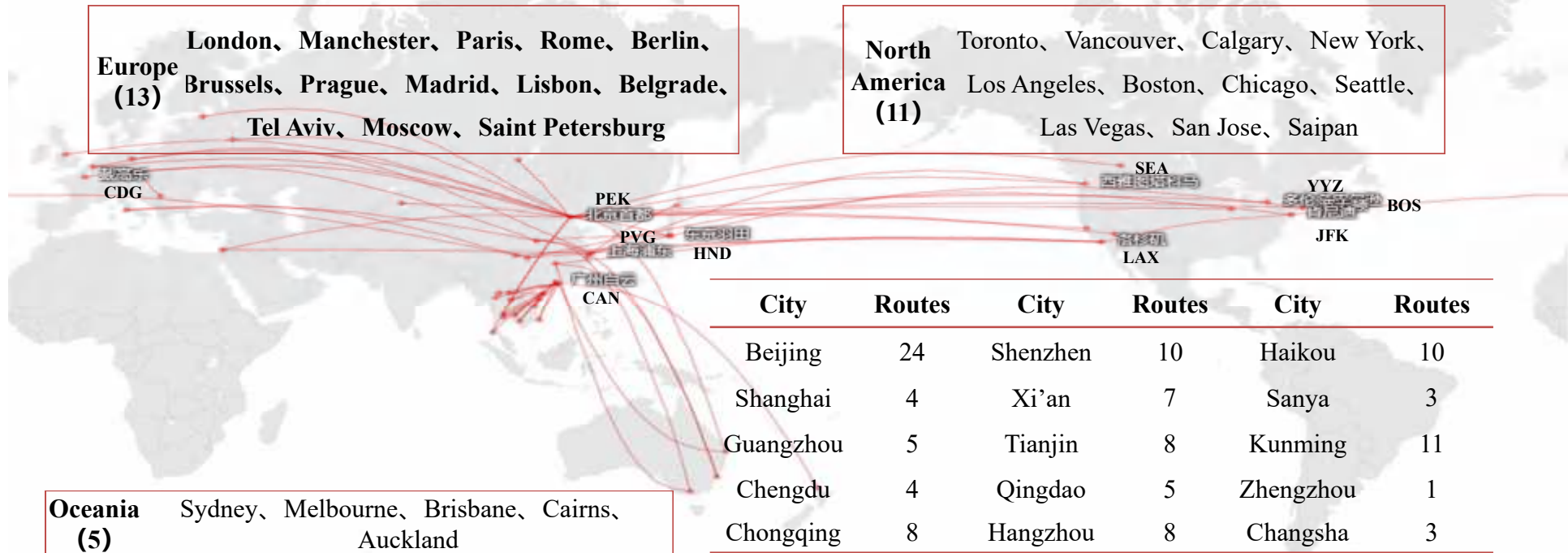
9H Air Changan

**Xi'an** based **low cost** carrier.



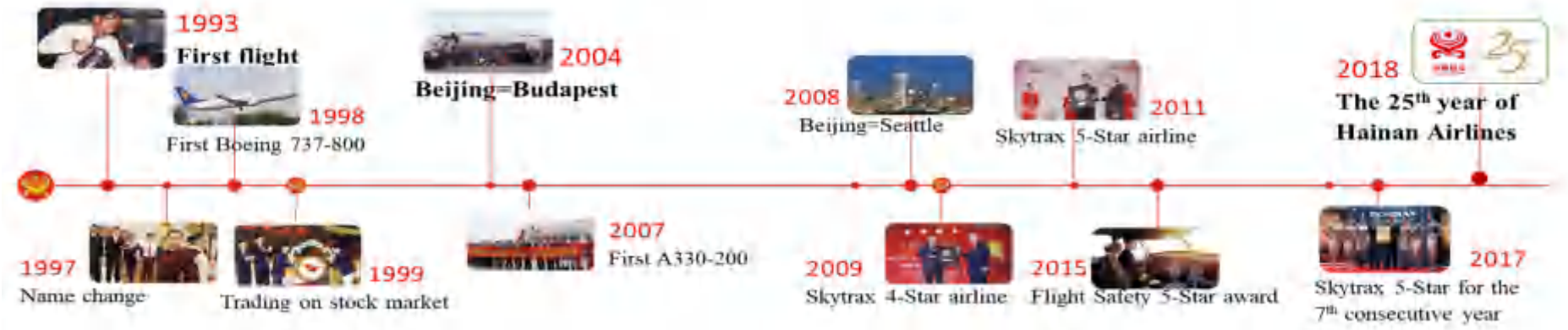
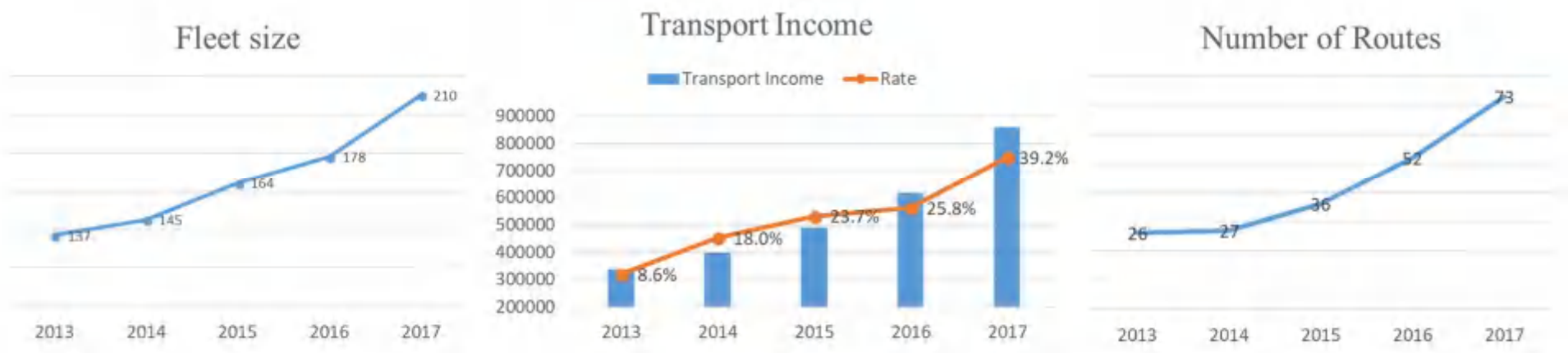
# International Network

The latest data indicating the expanding international network of airlines within HNA group in Mainland China, currently covers **72 international & regional destinations**, of which **29** are **intercontinental destinations**, with **100 international & regional routes** across Asia, North America, Europe as well as Oceania. In 2017, four major airlines within HNA group, Hainan Airlines, Beijing Capital Airlines, Tianjin Airlines as well as Lucky Air, have totally received **17 wide-bodied aircrafts** from Boeing and Airbus and launched **19 long-haul international routes**.



# Hainan Airlines 25 Years' History

Founded in 1993, Hainan Airlines has made a great development during the past 25 years. By the end of 2017, we operate more than 500 domestic routes and 73 international & regional routes with 210 aircrafts, of which 54 are wide-bodied aircraft.





A photograph of a white airplane with red and yellow accents flying over a vast sea of white clouds. The sky is a mix of light blue and soft orange, suggesting a sunrise or sunset. The airplane is positioned in the upper right quadrant of the frame.











## **China's Economic Development**

**02**

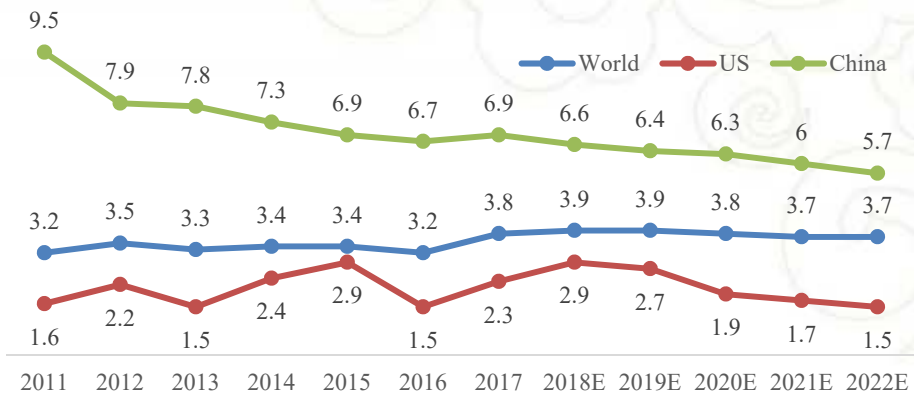
**China is expected to surpass the US in terms of nominal GDP by 2026.** According to EIU.

China economic growth rate is projected to stabilize at 6%, which is higher than the world average.

**Top 10 Highest GDP Countries in 2017** Source: IMF, 2018

Country	GDP (Normal) (Billions of \$)	%Share
 United States	19,390.60	24.3%
 China	12,014.61	15.0%
 Japan	4,872.14	6.1%
 Germany	3,684.82	4.6%
 United Kingdom	2,624.53	3.3%
 India	2,611.01	3.3%
 France	2,583.56	3.2%
 Brazil	2,054.97	2.6%
 Italy	1,937.89	2.4%
 Canada	1,652.41	2.1%

**IMF GDP Annual Percent Change**

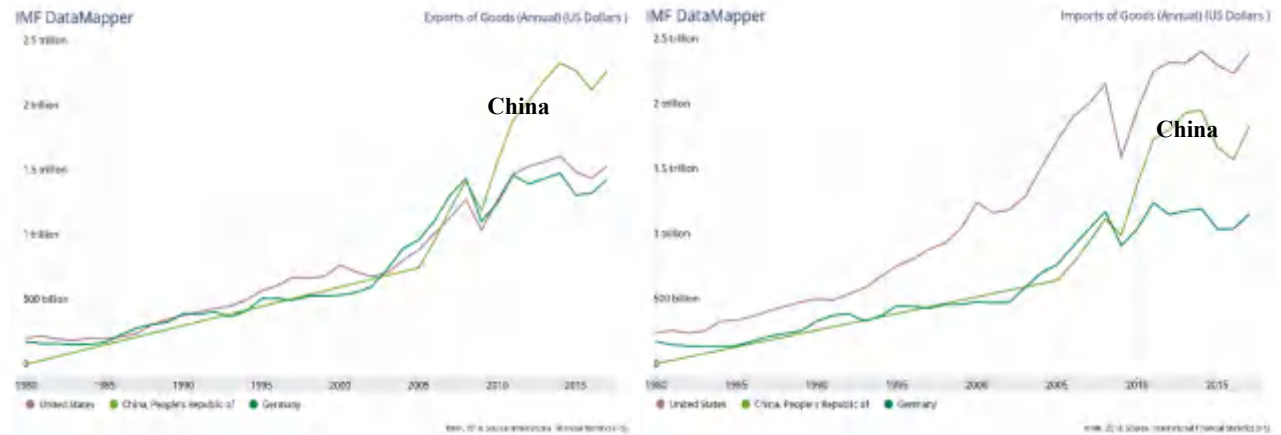


**World Population Percentages**



Source: Wiki, 2018

**Exports and Imports of Chinese mainland**







## China's Economic Development

- One Belt One Road, deepening reform and opening up.
- People's living standard is expected to improve, in line with robust economic growth.
- China's outbound travel is booming.



Source: National Tourism Administration

### 2017 Key Indicator Completion

-  GDP 82.7trillion RMB, with the economic growth of **6.9%**
-  Contribution to World's GDP growth by more than **18%**
-  CPI surge by **1.6%**
-  Disposable income surge by **7.3%**

Source: National bureau of Statistics of China

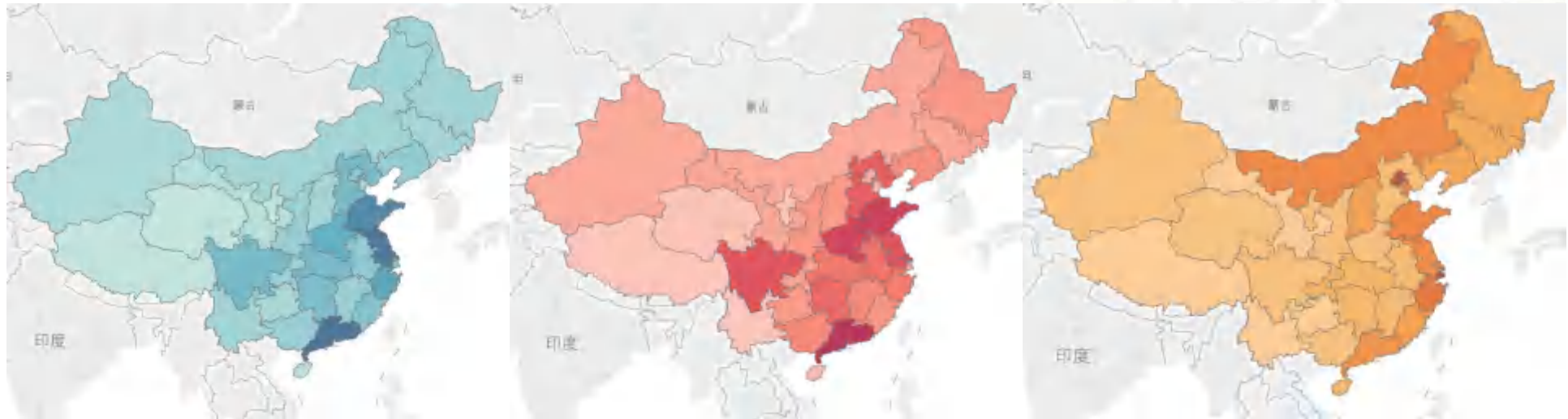


# China's Economic Development

2017 GDP

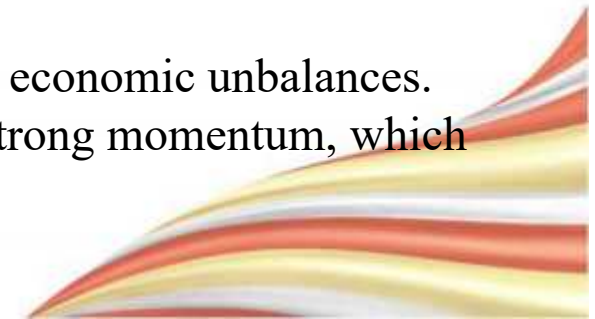
2017 Population

2017 PCDI(Per Capita Disposable Income)



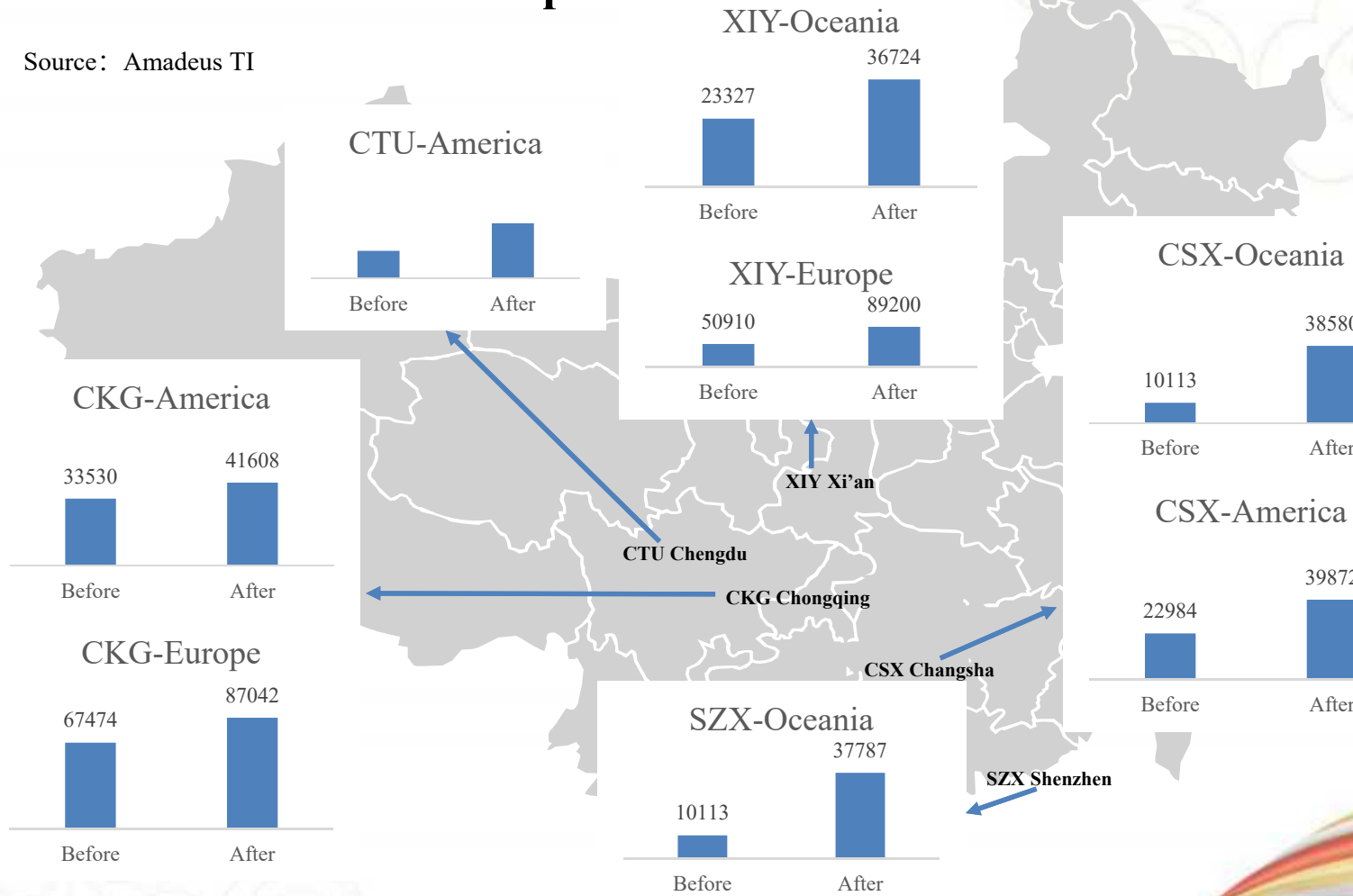
Source: Local Statistics Bureau

- China's structural transformation is likely to alleviate provincial economic unbalances.
- GDP, population and PCDI of second-tier cities are showing a strong momentum, which brings more business opportunity and travel demand.

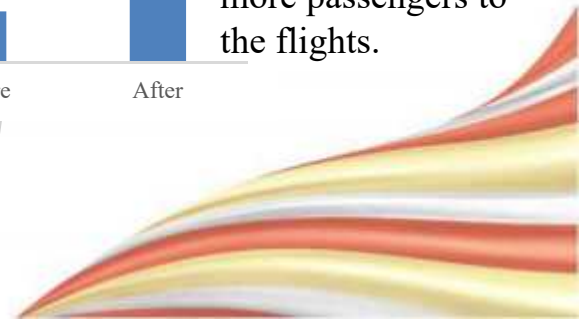


# China's Economic Development

Source: Amadeus TI



Due to the fast-growing business opportunity and travel demand in second-tier cities, Hainan Airlines inaugurated long-haul routes from Xi'an, Changsha, Chengdu, Chongqing and Shenzhen, which stimulated the market and brought more passengers to the flights.



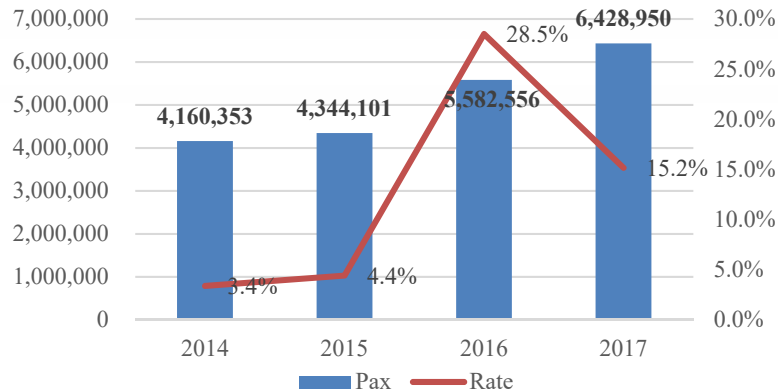
A photograph of a white airplane with red and yellow accents flying over a vast sea of white clouds. The sky is a mix of soft pinks, oranges, and blues, suggesting a sunset or sunrise. The airplane is positioned in the upper right quadrant of the frame.

**European Market's  
Demand & Supply**

**03**

# Market Demand

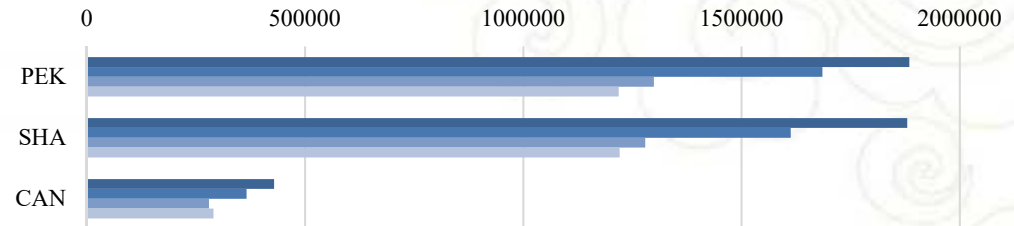
Passenger volume from China to Europe



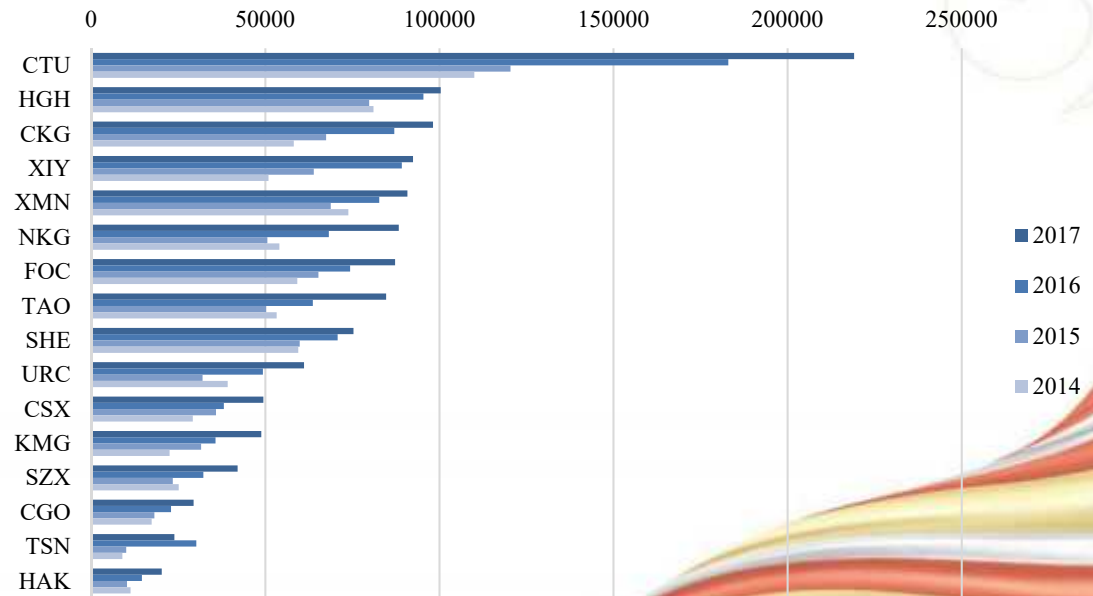
From 2014 to 2017, passenger flow from China to Europe increased significantly, with a growth rate of 54.5%.

Along with the sustained and rapid development of economic, second-tier cities' outbound travel demand has been increasing rapidly. Comparing to first-tier cities, passenger volume from second-tier cities to Europe increases faster. The annual growth rate of Tianjin, Kunming, Chengdu, Xian and Haikou is more than 20%, which is higher than the average rate 15.6%.

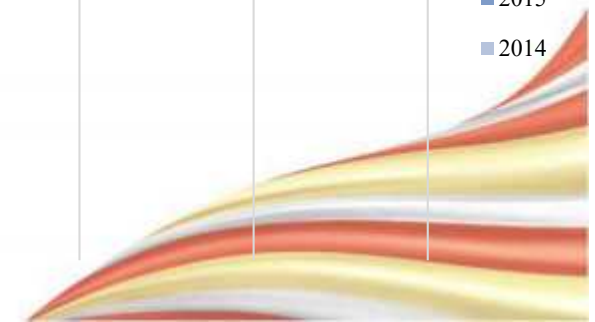
Pax Increase of First Tier Cities



Pax Increase of Second Tier Cities



Source: Amadeus TI



# Market Supply

**First-tier Cities' European network** Source: Flightglobal



Comparatively speaking, first-tier cities have more expansive and diversified international network, where long-haul routes are dominant.

First-tier cities' European network covers most metropolis and famous tourist cities of Europe.

## Second-tier Cities' European network

Second-tier cities' international network concentrates on big foreign gateways and hub cities, but is more short-haul focused.

Second-tier cities' European network reaches the prosperous area, metropolis and famous tourist cities in West Europe and South Europe. While the North Europe and East Europe have not yet been fully covered.





A photograph of a white airplane with red and yellow accents flying over a vast landscape at sunset. The sky is filled with soft, golden light and scattered clouds. The airplane is positioned in the upper right quadrant of the frame. A semi-transparent white box is overlaid on the left side of the image, containing the title text.

**European Market's  
Future Development Strategy**

**04**

# Multi-hubs Strategy

Concentrate on building Beijing, Haikou, 2 main international hubs and Chengdu, Chongqing, Xi'an, Shenzhen, 4 secondary international hubs, while developing supplementary international hubs according to strategic needs and market demand at the same time.

- ★ Main Hub
- ☆ Secondary Hub
- Supplementary Hub



# Traffic Rights Liberalization

Traffic rights liberalization in Europe enables further expansion.

Country	Before	After
The United Kingdoms	40/week	150/week
France	6 designated airlines 50/week	8 designated airlines 126/week
Italy	49/week	56/week
Spain	30/week	100/week
Portugal	1 designated airline	3 designated airlines 21/week

## Future Development Plan

Airline	Routes	Launch Date	Aircraft	Flights/week
<b>Hainan Airlines</b>	Shenzhen=Brussels	2018/3/20	B787	2
	Shenzhen=Madrid	2018/3/22	B787	2
	Changsha=London	2018/3/23	B787	3
	Beijing-Edinburgh-Dublin-Beijing	2018/6/12	A330	2
	Beijing-Dublin-Edinburgh-Beijing	2018/6/14	A330	2
	Guangzhou=Tel Aviv	2018/8/2	B787	3
	Shenzhen=Zurich	2018/8/27	B787	2
	Shenzhen=Tel Aviv	2018/9/23	B787	2
	Shenzhen=Vienna	2018/10/20	B787	2
<b>Tianjin Airlines</b>	Tianjin=Xi'an=London	2018/5/7	A330	2



**THANK YOU**

*FLY YOUR DREAMS*  
Hainan Airlines