

József Váradi (CEO of Wizz Air) January 2007

Could you please present Wizz Air to our readers? What are your specificities compared to other European LCCs? What do you do better than your competitors?

Wizz Air is Central & Eastern Europe's largest low fare & low cost airline by number of carried passengers. The airline was launched to coincide with the EU accession of 10 new countries in May 2004. The first flight took off from Poland, the largest of these new EU countries on 19 May. Today the airline operates flights from Poland, Hungary, Bulgaria, Croatia, Slovenia and Romania to many destinations across Europe. Wizz Air flies a young fleet of 180 seater Airbus A320 aircrafts. With 32 new A320 aircrafts on order plus 12 options Wizz Air's fleet should consist of up to 53 aircrafts by 2012. Wizz Air has carried close to 5 million passengers since its start of operations in May 2004.

Wizz Air's key success factor is its cost structure, which is the most efficient in the CEE region. Wizz Air's lowest cost is the key to its long term success.

You recently announced an overall expansion of Wizz Air in Poland. easyJet and Ryanair have also announced the launch of new routes to Polish market. How do you plan to manage such competition in this market? What are your advantages on this market?

Wizz Air has already proven itself as the leading low cost airline in all its countries of operation. According to the latest report of the Polish Civil Aviation Authorities published on 19 October 2006, Wizz Air strengthened its market position as the largest low cost carrier and the second largest airline in Poland well ahead of competitors, taking 15% of the total market (4 percentage point up from last year's 11%). Wizz Air reached 28% share of the low cost sector translating into 8% share of the total market in Hungary. The share of Wizz Air in Bulgaria, the airline's new market, has reached 52% just 6 months after its launch in the country.

As I mentioned the key focus is on keeping the costs as low as possible and offering low fares continuously. The market has been very competitive and has shown signs of consolidation already, as some competitors had to withdraw or downsize their operations. The key, again, will be the most efficient cost structure.

'Islanders' (Ryanair and easyJet) need to find new attractive destinations to maintain their growth; therefore Central Europe represents an important market for these LCCs. Who are your most dangerous competitors: 'Centralers' (SkyEurope, CentralWings, Estonian Airlines…) or 'Islanders'? Now? In near future?

The competition is with other means of transportation as well as within the airline industry itself. Low costs will be the key to succeed, as it is vital to both drive the market growth and successfully compete on the market. Our experience has proven us right: low costs always win. This made us the market leader in our base countries already and this will keep us in the top league of European market players.

The European Low cost carriers market has reached a certain maturity which leads to its consolidation. During this transition, what are, for you, the greatest threats to the European Low cost carriers? Fuel rising? Overcapacity? Evolution of airports? Regulation?...

There are a number of factors which represent a challenge to further development and need to be addressed in efficient way. Fuel price is one of them, however as it concerns all, we have a competitive advantage of flying large (180 seater), very efficient (A320) and new aircraft, while our competitors mostly fly smaller equipment losing on the economics of unit cost. Airport infrastructure needs to be developed in the region, especially from a technical perspective. And new market entries are still limited by regulatory specificity of individual non-EU countries. However, new markets open, but the competitive nature of the business remains with local challenges to overcome.

Many LCCs look after extra-revenues to offset the low price of their tickets. What are the projects of Wizz Air in terms of Extra-revenues?

Ancillary revenue is an area with a lot of potential. There are a number of services already available on wizzair.com, such as car rental, accommodation, insurance, travel packages, week-end breaks, tickets, etc. This circle will be further enlarged as well as products which are on sale on board. There are also other services and products on consideration to be launched in the near future, which are sources of non-ticket revenue.

Do you believe that consolidation of the market will lead to 2-3 main LCCs in Europe, or do you think there will always be many LCCs on niche markets?

As I mentioned the market already shows signs of consolidation. There is place only for efficient airlines. The market will be dominated by 4-5 big players with some small marginal players to take the rest.

Are you worried about the shortage of pilots and crew hitting LCC market?

No.

What are the options for Wizz Air to transform its business model in order to make more costs savings?

Wizz Air's business model does not require transformation as it has been designed to be ultra-low cost from day one. Efficient, new Airbus A320; over 13 hours aircraft utilization; use of secondary/regional airports; 100% internet sales; highly efficient organization (7500 pax/employee/year) and best practices result in the lowest costs. And this together with the continuous benchmark against the best makes Wizz Air the winner on the market.