EMBRAER

MIDDLE EAST'S NEXT FRONTIER

THE UNTAPPED CONNECTIVITY POTENTIAL

Dear Partners and Industry Colleagues,

Over the past two decades, no other region has been responsible for driving change across the global aviation industry more than the Middle East. The region's remarkable growth story is told not only through glittering skylines of glass and steel, but by the giants of aviation calling its capitals home: Emirates, Qatar Airways, and Etihad, to name only three, have redefined how people move around the world. This connectivity, and by extension the region's broader success story, has been bolstered by the ascendency of flydubai, Air Arabia, flynas and others – airlines that have sublimely blended network breadth and affordability.

In tandem with a flair for reimagining itself, The Middle East demonstrates a resilience that underpins this highly attractive melting pot for business, trade, and tourism. The region's unique country-level strategies for economic development, paired with favourable policies to stimulate work migration, will continue to power above average growth across all major sectors, aviation included. In short, this is the region to be in!

Seizing upon this momentum, Embraer is pleased to share its perspective on this exciting region. Entitled "Middle East's Next Frontier – The Untapped Market Potential", our report seeks to highlight the immense potential to enhance connectivity within the region itself. Whereas today's passengers can readily fly non-stop to major destinations across all continents from the region's capitals, point-to-point connectivity to and between the Middle East's smaller but still relevant markets remains lacking, a need that is echoed by country-level initiatives such as the Kingdom of Saudi Arabia's "Vision 2030". This connectivity will not only enable more trade and commerce, but it will also stimulate new tourism opportunities within the region. Indeed, regional tourism is booming with a growing awareness of destinations such as Oman's coastal city of Salalah, the ancient archaeological sites of Al-Ula, Jordan's UNESCO world heritage site Petra, and more. By combining outstanding economics, performance, and passenger experience, Embraer's next-generation E-Jets E2 family of small narrowbody aircraft can provide airlines the means to profitably tap into these exciting opportunities and lead the next phase of the Middle East's aviation growth story.

We invite you to sit back, relax, and enjoy this read which we hope will pique your interest as to how we can jointly unlock this "Untapped Market Potential".

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SETTING THE SCENE

The Middle East is at the epicenter of global aviation growth, driven by ambitious national strategies such as Saudi Arabia's Vision 2030, Qatar National Vision 2030 and the UAE's continuous expansion. These initiatives are channeling hundreds of billions of dollars into creating mega-hubs, becoming tourism hotspots, and attracting hundreds of millions of visitors. However, a critical paradox lies at the heart of this expansion: while the region excels at connecting continents, its own intra-regional connectivity remains significantly underdeveloped. The prevailing operating model, focused on large widebody and narrowbody aircraft, prioritizes long-haul traffic, leaving a vast, untapped market for short-haul travel within the Middle East.

This report takes a deeper look at this hidden opportunity, highlighting how the current strategy of up-gauging aircraft to combat rising costs has led to a reduction in regional connectivity, creating a cycle of diminishing returns. The report demonstrates that with the current developments, a strategic shift is necessary, one that embraces the new generation of small narrowbody aircraft. These aircraft offer superior economics that can unlock new city pairs, increase frequencies, and allow for precise capacity management, a practice known as right-sizing.

The key to sustainable profitability and realizing the region's aviation ambitions lies not just in connecting the world, but also in connecting the region itself. Small narrowbody aircraft are the ideal tool to unlock this hidden potential.

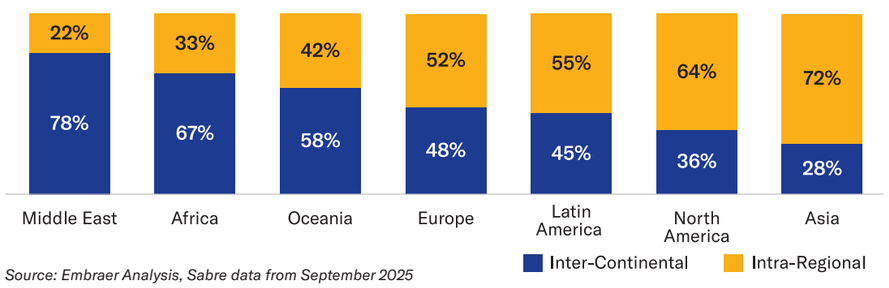
A REGION OF GROWTH AND CONTRADICTIONS

The Middle East's aviation landscape is defined by bold, nation-building ambitions that extend beyond borders. For instance, Oman's Vision 2040 includes a comprehensive aviation strategy to boost passenger numbers, while Egypt undertakes major airport expansions to support its vital tourism sector. This regional drive also encompasses nations like Jordan, with its strategic regional connections; Bahrain, which continues to invest in its airport and national carrier to serve as a key regional hub; and Iraq, a country demographically and geographically poised for growth. Furthermore, countries like Lebanon, aiming to revitalize its air links, and Syria, facing a monumental task of rebuilding, represent future opportunities for connectivity, underscoring the collective regional direction towards aviation development.

However, despite this focus on growth, the propensity for intra-regional travel remains well below that of other developed aviation markets like Europe and North America. The reason is structural: the region's major airlines have historically prioritized intercontinental traffic, using their strategic geographic location to connect long-haul passenger flows.

An analysis of capacity, measured in Available Seat Kilometers (ASKs), confirms this focus. In September 2025, a staggering 78% of all ASKs originating in the Middle East were deployed on inter-continental routes, with only 22% dedicated to intra-regional markets. This stands in stark contrast to other regions, where the balance is far more even.

Figure 1: ASK Distribution Intercontinental vs. Intra-regional



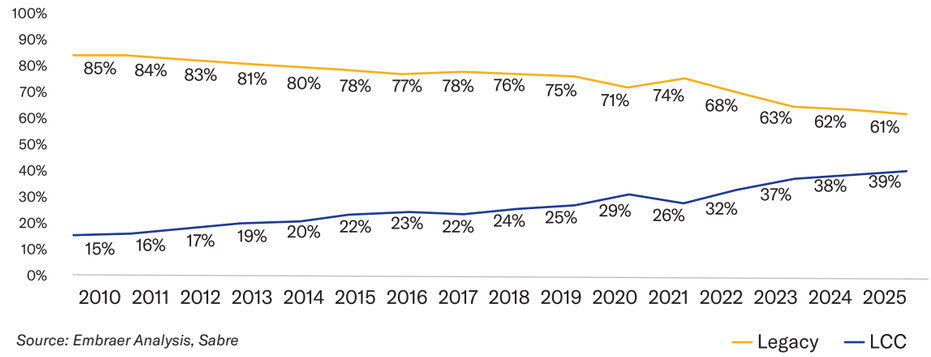
Source: Embraer Analysis, Sabre data from September 2025

This data illustrates a clear strategic choice to act as a global bridge rather than a self-contained, interconnected market.

SHIFTING TIDES: THE RISE OF THE LOW-COST CARRIERS

While legacy carriers have historically prioritized their role as global connectors, the intra-Middle East market has been fundamentally reshaped by the explosive growth of Low-Cost Carriers (LCCs). Over the past 15 years, these airlines have dramatically expanded their footprint, capitalizing on the demand for affordable, point-to-point regional travel. Their market share, in terms of Available Seat Kilometers (ASKs), has surged from 15% in 2010 to nearly 40% by 2025.

Figure 2: LCC vs. Legacy Market Share (ASKs) within the Middle East



Source: Embraer Analysis, Sabre

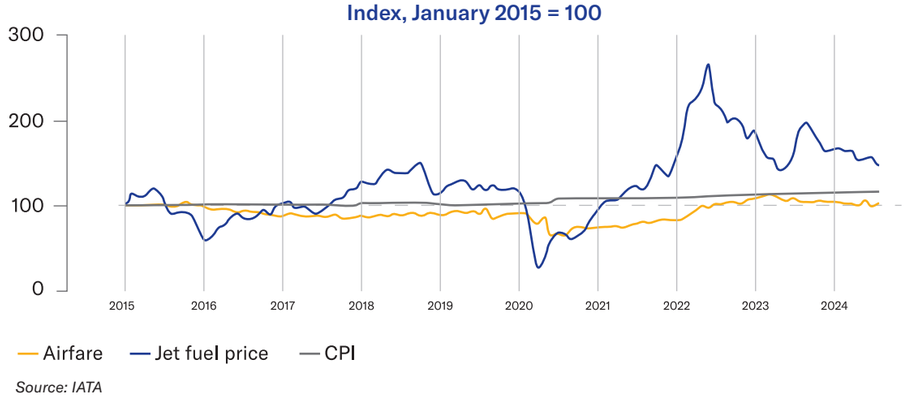
Crucially, their network strategy is fundamentally different from their legacy counterparts. While the region deploys only 22% of its capacity to intra-regional routes, LCCs deploy, on average, around 40% of their ASKs to the intra-Middle East market. This demonstrates a different focus on connecting the region itself, tapping into a significant and growing demand for direct, affordable travel.

THE DUAL PRESSURE OF LCC GROWTH AND COST VOLATILITY

While it has boosted regional connectivity, the rapid expansion of Low-Cost Carriers, simultaneously intensifies the financial pressures on all market players. By introducing significant new capacity focused on price-sensitive travelers, LCCs exert a powerful downward pressure on airfares and overall market yields. This compression of yields makes airline profitability very sensitive to operational costs.

Hence, in this competitive environment, the threat of cost volatility becomes an even more critical strategic challenge. While the extreme jet fuel price spike around 2022 (illustrated by IATA data below, using Saudi Arabia as a proxy) has subsided, it serves as a stark reminder of how quickly cost escalations can erase already thin profit margins.

Figure 3: Saudi Arabia average airfare, jet fuel price and CPI
Index, January 2015 = 100



Source: IATA

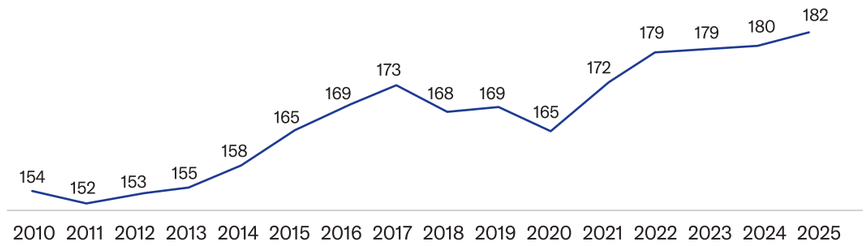
This dual pressure, from stagnant yields driven by competition from LCCs and the risk of cost spikes, has embedded a deep-seated focus on reducing unit costs into the strategic planning of every airline in the region. To achieve this, airlines have overwhelmingly turned to up-gauging, a strategy often seen as key to achieve efficiency and unit cost reduction.

The following section challenges this conventional wisdom, arguing that an exclusive focus on this single metric can inadvertently harm network integrity and overall profitability.

THE INDUSTRY'S RESPONSE: UPGAUGING AND ITS CONSEQUENCES

To combat rising costs and dilute high trip costs, airlines around the globe have pursued a strategy of upgauging, deploying larger aircraft to reduce unit costs (cost per available seat). The Middle East has significantly participated in this global trend. As a result, from the early 2010's to 2025, the average number of seats per departure within the region has increased by approximately 20%.

Figure 4: Average Aircraft Gauge within the Middle East

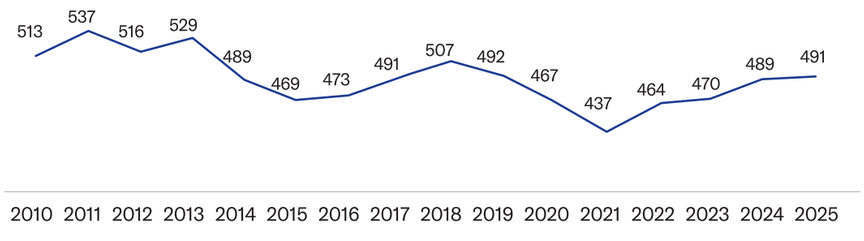


Source: Embraer Analysis, Sabre

While logical from a unit-cost perspective, this strategy has a significant downside. Larger aircraft require a higher number of passengers to break even, forcing airlines to rely heavily on low-yield connecting traffic or deep fare stimulation to fill seats on regional routes. This makes the viability of profitably opening new, thinner routes extremely challenging, resulting in shrinking networks within the region. For this reason, despite the massive fleet growth, the number of unique city pairs served with direct flights within the Middle East has actually decreased over the past decade.

This data reveals the core problem: the "one size fits all" approach of using large narrowbody aircraft for regional routes is limiting the market's true potential.

Figure 5: Number of Direct City Pairs within the Middle East



Source: Embraer Analysis, Sabre

A PARADIGM SHIFT WITH SMALL NARROWBODY AIRCRAFT

The previously discussed up-gauging trend is clearly visible in the table below, highlighting the fleet composition of Middle Eastern airlines. Between 2010 and 2025, large narrowbody aircraft (above 150 seats) numbers operating intra-Middle East routes have significantly grown, while the number of aircraft below 150 seats has dropped.

Table 1: Share of intra-regional flights in the Middle East by fleet segment

FLEET SEGMENT	2010 SHARE	2025 SHARE	ΔSHARE
WIDEBODY	18.3%	13.3%	-5.0 p.p.
NARROWBODY (> 150 SEATS)	48.8%	79.0%	+30.2 p.p.
SMALL NARROWBODY (100-150 SEATS)	16.2%	5.7%	-10.5 p.p.
REGIONAL JETS	12.5%	0.5%	-12.0 p.p.
TURBOPROPS	4.2%	1.5%	-2.7 p.p.

Source: Embraer Analysis, Sabre, Cirium

This trend is set to continue, with regional backlogs heavily skewed towards larger narrowbody and widebody jets. However, this strategy overlooks a fundamental shift in aircraft economics. While older generation small narrowbodies (SNB) had higher seat cost compared to larger narrowbodies (NB), efficient new generation aircraft, like the Embraer E-Jets E2, have created a paradigm shift in economic utility. These aircraft now deliver a trip cost that is significantly lower than larger narrowbodies, at an equivalent seat cost.

Table 2: Aircraft Economics Comparison

FLEET COMPARISON	Δ TRIP COST	Δ SEAT COST
OLDER SNB VS OLDER NB	-11%	+12%
E195-E2 VS. NEW GEN NB	-19%	0%

Source: Embraer Analysis – Direct operating costs, 1000km distance, dual class configuration, using Middle East costs environment assumptions

Older small narrowbodies had a lower trip cost but a higher seat cost compared to older narrowbodies. New generation small narrowbodies, such as the E195-E2, have a lower trip cost and a similar seat cost compared to new generation narrowbodies. This paradigm shift unlocks three powerful and interconnected opportunities detailed below.

OPPORTUNITY 1: DEVELOPING NEW CITY PAIRS

For any airline, the decision to launch a new route involves a balance of opportunity and risk. Traditional reliance on large narrowbody aircraft as the only tool to unlock intra-regional connectivity fundamentally skews this balance towards a riskier undertaking. A larger narrowbody's higher trip cost, imposes a break-even point that makes pioneering new markets a financially challenging endeavor.

The new generation of small narrowbody aircraft completely changes this equation. By significantly lowering the trip cost, these aircraft reduce the break-even point, transforming speculative routes into calculated, lower-risk business cases.

This isn't merely theoretical, an Embraer analysis, leveraging a proprietary demand stimulation model, has identified a tangible and immediate opportunity: over 120 unserved city pairs within the Middle East that have sufficient demand to sustainably support new and direct services today.

A detailed review of these potential routes revealed the following patterns:

Significant opportunities in Saudi Arabia: Saudi Arabia, the largest economy in the Middle East, is at the epicenter of this untapped growth potential, featuring in approximately 60% of the identified opportunities. This potential is split between strengthening the domestic network (e.g., Arar-Dammam, Jazan-Tabuk) and opening up new international links.

New connectivity frontiers to GCC Mega Hubs: The major Gulf hubs (Dubai, Doha, Abu Dhabi and Bahrain), are perfectly positioned to further connect the region by unlocking new connectivity points. Embraer's analysis shows significant potential for new routes linking these hubs to high-demand underserved markets, such as Lebanon (e.g., Bahrain-Beirut), Iraq (e.g., Abu Dhabi-Erbil), Afghanistan (e.g., Dubai-Herat), and even neighboring countries like Oman (e.g., Bahrain-Salalah).

Expanding Egypt's connectivity: Egypt also consistently emerges as a key market for new connections, particularly through new point-to-point routes with Saudi Arabia (e.g., Abha-Sohag) and the broader Gulf region.

These routes represent an untapped, hidden layer of profitable connectivity. They consist of secondary city connections, cross-country links, and the domestic markets currently bypassed by a system designed for mega-hubs and large-gauge aircraft. The right-sized aircraft is the key to finally unlocking them.

For example, the service between Abu Dhabi and Al Qassim, Saudi Arabia was discontinued in November 2025, just over 1 year after being launched. This route highlights a classic network planning challenge: while it clearly possesses a level of market demand, having been operated for some time, its discontinuation suggests a fundamental mismatch between that demand and the operational economics of the aircraft deployed. It is a prime example of a market where profitability is not necessarily a question of whether demand exists, but of right-sizing the capacity to that demand. A modern small narrowbody like the Embraer E195-E2, with its significantly lower trip cost, could fundamentally alter the route's economics. It offers the potential to transform routes that under-perform with large aircraft, into profitable routes that strengthen a hub and intra-regional connectivity.

OPPORTUNITY 2: INCREASING FREQUENCIES

Middle Eastern hubs are the undisputed global leaders in connecting long-haul traffic, a strategy built on channeling intercontinental flows. However, this success in the long-haul arena has created a comparative shortfall in the depth and density of their intra-regional hub-feeding networks.

As seen on figure below, when compared to their global peers, a clear gap emerges. A hub like Dallas-Fort Worth (American Airlines) excels at consolidating traffic from across its home region of North America, just as Frankfurt (Lufthansa) and Amsterdam (KLM) do in Europe. It quickly becomes evident that leading Middle Eastern hubs serve significantly fewer destinations with lower frequencies within the Middle East than these counterparts do within their respective home continents. This disparity in intra-regional network development highlights a strategic opportunity to build network density and capture localized, high-yield traffic.

Figure 6: Hub benchmark (intra-regional routes)

	AIRLINE	HUB	DAILY FLIGHTS PER DESTINATION	# DEST.	AVG. GAUGE
NORTH AMERICA	DELTA	ATL	4.9	156	155
	American Airlines	DFW	3.9	204	132
	UNITED	IAH	3.4	124	118
EUROPE	KLM	AMS	3.4	94	136
	AIRFRANCE	CDG	3.1	82	143
	Lufthansa	FRA	3.0	100	156
MIDDLE EAST & ASIA	السعودية Saudia	JED	2.9	34	199
	الإتحاد ETIHAD	AUH	2.8	12	175
	طيران الخليج GULF AIR	BAH	2.8	14	171
	Emirates flydubai	DXB	2.3	50	228
	QATAR AIRWAYS القطرية	DOH	2.1	33	221
	الطيران العُماني OMAN AIR	MCT	2.0	12	173
	الملكية الأردنية ROYAL JORDANIAN	AMM	1.8	19	140
	الكويتية KUWAIT	KWI	1.1	17	206

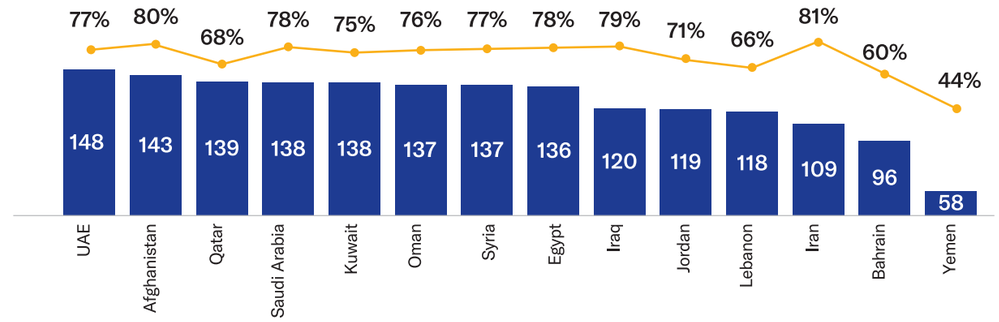
Source: Embraer analysis, Sabre data from September 2025, considers only respective intra-regional routes

High frequency services are instrumental for a highly successful hub-and-spoke model. The strategic goal is not simply to offer more flights, but to precisely time them to maximize connectivity through the hub's primary connection banks. For example, a route served by only a daily flight can often feed one of a hub's major banks, however, it is effectively cut off from the rest of an airline's global network for large parts of the day. Therefore, to increase connectivity across an airline's bank structure, additional frequencies are required. Doing so with a large narrowbody can be unprofitable if demand is insufficient to fill the aircraft. This forces a network planner to sacrifice a route's full connecting potential for financial viability. New generation small narrowbody aircraft like the Embraer E195-E2 is the key to solving this dilemma. Its superior seat and trip cost economics make it possible to profitably add critical frequencies, ensuring the route can feed the entire hub structure. This multiplies the value of a feeder route, unlocking passenger flows to and from the airline's entire global network.

OPPORTUNITY 3: RIGHT-SIZING FOR PROFITABILITY

Right-sizing is the art of deploying the right-sized aircraft for the demand at the right time. It is not about downsizing, but about optimizing. Embraer's analysis of traffic flows intra-Middle East shows a wide disparity in performance across the region, with some markets showing a low average load factor as shown in the figure below.

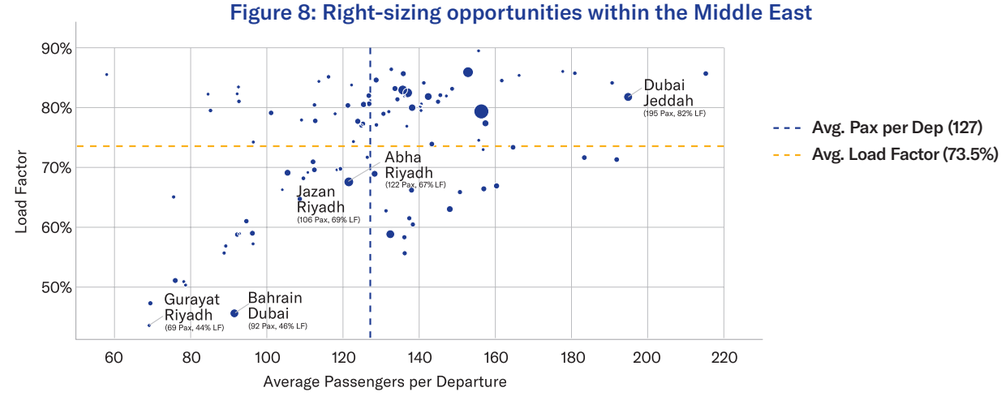
Figure 7: Average passenger per departure and load factor, by origin country - Intra-Middle East



Source: Embraer Analysis, Sabre data from September 2024 to August 2025

Markets with lower average load factors, such as Bahrain, are prime candidates for right-sizing. Replacing a large narrowbody aircraft with a small narrowbody could dramatically improve load factors and profitability. Furthermore, even on high-density routes, smaller aircraft can be used at off-peak hours or during shoulder seasons to maintain a market presence without sacrificing yield, allowing larger aircraft to be deployed on their intended mission, which is to feed major international waves. The figure below highlights a significant number of routes intra-Middle East that are ideal candidates for right-sizing using an efficient, small narrowbody aircraft up to 150 seats like the Embraer E195-E2.

Figure 8: Right-sizing opportunities within the Middle East



Source: Embraer Analysis, Sabre data from September 2024 to August 2025, bubble size is proportional to annual frequencies

It is critical to recognize that these opportunities in network and frequency development are underpinned by the generational upgrade of the region's aviation infrastructure. Across the Middle East, billions are being invested in new greenfield airports, additional runways, and expanded terminal capacity. From an airline's perspective, this expansion of airside and landside capacity is a fundamental enabler, removing key bottlenecks that have historically constrained growth.

The availability of slots and gates at previously congested hubs presents a clear opportunity. However, airport capacity alone does not constitute a viable route. The strategic challenge for network planners in the region shifts from simply securing airport access to profitably deploying assets and building a strong network. With new infrastructure providing a solid platform for growth, the question now becomes: how to align the right aircraft to the right market, while ensuring the economics work not just on high-density trunk routes, but across the entire spectrum of new opportunities.

A NEW FRONTIER TO IMPROVE PROFITABILITY, CONNECTIVITY AND SOCIOECONOMIC GROWTH

The Middle East is at the epicenter of global aviation growth, driven by bold nation-building strategies. Embraer's report shows that the pursuit of ever-lower unit costs through up-gauging has become a strategic limitation for the Middle East's intra-regional market growth. While it addresses one KPI, it compromises others by forcing a reliance on low-yield fares, limiting network growth, and reducing passenger choice. This leads to a "revenue spiral," where focus on cost-dilution undermines sustainable revenue generation and profitability.

The post-COVID environment of high costs and suppressed yields is leading airlines across the globe to take a new approach using small narrowbody aircraft, one that balances cost with revenue and network resilience.

Middle Eastern airlines are no different, and with a new generation of small narrowbody aircraft the perfect solution exists today. With superior efficiency and economics, the Embraer E195-E2 is a strategic tool to unlock the immense, untapped potential of the intra Middle East market.

“The Embraer [E2] as a small narrowbody is here perfect, because it can compensate load factor deficiencies, for example on routes where you have A320neo, and immediately improve the operational results. The key is for us the trip cost and the cost per seat."

Karim Makhlouf, CCO of Royal Jordanian

Small narrowbody aircraft can enable Middle Eastern airlines to:

1. **Launch new routes earlier and at lower risk.**
2. **Increase frequencies to feed hubs and build competitive dominance.**
3. **Perfectly match capacity to demand by right-sizing.**

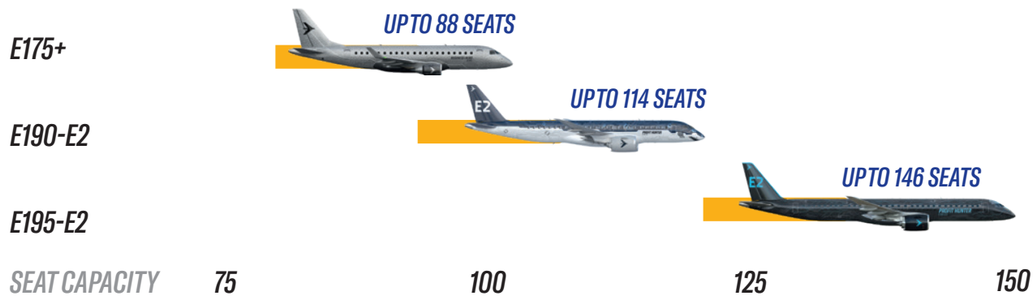
As a result, airlines can break free from the revenue spiral and build a more robust, profitable, and expansive regional network. A final message for aviation leaders in the Middle East: the path towards the future and fully realizing nationwide ambitious visions is not only in connecting continents, but in connecting the cities and people of this vibrant region.

Small narrowbodies, up to 150 seats, such as the E-Jets family with the E175+ (76 seats), the E190-E2 (96 seats) and the E195-E2 (120 seats) are the right aircraft to develop connectivity in most of the markets. The seating capacities mentioned previously correspond to typical dual class configurations.

“All Middle East carriers adopt a hub and spoke model requiring multiple daily flights within the region to feed their intercontinental services. Many regional O&Ds do not require a large narrowbody and some domestic markets like Saudi Arabia, Iran, Iraq and Egypt require a 100 to 120-seater airplane for optimal operations. This is where the size and commonality of the E2 series becomes extremely useful.”

Behramjee Ghadially, Senior Manager Fleet & Network Planning

THE E-JETS FAMILY COVERS THE WHOLE 70-150 SEAT SEGMENT



Compared to larger narrowbodies, the E2 has a smaller capacity but a much lower trip cost, meaning that the operation is less risky as the airline will need to sell less seats to reach profitability. With up to 6 hours flying range, the E2 family provides airlines with full flexibility to deploy the aircraft on both shorter routes and longer routes.

E2, ENGINEERED FOR THE BEST ECONOMICS

- Optimized Wings For Each Family Member
- Fourth Generation Fly-By-Wire
- Lighter Structure And Improved Aerodynamics
- Longer Maintenance Intervals

E2, A GAME CHANGER FOR AIRLINES

Compared to larger narrowbodies, the E2 offers:

- Lower Cost Per Trip
- Similar Cost Per Seat

The E2 family offers unmatched cost efficiency as well as the opportunity to improve load factors and yield through usage of right-sized aircraft.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