Board of directors

HH Sheikh Hamed bin Zayed Al Nahyan (Chairman)
HH Sheikh Khaled bin Zayed Al Nahyan (Vice Chairman)
HE Mohammed Mubarak Fadel Al Mzaouieh
HE Ahmed Ali Al Sayegh
HE Muharik Hamad Al Muhairi
HE Hamad Abdullah Al Shamsi
HE Khalifa Sultan Al Suwaidi
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CEO’s report

Etihad has completed another watershed year, marked by growth and success, and adversity in its fair measure.

Delivering our mandate

With an explicit mandate from our shareholder, the Government of Abu Dhabi, we spent 2010 focused on:

• consistently delivering the world’s best product and service;
• unlocking scale and efficiency to reach our financial targets; and
• supporting the growth of Abu Dhabi.

I am pleased to report that we are tracking well towards all of our targets.

Aviation environment

The global aviation industry is recovering from its 2009 malaise, albeit at a conservative pace.

Demand in the first quarter of 2010 was particularly soft, as the global economy found its feet.

In April, the volcanic ash-related airspace closures across Europe caused passengers significant disruption and the industry material losses.

The industry was also affected by Europe’s continuing sovereign debt crises, and related labour unrest.

Notwithstanding Europe’s underlying weakness, stronger than expected global GDP growth made for a pleasing second-half performance, with passenger demand rebounding markedly in the northern summer season.

Etihad performance

Despite isolated areas of weakness, Etihad’s network was naturally hedged by the geographic location of its hub.

• Europe was a challenging market. Nevertheless, these routes were led by the Subcontinental and Asian side of the network, and load factors and yields are improving.
• Our North American services performed well, again supported by our Indian Subcontinent flying and a weak US dollar.
• Our routes in North Africa – Casablanca and Khartoum – have been standouts and we look to a bright future for our growing network in that part of the world.

• Our services in Asia benefited from our developing African network, with major Chinese, Korean and Japanese investment in Africa generating passenger demand in both directions.
• Our flights to Indonesia, Malaysia, Thailand and the Philippines are all operating at full capacity, predominantly with point-to-point U.A.E traffic.
• We are well placed as a hub, and to support point-to-point U.A.E traffic, to our destinations in the Commonwealth of Independent States (CIS) – Almaty, Astana, Minsk and Moscow. Like Europe, these routes continue to mature and improve.
• Our partnership with Virgin Blue in Australia has already paid early dividends in the corporate segment, providing passenger flows onto our Europe and Middle East networks.

Outlook

Cargo demand and yields – load measures of industry trends – have recovered robustly. Passenger yields are also on the rise and close to pre-2008 levels.

Yet while many indicators are positive, our industry does face risks in the immediate future. The introduction of a new EU environmental taxation regime, with the possibility of separate national tax measures remaining in place, means Europe risks becoming uncompetitive. The inflated price of commodities, specifically oil, is forcing structural increases to our operating costs.

And moving into the New Year, greater capacity in the market has put pressure on our yields and passenger loads. As we grow and meet the tremendous cost of aircraft purchases and leasing, many of our larger competitors are returning capacity to their networks through increased utilisation, deploying aircraft they had mothballed during the global financial crisis. Supporting this view, the International Air Transport Association recently concluded that the 80 per cent rise in global industry year-on-year profits in 2010 was achieved with a corresponding 1.2 per cent rise in revenues. Civil unrest across the Middle East and North Africa has also impacted our operational performance in the first quarter of 2011. Nevertheless, our contingency plans have proven robust and our employees in the region have responded magnificently.

Future plans

The airline’s near-term focus is on breaking even in 2011 and moving into sustainable profitability in the following year.

Etihad does not operate as a vertically integrated business entity and, unlike many competitors, our ability to leverage ancillary margins or to hedge our exposure to volatile conditions in any given segment is currently limited.

As we move into a new phase of maturity, our focus will be on hedging the revenue line and expanding our operations. Senior management is actively considering opportunities in ground services, engineering, sales distribution and road freight capability.

Abu Dhabi

The growth of Etihad increased traffic to Abu Dhabi, while Abu Dhabi’s development generated more demand for Etihad’s services. Our fortunes are complementary.

In July 2010, His Highness General Sheikh Mohammed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces, spent several hours visiting our head office to review its operations and meet its staff. He endorsed Etihad’s role as a key economic driver for Abu Dhabi and reviewed the progress of 85 Emirati women who were undergoing training before joining the airline’s new Al Ain call centre.

I would like to thank the Government of Abu Dhabi for its unswerving support. I thank the members of our Board, led by our Chairman, His Highness Sheikh Hamad bin Zayed Al Nahyan, for their guidance and oversight.

And I thank our partners and suppliers in Abu Dhabi who, each day, work with us to fulfill the Government’s vision for the Emirate.

The Etihad team

Finally, I thank each and every one of our 8,000 employees for their dedication. Their unmatched skill and diligence is critical to achieving our mandate.

James Hogan
The goal and overall ambition of Etihad Airways is to be the best airline in the world. The airline was created to be a profitable and financially sustainable business, and to support economic development and diversification in Abu Dhabi and the achievement of its 2030 plan. By realising its goals, Etihad will deliver real value to its shareholder, guests, staff and the communities in which it operates.

The Board extended a mandate to incoming Chief Executive Officer, James Hogan, on his appointment in September 2006.
2007 2008 2009 2010

<table>
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<th>Passengers (m)</th>
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<td>15 (37)</td>
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<td>11 (52)</td>
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<td>New destinations</td>
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<td>-</td>
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<td>Revenues (b)</td>
<td>AED 5.6 (USD 1.5)</td>
<td>AED 9.1 (USD 2.5)</td>
<td>AED 8.4 (USD 2.3)</td>
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<td>Fuel hedged</td>
<td>65%</td>
<td>76%</td>
<td>66%</td>
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</tbody>
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2008

- Began operating narrowbody aircraft
- Implementation of revised network
- Launch of Kuala Lumpur, Sydney, and Brisbane; Thiruvananthapuram and Kochi, Dubai, Milan, Singapore, and Kathmandu
- Achieved financial target in business plan
- Financial restructuring and recapitalisation completed
- New corporate governance standards introduced
- Major improvements in revenue/inventory management systems
- Fuel hedging program introduced
- Skytrax World's Best Economy Catering
- World Travel Awards: Middle East's Leading Airline; World's Leading Flatbed Seat & World's Leading Travel Television Commercial
- External financing to the value of AED 4.4 billion (USD 1.2 billion) was raised including, for the first time, finance sourced from international markets
- Order with Airbus for 12 new wide-body aircraft announced at Le Bourget (Paris) Airshow worth AED 8.1 billion (USD 2.2 billion) at list prices

2009

- Launch of Melbourne, Astana, Istanbul, Athens, Larnaca, Chicago, Cape Town and Hyderabad
- Set back on profitability targets due to H1N1 influenza and the global recession – break-even revised to 2011
- Skytrax: World's Best Business Class
- Move to new, dedicated Terminal 3 at Abu Dhabi International Airport
- Move to new global headquarters and state-of-the-art Training Academy
- 24-hour Network Operations Centre opens
- New First class suite, limousine services, nannies and digital inflight entertainment
- New premium lounges in Abu Dhabi and London
- Inaugural Etihad Airways Abu Dhabi Grand Prix
- Etihad becomes official club and shirt sponsor of Manchester City Football Club
- Etihad acquires naming rights to Etihad Stadium in Melbourne
- AED 9.2 billion (USD 2.5 billion) aircraft financing in place with 33 institutions
- Achieved top tier credit rating endorsed by OECD
- Announced AED 25.7 billion (USD 7 billion) order for 239 aircraft engines from GE Aviation, Rolls Royce, Engine Alliance and International Aero Engines (IAE)
2010
From challenger to leader

In 2010, Etihad Airways reached the summit of its early growth. Now in only its eighth year of operation, and having grown faster than any airline ever has, Etihad is now poised to consolidate on the success of its infancy.

Growing sustainably
- Achieving commercial and operational scale
- Building density into the network
- Optimising the fleet and its utilisation
- Fiercely managing costs
- Reaching profitability
- Planning for growth

Inspiring our customers
- Being best-in-class
- Continuing to innovate
- Motivating employees to deliver outstanding service

Responding to shocks
- Emergency/Incident readiness
- Focus on customer recovery
- Maintaining operational integrity

Supporting Abu Dhabi
- Emiratisation
- Sponsorships
- Generating point-to-point traffic
- A global ambassador for the Emirate
Having weathered the worst global economic crisis in generations, Etihad Airways rebounded strongly in 2010, with load factors returning to pre-recession levels and yields continuing their recovery.

**Revenue highlights**

- Cargo revenue AED 1.9 billion (USD 515 million) up 61%
- Unit costs down AED 1.36 billion (USD $370 million) an improvement of 13%
- Revenue Passenger Kilometres (RPKs) 33.4 billion up 20%
- EBITDAR profitability for the first time
- Revenue AED 10.9 billion (USD 2.95 billion) up 29%
- Seat factor 74%, up 0.5 points
- Financing in place AED 9.5 billion (USD 2.6 billion)

**Operational highlights**

- Despite the immense challenges arising from the Icelandic ash crisis and the snow-related closure of European airports in December, Etihad’s operations had its strongest year yet, continuing a record of excellence in safety, reliability and service.
- 57,500 flights safely operated
- 7.1 million passengers carried up 13%
- 370,000 lounge guests hosted
- 45 billion Available Seat Kilometres (ASKs) up 19.6%
- 1 million Etihad Guest members up 33%
- 263,000 tonnes of freight handled up 20%
- 9 million bags handled
- AED 31.6 million (USD 8.6 million) duty free sold up 68.4%
- 77% more Etihad Guest miles redeemed
- 57,500 flights safely operated
- 7.1 million passengers carried up 13%
- 370,000 lounge guests hosted
- 45 billion Available Seat Kilometres (ASKs) up 19.6%
- 1 million Etihad Guest members up 33%
- 263,000 tonnes of freight handled up 20%
- 9 million bags handled
- AED 31.6 million (USD 8.6 million) duty free sold up 68.4%
- 77% more Etihad Guest miles redeemed

*Impacted by Europe’s volcanic ash crisis (April) and the weather-related closure of Heathrow (December)*
The future prospects for Abu Dhabi and its airline are indivisible.
Etihad is a key driver of the Emirate’s ambitious plan for the year 2030 and beyond – for Abu Dhabi to be a truly global capital city:
• a highly productive, diversified economy less reliant on hydrocarbons and with strength in financial services, tourism, metals and petrochemicals, and transport and logistics;
• an attractive place to do business; and
• an influential state in foreign relations and environmental sustainability.

This cultural, economic and political evolution carries on the vision of the UAE’s founding President, the late Sheikh Zayed bin Sultan Al Nahyan.
Abu Dhabi’s immediate past and immediate future are both rich with milestones on this journey to 2030.
• 2010 State visits of Queen Elizabeth II and Indian President Pratibha Patil
• Host of annual World Future Energy Summit and base for International Renewable Energy Agency (IRENA)
• AED 77 billion (USD 21 billion) contract with Korean consortium to build four nuclear power plants in the UAE
• Ferrari World Abu Dhabi opens on Yas Island
• Yas Island hosts second F1 Etihad Airways Abu Dhabi Grand Prix. Other major international events include Abu Dhabi Film Festival and FIFA Club World Cup
• Louvre and Guggenheim museums under construction on Saadiyat Island alongside the Zayed National Museum and campuses of New York University Abu Dhabi and the Paris Sorbonne
• Mubadala signs major resources deals with Brazilian oil giant Petronas, Russian Verno Capital and Yemen Company for Investments in Oil and Minerals
• Mubadala aerospace subsidiary STRATA begins manufacturing aircraft components for Airbus at Abu Dhabi facility
• Advanced Technology Investment Company (ATIC) shakes up semiconductor industry by creating world’s third-largest wafer manufacturing company, GLOBALFOUNDRIES, and begins plans for an advanced technology ecosystem in Abu Dhabi
• Opening of the Masdar Institute campus at Masdar City, an emerging global clean-technology cluster and what will be one of the world’s most sustainable urban developments, powered by renewable energy
• In 2011 alone, nine five-star resorts will open including Park Hyatt, St. Regis Hotel and Ritz Carlton, while another 20,000 residential units will be built
Etihad’s corporate strategy is informed by the mandate from its shareholder: to be the best airline in the world, to become profitable, and to be an enabler to the Abu Dhabi 2030 Plan.

In the years leading up to 2010, the senior management team focused on a strategy to grow and achieve scale quickly, to introduce sustainable business processes and systems, and to establish the foundations needed to move from a start-up phase into maturity.

2010 Strategic review

Etihad engaged the leading global management consulting firm, Booz & Company, to measure the progress and assess the strategic direction of the airline in January 2010.

Booz & Company delivered its final report to the airline in August. They found that, while Etihad had made impressive progress on delivering the shareholder’s vision, the combination of a growth mandate with a number of external and internal risk factors complicated the airline’s ability to reach profitability under the existing business model.

To overcome these structural limitations, Booz & Company recommended an enriched business model, through which Etihad would diversify its business activities further into airline partnerships, distribution, hub operations and air cargo.

The senior management team, and the Board, have approved the enriched business model and new business opportunities are now under active consideration.

“Since 2005, Etihad has achieved extraordinary improvements across many dimensions...”
“...successfully developed into a top quality flag carrier growing much faster than its competitors and has delivered on mandates.”
“...and achieved similar passenger volume in less than half the time of major competitors.”
Etihad flies to 65 international destinations. Through its 28 codeshare partners, Etihad’s network spans a total of 157 cities on five continents*.

*as at 31 December 2010
Etihad Airways Business Review 2010

The Network team develops Etihad’s network strategy in line with the shareholder’s vision. It then designs, implements and manages a customer-driven network and schedule to generate optimal commercial results and contributes to annual operating statistics to support effective planning across the business.

Network Management is made up of two key work streams: planning and logistics.

Network Planning provides long-term forecasting of a range of indicators, particularly passenger numbers, revenue and profitability. The team analyses each current and new market for the best capacity fit (ie aircraft size, cabins required) to match demand.

In Commercial Planning, the current network performance is analysed and managed closely in conjunction with the Sales and Revenue Management departments to ensure the network design is working in practice and the annual revenue budget, designed against the network, is delivered.

The Schedule Planning team builds schedules with optimal connectivity and customer convenience that maximise the utilisation of the fleet while taking into consideration operational, environmental, political and infrastructure constraints and supporting network performance and reliability.

The Current Network team matches any late changes to demand with changes to capacity where commercially justifiable and ensures the maintenance program is accommodated within the schedule. Current Network also quotes for and plans charter operations.

Supporting 2010 growth

The entry into service of five new aircraft in 2010 allowed Etihad to add seven new destinations to the network: Alexandria, Egypt; Baghdad and Erbil, Iraq; Colombo, Sri Lanka; Seoul, South Korea; and Nagoya and Tokyo Narita, Japan.

The larger fleet also enabled an additional 134 weekly frequencies in the schedule to 12 existing cities on the network: Athens (+2), Beijing (+1), Beirut (+4), Cairo (+7), Damascus, Trivandrum, Calicut and Peshawar.

Network Management also worked closely with Fleet Planning on the configuration of future aircraft deployments for some existing aircraft types.

The combination of increased routes and frequencies generated a 37 per cent year-on-year increase in sub-four-hour connectivity over the Abu Dhabi hub.

The network carried 7.1 million passengers in 2010. As at 31 December, Etihad operated to 65 destinations in 44 countries. A 66th route – Bangalore, India – was inaugurated on 1 January 2011.

Over the year, the Available Seat Kilometres (ASKs) on Etihad’s network grew to 45.2 billion, up 20 per cent on the previous year. Growth in Revenue Passenger Kilometres (RPKs) over the corresponding period was 33.8 billion, up 22 per cent on the previous year.

The department published Etihad’s 2011 northern summer schedule in December 2010. Across the new schedule, the airline will increase frequencies to:

- Bangalore (four per week to daily)
- Beijing (five per week to daily)
- Brussels (six per week to eight per week)
- Geneva (five per week to daily)
- Manchester (daily to 10 per week)
- Milan (five per week to daily)
- Paris (10 flights per week to double-daily).

Capacity will also be increased to Chicago by maintaining the same schedule but switching to a larger 412-seater B777-300ER aircraft on the route.

This increased flying will be made possible by new aircraft deliveries in 2011 (see Fleet Planning) and will mean that by October 2011, 90 per cent of Etihad’s network will be served by at least daily flights.8

With the introduction of all-Economy A320 aircraft, Network Management recommended the optimal deployment for the sub-fleet to include Alexandria, Colombo, Damascus, Trivandrum, Calicut and Peshawar.

Network Management negotiated over AED 12 million (USD 5 million) support for 2010 new routes/capacity changes, and completed initial negotiations with airports to support planned 2011 capacity increases.

Within the department, the Commercial Planning team reports monthly on the network’s performance against budget forecasts, identifying emerging trends, risks and opportunities.

*Does not include routes where Etihad is bilaterally constrained.

Network Management implemented new systems in 2010, including the schedule distribution tool SchedConnect, which assists in managing Etihad’s codeshare relationships with other carriers and has achieved a 40 per cent improvement in schedule synchronicity (from 55 per cent to 95 per cent).

Long-term planning

During the year, Network Management developed the 10 Year Plan 2010-2019. This was the first such plan designed and modelled fully in-house. The network intended reach in 2019 is to 119 destinations.

Network Management also worked closely with Fleet Planning on the configuration of future aircraft deliveries and a reconfiguration program for some existing aircraft types.
Current fleet at December 2010

6x B777-300ER
11x A340-500/600
19x A330-200/300
15x A319/320
2x MD11F
2x A330-200F
2x A300-600F

Aircraft on order at December 2010*

10x A380
10x B777
25x A350
35x B787
3x A330
20x A320

* Firm deliveries, excluding 105 options and purchase rights
At 31 December 2010, Etihad Airways operated a total fleet of 57 aircraft, consisting of 51 passenger aircraft and six dedicated freighters. The size of the fleet, measured by Available Seat Kilometres, increased by 20 per cent on the previous year.

**Fleet strategy**

The shape and development of the fleet is informed by Etihad’s comprehensive network planning process (see Network Management). This process allows Fleet Planning to generate a long-term plan based on:

- passenger and cargo demand influencing aircraft size and delivery timings;
- identifying suitable aircraft types and availability in the market from manufacturers and/or lessors;
- appropriate terms for aircraft acquisition aligned with approved business cases; and
- optimising cabin configuration to ensure it is commercially geared to maximise revenue.

**New deliveries**

Etihad Airways took delivery of four new aircraft in 2010:

- two A310 freighter aircraft. For which Etihad was the launch customer; and
- two A330-300 passenger aircraft.

Another two passenger aircraft were delivered in late 2009 but entered into service in 2010 – an A330-300 and a B777-300ER.

In 2011, Etihad will take delivery of seven* aircraft, including its first B777 freighter. Complete deliveries for the year are:

- three A330-300s; and
- one B777 freighter;
- two B777-300ERs;
- one A340 aircraft
- Substantial completion of the Pearl Business Class upgrade on nine narrow-body aircraft
- Two A320s were retrofitted to have an all Economy [162 seat] configuration, to be deployed on routes where there is no premium demand

A program to reconfigure eight three-class A330-200 aircraft into a two-class layout, with an upgraded Pearl Business class cabin, commenced in early 2011. This will result in greater product consistency and an increase of 62 seats per aircraft, thereby reducing CASK and providing an optimal configuration for medium-haul routes that lack strong demand for First class.

The A330-300 fleet will also be reconfigured in an eight First/32 Business/191 Economy layout. The additional 28 seats will reduce CASK and better match the fleet with current and forecast demand. Fleet Planning has redeline the delivery configuration for three A330-300s due for delivery in 2011, while the three currently in service will be retrofitted until 2012.

In 2010, Etihad confirmed the delivery configuration of five B777-300ER aircraft, which will enter the fleet in 2012 and 2013.

**Long-term planning**

Fleet Planning oversees the 10-year fleet plan, aligned to the requirements of the network strategy:

At year-end 2010, Etihad had a pipeline of 103 firm deliveries to 2020, including 10 Airbus A380s, 35 Boeing B787 Dreamliners and 25 Airbus A350s. Some of these new aircraft arrivals may facilitate the future retirement of existing aircraft.

In 2010, the following upgrades were completed:

- The reconfigurations of six B777-300ERs to 10 abreast in Coral Economy class, with a total increase in 34 seats, which resulted in significant cost per available seat kilometre (CASK) improvements
- Substantial completion of new Diamond First Class cabins, with suites and large changing rooms, on nine A340 aircraft
- Substantial completion of the Pearl Business Class upgrade on nine narrow-body aircraft
- Two A320s were retrofitted to have an all Economy [162 seat] configuration, to be deployed on routes where there is no premium demand

**Reconfiguration program**

Etihad evaluates the cabin configurations of its aircraft to ensure they are in line with prevailing market conditions and consistent with the airline’s product standards.

In 2010, Etihad has access to another 108 options and purchase rights and has negotiated slide rights with Boeing and Airbus for several of the aircraft on order. This provides Etihad with flexibility to reduce or increase its capacity based on prevailing market conditions.

At year-end 2010, Etihad had a pipeline of 103 firm deliveries to 2020, including 10 Airbus A380s, 35 Boeing B787 Dreamliners and 25 Airbus A350s. Some of these new aircraft arrivals may facilitate the future retirement of existing aircraft.

*The fleet will increase by net six, with the B777F delivery facilitating the withdrawal of a wet-leased MD11 freighter.

In February 2011, Etihad negotiated changes to its aircraft order with Boeing. Four B787 aircraft due for delivery in 2019 were swapped for three larger B777 aircraft, which will be delivered in 2013. Fleet Planning deferred the delivery of the A380 fleet to 2014. This will result in improved aircraft specifications, with improved payload and flying range.
In 2010, Etihad Airways generated passenger revenues of more than AED 8.7 billion (USD 2.38 billion), an increase of 24 per cent on the previous year.

To support this growth, Etihad has developed a world class global sales team spread across 44 countries. Within the UAE, Etihad employs over 460 sales staff and in early 2011 opened a new call centre in Al Ain, which employs 85 Emirati ladies.

The sales teams develop and manage a range of sales channels through which customers can book and manage their travel with Etihad. These include travel agents, call centres, retail offices and the airline’s website etihad.com. Etihad’s commercial strategy involves investing significantly in these channels and building strong relationships with major global distributors.

Travel agent distribution and field sales

Comprehensive training and coaching programs support Etihad’s global sales force. This development focuses on sales methodology, sales capability and account management skills. To automate processes, improve data integrity and monitor performance and progress, the commercial team implemented the Sales CRM system, salesforce.com, in February 2010.

The largest distribution channels for Etihad’s sales teams remain travel agents and global travel management companies (TMCs), which manage the travel of large international companies and small-to-medium enterprises. TMC corporate accounts are critical in generating high-yield premium traffic and Etihad’s sales strategy is focused on strengthening the airline’s position in this highly profitable segment. Similarly, global sales has deployed strategies to strengthen relationships with the retail travel agency segment and other specialist distributors around the globe.

Contact Centres and retail

Etihad operates 24 hour contact centres in Abu Dhabi and Mumbai, which handle incoming reservations and enquiries in Arabic, English, French, four Indian languages, and Tagalog and Urdu. Additionally, Etihad has a Japanese-speaking contact centre in Sydney, Australia, and uses a third-party provider in Cologne for enquiries in German.

Highlights for Etihad’s contact centres in 2010 were:

- 2.4 million calls received
- AED 103 million (USD 28 million) revenue generated
- Increase in Emirati staff to 15 per cent of employees in Abu Dhabi
- Introduction of Sales support for Etihad Holidays and Etihad Guest redemptions

Within the UAE, Etihad operates 15 retail shops and seven break-out stores within select corporate offices, all in premium locations to suit the needs of its customers and to maximise revenue opportunities.

Highlights of the retail business in 2010 were:

- AED 215 million (USD 58.5 million) in revenue generated
- Three new stores and upgraded facilities at three existing outlets
- An expanded range of Etihad products – airline tickets, holiday packages, merchandise, hotels, insurance, events and inbound activities
- Enhanced service training

Hala Abu Dhabi and Etihad Holidays

Etihad Holidays develops packaged holiday products for the UAE and GCC leisure markets and supports
the growth of the Etihad network. During 2010, Etihad Holidays:
• offered holiday packages to 82 destinations in 33 countries;
• sold 22,600 room nights in 350 hotels;
• introduced new programs to Alexandria, Japan, Seoul and Sri Lanka; and
• grew distribution network through Etihad Retail, Contact Centres and UAE/GCC agents.

Hala Abu Dhabi is an inbound tour operator and destination marketing company. It was launched in 2009 and is growing rapidly. In 2010 it provided a wide range of hotel properties, tours and desert safaris throughout Abu Dhabi and the UAE, selling 14,850 room nights in 43 different hotels. Hala is also growing its event management business and, in 2010, managed VIP corporate hospitality programs for the F1 Etihad Airways Abu Dhabi Grand Prix and other major events on Yas Island.

Distribution
Etihad’s distribution strategy aims to improve the effectiveness of the airline's distribution channels to meet the specialised needs of different customer segments at the right cost. Key initiatives implemented in 2010 have generated cost savings of approximately AED 40 million (USD 11 million). Major initiatives included:
• growing direct channel revenues, which carry lower costs of sale than third-party channels;
• renegotiating with third-party distribution companies (GDS) to reduce the technology costs associated with selling tickets through agents;
• increasing the efficiency of asset usage, in particular property costs; and
• improving agency and corporate account performance management processes and systems.

Revenue management
Revenue Management spent 2010 implementing strategic pricing initiatives and upgrading inventory management systems.

The department migrated to an advanced Origin and Destination (O&D) inventory management system in several phases in 2010, significantly enhancing the airline’s revenue maximisation capabilities.

A new Société Internationale de Télécommunications Aéronautiques (SITA) price system was made available to all Etihad sales offices across the network. Competitive fare data is uploaded to the system six times a day, enabling optimal speed of fare distribution to the sales force and other channels while reducing errors due to manually circulated fares.

The Central Reservations Centre (CRC), physically located in the 24-hour Network Operations Centre, supports revenue management by coordinating disruption handling. The CRC played a critical role in 2010 as an efficient link to Etihad’s Operations division during irregular operations, such as the Icelandic volcanic ash crisis and the snow-related closure of Heathrow.

Staff travel delivered incremental revenue of AED 92 million (USD 25 million) for perished inventory. 125,000 tickets were issued via an improved online portal – iFly – and an upgraded counter service at Etihad head office.

Etihad’s medical repatriation service generated AED 12.9 million (USD 3.5 million) in 2010.

A critical function of Revenue Management is the provision of management reports and analytics on flown and advance booking data. This information informs the senior management team in route and fleet planning decisions, and other strategy and revenue deliberations.

The preparations for a new commercial business intelligence system are complete, with the support of global IT consulting firm Mindtree. The new system is awaiting implementation on an upgraded server in mid 2011.

Amal Ali Khamis Al Shamsi
Al Ain Call Centre

“I joined Etihad’s new Al Ain Call Centre and undertook seven month’s training from June 2010. Our Centre is now live and 85 Emirati ladies, including myself, are handling incoming guest enquiries in both Arabic and English. The calls are coming from right across the Middle East.”
In 2010, the Marketing department continued to build awareness of the Etihad brand across key markets and supported the airline’s tactical drive for revenue, particularly from high yield premium traffic.

A new television and print campaign, called ‘He Likes, She Likes’, was launched, showcasing product and service onboard. The campaign was aired on international news channels such as CNN, BBC and CNBC, with additional coverage on local television in key markets.

In the lead-up to the launch of the Tokyo Narita route in March, and in partnership with the Abu Dhabi Tourism Authority, Etihad created a unique Arabian Experience exhibition in downtown Tokyo. The display featured the airline’s product and service and the attractions of Abu Dhabi as a destination.

Tactical activity during the year to drive sales of distressed inventory included introducing the new ‘Breaking Deals’ brand. Breaking Deals was launched in the UAE in April and rolled out in all major markets by August. By year-end, Breaking Deals accounted for over AED 50 million (USD 13.6 million) of revenue worldwide.

Other promotional offers were: ‘Multiflyer’ for multiple trips within the GCC; ‘Fly Long-Haul, Get a free return to UAE’ in the Middle East; the ‘Corporate Diamond’ program in Australia, Europe, the Far East and the USA, and free hotel stopover offers in Abu Dhabi.

Marketing leveraged the Etihad Guest database to incentivise members to fly in the premium cabins using popular Double/Triple miles offers. Direct marketing campaigns were also activated with major local and international partners such as Abu Dhabi Commercial Bank (ADCB), Abu Dhabi Islamic Bank (ADIB), American Express, Carrefour and Hertz.

Etihad’s advertising campaigns have also focused on its partnerships, particularly the launch of its partnership with Australia’s Virgin Blue. A joint Etihad-Virgin Blue campaign ran in Australia, Europe and the UAE. Other joint promotions with new partners All Nippon Airways (ANA) and Royal Air Maroc were also activated.

Marketing extended its investment and reach into online media in 2010. Online banner advertising supporting major destinations and special fares, as well as pay per click search engine marketing, continued to drive traffic and revenue to etihad.com.

Sponsorship

Etihad’s major sponsorships – Scuderia Ferrari, Manchester City Football Club, Etihad Stadium, Harlequins Rugby Club and the F1 Etihad Airways Abu Dhabi Grand Prix – helped extend the airline’s brand reach across the world.

As part of a strategy to target the Indian market and Indian nationals worldwide, Etihad appointed rising Bollywood star, Katrina Kaif, as a brand ambassador. The sponsorship involved a major social media viral campaign featuring a choreographed dance clip shot in the airline’s first class lounge in Abu Dhabi and a press campaign depicting Katrina onboard an Etihad aircraft. A similar endorsement initiative was launched in Pakistan with Strings, a Pakistani rock band.

The success of these various brand activities resulted in a strong increase in brand awareness from 39 per cent in November 2009 to 46 per cent in November 2010, according to research conducted by market research firm, The ID Factor.
A core element of Etihad’s mandate from its shareholder is to be the best airline in the world, as measured by a number of recognised indicators. In 2010, the airline’s Product and Service team implemented targeted improvements and efficiencies to support best-in-class customer service, while reducing cost of delivery.

**Inflight developments**

An area of particular focus was Etihad’s Coral Economy cabin and during the year, the airline’s premium inflight service philosophy – Inspired Service – was expanded to include Economy class on all routes.

This has increased interaction between crew and guests and better aligned the airline’s product and service with its brand strategy. On longer flights, Economy service now includes premium hot beverages and a multiple course main meal in two staggered sittings and with hot dessert.

In Diamond First class, a six course menu de dégustation, with matching wines, was introduced on selected day flights, complementing the existing à la carte and Kitchen Anytime menu options.

In both First and Business classes, and in addition to the expanded Kitchen Anytime menu, an Express Dinner – a meal on one tray delivered shortly after take-off – was introduced on select overnight flights.

Calum Laming
Product and Service

“Our department is responsible for ensuring the superior quality and consistency of our customers’ experiences. That means everything on the ground and in the air, including their chauffeur, check-in and lounge experience, the food and beverage on board, even the amenity kits and inflight entertainment.”
This suits guests, many of whom are now choosing to dine pre-flight in one of our airport lounges to maximise their sleeping time onboard.

A Japanese inflight service was introduced with the launch of flights to Nagoya and Tokyo in February and March. In First and Business, this includes a Kaiseki menu – a Japanese fine dining concept – including bespoke utensils and beverages such as sake, Asahi beer and Japanese tea.

A Korean menu was introduced with the first Seoul flights in December, including dedicated equipment such as metal chopsticks.

Other highlights:
- The pre-take off safety video was updated across the fleet in June
- New premium amenity kits and First class sleeper suits were introduced from January

Aircraft developments

Work has been completed to update cabin configurations and upgrade product across the Etihad fleet (see Fleet Planning). This included:
- updated trim and finish and upgraded inflight entertainment (IFE) in all B777 and A340 aircraft;
- new First class suites and changing rooms installed in all A330-300s and all but two of 11 A340s – the 10th and 11th aircraft were retrofitted in January and February 2011;
- the new Pearl Business class seat was installed in three A340-600s and all A330-300s;
- new trim and finish and audio visual on demand in every seat on two A320 changed to All Economy configuration;
- rerouting of eight A320s was completed, including the introduction of the new electronic Business Class seat, a new Economy class seat and upgraded trim and finish; and
- the second phase of the Panasonic eX2 IFE system roll-out occurred on select aircraft, with in-seat capability for live news, USB file sharing, SMS, email, Microsoft Office and room service/menu ordering in premium cabins. The updated graphic user interface includes a dedicated portal for children.

Product planning is well underway for new aircraft, including the flagship Airbus A380 and the Boeing 787 Dreamliner.

A renewed focus on showcasing the airline’s inflight Duty Free offering resulted in material revenue improvements. A range of exclusive items was added to the catalogue.

Generating efficiencies and revenue

In 2010, a range of initiatives to derive greater efficiency in the product delivery process was instrumental in reducing overall spend per passenger and improving returns, without noticeably impacting on the customer experience.

On overnight flights, the new Express Dinner service supported the increasing number of Etihad guests choosing to dine pre-flight in one of the airline’s eight airport lounges and, in doing so, helped to reduce take-off weight and thus fuel burn.

A new meal planning system launched in April streamlined and automated all catering processes, resulting in major savings.

In December, Etihad opened new airport lounges in Manchester Airport Terminal 1 and in Dublin Airport’s new Terminal 2. Both facilities are more than 300 square metres in size and boast a la carte and buffet dining, Apple computers, free wi-fi and printing facilities, showers, language storage, dedicated family rooms; and prayer rooms.

In addition, Etihad operates its own lounges at Frankfurt and London Heathrow, while at the hub in Abu Dhabi there are separate First and Business class lounges at Terminal 3 and newly-refurbished, separate First and Business class lounges in Terminal 1.

At Abu Dhabi Airport, self-service check-in kiosks are now available in both Terminals 1 and 3.

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Benchmarking

Etihad dramatically improved its rankings across the annual Skytrax rankings, the travel industry’s preeminent ratings system. In 2010, globally, Etihad was ranked:
- 2nd in First class (up from 7th in 2009)
- 3rd in Business class (up from 4th in 2009)
- 6th in Economy class (up from 9th in 2009)

In November, Etihad received the first results from Airs@t – an IATA research project which compares the product and service offering on airlines like British Airways, Cathay Pacific, Emirates, Lufthansa, Qatar Airways and Singapore Airlines, as well as Etihad, on routes between Europe and Asia. Etihad was ranked 2nd for its Economy service and 3rd for its Business class service.*

Etihad also commenced a mystery shopping program in December, conducted by independent auditors. The first results were delivered in April 2011.

*Does not rank First class
Etihad Guest

Etihad Airways’ loyalty program reached its millionth member in 2010, in just its fifth year of operation. This represented an increase of more than 30 per cent on the previous year.

The number of sectors flown by Guest members was up by 33 per cent, and the number of miles accrued by 51 per cent – the larger spike attributable to the successful launch of two co-branded credit and debit cards with Abu Dhabi Commercial Bank and Abu Dhabi Islamic Bank.

Member redemptions were also up strongly, with flight redemptions 68 per cent higher, and product redemptions 115 per cent higher than the previous year.

Valerie Andrade
CRM Services

“My job is to ensure the service benefits we offer to our top tier Etihad Guest members meet our standards of excellence. As well as honing our program with research, benchmarking and adding new benefits to the program, I liaise with our most prolific flyers to ensure they get the care and attention their loyalty deserves.”

Major improvements were made to the Etihad Guest reward shop, with the number of products offered at around 3,000, up by more than 30 per cent. An additional 14 accrual partners – including hotel groups Hyatt, Raffles and Fairmont – joined the program in 2010, taking the total number of partners to 60. Etihad Guest’s new airline partners in 2010 were Alitalia, ANA, Asiana, Ukraine International and Virgin Blue.

A variety of redemption promotions was held during the year, including limited offers for members to redeem flights at 50 per cent of the normal rate and for members to upgrade cabins at check-in for 50 per cent of the normal rate.

etihad.com

In 2010, etihad.com was visited by over 25 million guests, through 63 localised versions, in nine languages. The website grew rapidly as a sales channel, generating 30.4 per cent of Etihad’s total passenger revenues, up by 74 per cent on the previous year. Visitors to the site more than doubled year-on-year.

During the year, etihad.com launched 12 new countries and in two new languages – Italian and Korean.

144 Etihad and partner destinations have now been made available for sale on etihad.com.

Major improvements to the website during the year were:

- launch of Breaking Deals fares to 18 countries (see Marketing);
- extensive campaigns through major search engines, netting a home-run return on investment;
- launch of updated flight booking engine;
- 50 per cent increase in site speed;
- extension of travel insurance product to 14 new markets, taking the total to 19; and
- introduction of social media sharing capabilities.

In March 2010, Etihad.com received a major accolade at the 6th Pan Arab Web Awards, by winning first prize in the airlines category.

The online team also reached customers through new digital channels in 2010, such as Etihad’s official YouTube channel – with over 100,000 views – and the EtihadDeals feed on Twitter.
Etihad's stated goal is to be the world's best airline. In 2010, more than 20 awards, benchmarked against industry competitors and voted on by millions of travellers, demonstrated this goal is within the airline’s grasp.

**Awards**

Etihad's vision is to be the best airline in the world. Benchmarking what the travel industry and the travelling public think about us is part of measuring our progress. Our success in Skytrax and the World Travel Awards is an affirmation that we are on track to achieving this vision.

Fatima Al Haddad
Marketing Communications
At 31 December 2010, Etihad Airways had a total of 28 codeshare agreements in place with leading airlines. These deals have created a sprawling virtual network for Etihad, giving its customers easy access to new destinations in Australasia, North Asia, Europe and the US, while also generating revenue by funneling its 28 partners’ customers onto Etihad services. Importantly, around 17 per cent of alliance revenue comes from the premium cabins.

Revenue generated from alliance traffic grew to AED 1 billion (USD 288 million) in 2010, up 100 per cent against the previous year. Alliance revenue contributed 13 per cent of the airline’s total 2010 passenger revenue.

In addition to sharing inventory, Etihad has more comprehensive agreements in place with some partners – including Alitalia, All Nippon Airways (ANA), Korea’s ASIANA, Bangkok Airways, Brussels Airlines, India’s Jet Airways, Sri Lankan Airlines, Ukraine International and Australia’s Virgin Blue Group of Airlines – that include reciprocal frequent flyer programs, baggage allowances and premium lounge access. The convenience and seamlessness of these arrangements has been critical in generating customer loyalty.

During the year, Etihad announced eight new codeshare partners: Air Malta, Alitalia, ANA, ASIANA, Hungary’s Malev, Greek carrier Olympic Air, Siberia Airlines (S7) and Virgin Blue.

**Partnerships and Alliances**

**Virgin Blue**

Etihad entered into a major alliance with Australia’s Virgin Blue Group of Airlines in September 2010.

The partnership with Virgin Blue means:

- **V Australia** operates its own flights to Abu Dhabi from both Sydney (from February 2011) and Brisbane (February 2012). Together, the airlines offer joint frequencies of 24 return services per week (27 from February 2012) between Australia and Abu Dhabi, and onwards.
- The airlines will codeshare across each other’s networks to more than 100 destinations.*
- Benefits are fully reciprocal between Etihad Guest and Virgin Blue’s Velocity program, including earning and burning miles and status points, and baggage allowances and lounge access.

Together, Etihad and Virgin Blue offer the most comprehensive route network in and out of Australia, with flights directly to the US as well as one-stop flights into continental Europe without the need for backtrack from Heathrow or other hubs.

Etihad and Virgin Blue received approval from Australia’s competition regulator to cooperate on scheduling, pricing and various other functions.

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*Subject to bilateral constraints
Etihad Crystal Cargo delivered strong business growth over the year, with revenues of AED 1.9 billion (USD 518 million), a rise of 61 per cent year-on-year and AED 209 million (USD 57 million) over budget. Crystal Cargo contributed 19 per cent of Etihad’s direct operating revenue for 2010.

The strong performance reflected the entry into service of two A330 freighter aircraft, for which Etihad was the launch operator. There are now six freighter aircraft in the Etihad fleet, making up 25 per cent of the airline’s Available Tonne Kilometers (ATKs).

While the financial result was associated with the 24 per cent growth in ATKs, it was also attributable to a robust 34 per cent year-on-year improvement in yield.

The freighter network grew to 24 stations in 2010, with the launch of Erbil, Iraq; Beijing and Urumqi, China; N’Djamena, Chad; Hong Kong, and Parchim, Germany. There are now 11 freight-only destinations on the Etihad Crystal Cargo network.

At the Abu Dhabi hub, Crystal Cargo’s operational capacity improved to more than 25,000 tonnes per month, up from a peak of 22,000 tonnes in the previous year.

The business achieved record freighter charter revenue of AED 145 million (USD 39 million) in 2010 – eight per cent of total cargo revenue.

Crystal Cargo continued to explore opportunities to expand its customer offering, with work underway on launching a precious cargo handling capability, an intra-Gulf road freight business and further freighter network development.

Furthermore, planning commenced on the future requirement for an all-new cargo terminal at Abu Dhabi International Airport.
Etihad's Operations division is charged with delivering a safe, punctual and efficient customer experience of the highest quality.

Operational excellence

Despite managing a six per cent increase in flights and a four per cent increase in passengers carried, the airline cancelled only 0.51 per cent of scheduled flights, up just 0.4 per cent despite the significant impact of the volcanic ash cloud over Europe in April and the closure of Heathrow and other European airports in December. Internal on-time performance targets were exceeded for the second consecutive year, with an eight per cent reduction in controllable delays.

Significant changes were made to various operational systems throughout the year. To meet the need to manage the steadily growing number of flights, Flight Operations introduced state-of-the-art flight and crew planning systems.

The new flight planning system, called ‘Lido,’ reduces fuel consumption, carbon emissions and operational costs by applying algorithms that optimise the route flown, take-off weight and balance and other technical data.

The airline will also benefit from access to operational flight planning data – such as maintenance, weather forecasts, air space, and navigation – in one central location.

Etihad Operations introduced a new onboard health system to monitor passengers who display signs of illness on long-haul flights.

Etihad’s Security Operational Centre (SOC) was established in December 2010 to centralise all aviation security communications and risk analysis across the network.

Airport and network operations

Major enhancements were effected at the Abu Dhabi hub over the year, as Etihad’s rapidly growing fleet and network schedules began to place material pressure on the existing airport facilities. These changes included:

• refurbishment of the Terminal 1 premium lounges;
• introduction of check-in self-service kiosks in all terminals;
• introduction of the new premium limousine arrivals lounge; and
• a priority baggage collection service in the Terminal 3 baggage hall.

Etihad introduced a team of Emirati VIP Protocol Officers in 2010. The team provides VIP services to all premium and VIP guests at Abu Dhabi Airport.

The Hub Efficiency Project was launched in 2010 to improve costs and service quality and consistency, which has seen the airline realise significant savings and service improvements to date.

The minimum connecting time at the Abu Dhabi hub was reset from 7.5 to 60 minutes at the start of the 2010 winter schedule, considerably improving sub-four hour connectivity and hub traffic flows across the network.

Ali Al Shamsi
Abu Dhabi Hub

“Airports are dynamic places, especially one that hosts around 9000 Etihad guests every day. Every one of our flights originates or terminates at our hub. Our job is to ensure that each of our guests — whether leaving, bound for, or hubbing through Abu Dhabi — enjoys a seamless and comfortable time here.”
Operations Planning led a cross-functional team that managed the entry into service of the first A330-200F, the first cargo aircraft in the fleet to be fully operated by Etihad.

Over the year, Operations established new presences in Alexandria, Baghdad, Colombo, Erbil, Hong Kong (Crystal Cargo), Nagoya, Seoul and Tokyo Narita. In Seoul, the airline appointed the first airport manager to have come through the Emirati Management Program, Shaib Al Najjar.

The eruption of the Mount Eyjafjallajökull volcano in Iceland in April and the snowstorms over Europe in December – two of the largest environmentally-driven disruptions in aviation history – resulted in extensive and extended airport closures and flight cancellations and diversions, and activated massive contingency efforts. Over a six-day period, the airline accommodated more than 2,700 passengers in Abu Dhabi hotels. This enabled Etihad to repatriate guests and return the operation to normal as swiftly as possible following the conclusion of the crisis.

Safety and quality

During 2010, Safety and Quality achieved three major milestones – renewal of the airline’s IATA Operational Safety Audit (IOSA) accreditation with zero findings, the implementation of a new Safety Management System and the publication of the first Etihad Safety Manual.

The IOSA is a biennial, mandatory audit for all IATA member airlines, and is conducted by an external, accredited auditor. The program consists of 966 standards in eight operational areas. The renewal followed two years of implementing updated IOSA standards. Safety and Quality also successfully completed a major UAE General Civil Aviation Authority (GCAA) audit.

The new Safety Management System (SMS) is designed to manage safety proactively across the airline. All employees are required to participate in the system’s implementation by undertaking training. The Safety Action Group, an internal forum, is accountable for follow up and corrective action as well as proactive consideration of operational safety measures.

The Etihad Safety Manual supports the SMS and helps to embed safety in Etihad’s working procedures and processes.

Etihad’s operational reporting system was extended across the company in 2010 to ensure the highest levels of quality and safety. The system now collects information on events airside or landside, in an airport or office environment. This includes any hazard or occurrence relating to buildings, facilities, aircraft, maintenance or staff at an airport terminal, ramp area, office, check-in, Network Operations Control, or cargo warehouse.

Technical and maintenance services

Abu Dhabi Aircraft Technologies (ADAT) performs all of Etihad’s heavy maintenance and the majority of other associated engineering tasks at their facilities in Abu Dhabi.

In 2010, Etihad established a dedicated in-house line maintenance function, which is based in new technical premises at Abu Dhabi Airport. This work was previously carried out by ADAT.

A working group established with Etihad and ADAT generated 2011 budgeted savings in excess of AED 55 million (USD 15 million) on technical spend. The group also worked on mutual improvements to engineering quality and capability at the hub.
Throughout 2010, the People and Performance division partnered with the airline’s various business units to implement productivity and process improvements necessary for a high performance organisation.

Despite a significant increase in the size of the airline’s operations, these improvements meant the total number of employees remained stable at 7,855. These employees represent 121 different nationalities and include 900 pilots and just under 3,000 cabin crew.

The recruitment of critical hires to drive Etihad’s leadership and operations continued with over 30 new senior appointments across the airline.

Etihad’s growth also necessitated the establishment of teams at eight new stations globally and the delivery of three major organisational restructures. New learning management and performance systems were also established.

**Emiratisation**

Etihad’s Emiratisation scheme continued to develop during 2010, with 498 UAE nationals employed as at 31 December, up from 295 the previous year. Emirati employees now comprise 13 per cent of Etihad’s total workforce.

UAE nationals joined the airline through a combination of development programs and direct entry appointments, including those at the senior level.

In July, 80 Emirati ladies commenced a nine month development program in partnership with Abu Dhabi University and the Etihad Academy, in readiness for the opening of the all-female Emirati Etihad Al Ain Call Centre in March 2011.

77 UAE nationals graduated from Etihad’s three core training streams in September as cadet pilots, technical engineers and graduate managers.

A number of other Emirati employees pursued opportunities on international assignments and rotations.

In support of the airline’s Emiratisation strategy, alliances were established and enhanced with local institutions such as Abu Dhabi Tawteen Council, Abu Dhabi Education Council and the Institute of Applied Technology.

**Health and Safety**

The health and safety of Etihad employees, and compliance with regulatory health standards, is of utmost importance to the company.

Etihad Airways Medical Centre was opened at Etihad Plaza, one of the airline’s major residential complexes, in May 2010. The clinic offers state-of-the-art facilities and access to health and welfare professionals for all staff and their families.

Also at Etihad Plaza, and at various company accommodation locations across Abu Dhabi, Etihad provides ‘Fit 2 Fly’ leisure facilities including gyms, pools and recreational amenities. Etihad is committed to providing the very best in welfare services for its people and their families.

**iachieve performance system**

Etihad established a new system of performance management in 2010, called ‘iachieve’. iachieve established performance-based pay awards for Etihad employees from the 2010 year and onwards, to ensure the airline’s top performing staff are rewarded.

95 per cent of all employees have recorded and agreed their performance objectives for 2011 and 100 per cent of all employees have completed a 2010 performance review with their managers. The first performance-based pay increases will be paid from April 2011.
Dr Salwa Alnuaimi
Emirati Talent Acquisition

“One of the three planks of our mandate from the Government is to be an enabler for the 2030 Plan. One of Etihad’s most significant contributions to that vision is providing meaningful employment and development opportunities to UAE nationals across the airline. This will diversify the Abu Dhabi economy and diversify the skills of our people.”

Linking performance to pay is a fundamental shift towards a performance culture at Etihad and reflects the increasing maturity of Etihad’s global business. Etihad also reviewed and simplified its employee grading structure and job title framework, in line with best practice. Etihad was awarded the Best HR Change Management Strategy award at the 2010 GCC HR Excellence Awards for the implementation of iachieve.

Learning and development

The introduction of a new system in 2010, ilearn, provided the platform for a changed approach to employee learning across Etihad. Around 40 per cent of all training is now delivered to employees through e-learning, providing an effective training solution for a global and mobile workforce and delivering cost advantages to the airline. More than 15,000 e-learning training sessions were completed in 2010, while the Etihad Academy delivered an average of 115 classroom-based courses to more than 1,000 participants each month.

A structured approach to identifying and managing talent, called ‘Talent Watch’, was introduced. This system assesses all Etihad senior managers on two matrices – performance and potential.

HR operations

Etihad’s HR operational capacity required significant growth and investment in 2010, as the number of local and overseas employees continued to grow. The airline’s online HR system for staff, called iserve, was upgraded and usage increased by 160 per cent for employees and 80 per cent for managers.

The occupancy of Etihad’s residential portfolio for 4,000 employees in Abu Dhabi increased to almost 90 per cent in 2010.
Corporate governance

Etihad Airways operates under a rigorous organisational structure, established in 2007 in line with the revised Manual of Authority, which contains authority limits delegated by the Board to the Executive Committee, management and staff in order to effectively run the company's affairs and operations. The organisational structure ensures transparent reporting and sufficient checks and balances are in place. A 2009 report by leading global management consulting firm Oliver Wyman for the Abu Dhabi Audit Authority concluded that Etihad had “established strong corporate governance and process redesign”.

Etihad's governance framework is as follows:

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Management</th>
<th>Regulatory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board Meeting – Quarterly</td>
<td>Executive Committee – Monthly</td>
<td>Weekly</td>
</tr>
<tr>
<td>Tender Board Meetings</td>
<td>Financial Review – KPMG</td>
<td>Safety Audit – IOSA Biennial</td>
</tr>
<tr>
<td>Internal Audits</td>
<td>External Audit – KPMG Annual</td>
<td>JOSA Biennial</td>
</tr>
</tbody>
</table>

Etihad’s management reporting framework is as follows:

<table>
<thead>
<tr>
<th>Name of Meetings</th>
<th>Objective</th>
<th>Frequency</th>
<th>Attendees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board Meetings</td>
<td>The board meets the management of the company to ensure that shareholder mandates are effectively implemented. The Board receives its authority from the shareholder and effectively delegates that to the management via the manual of authorities.</td>
<td>Quarterly</td>
<td>Board members, CEO, CFO and Chief Officers as required</td>
</tr>
<tr>
<td>Executive Committee Meetings</td>
<td>The Executive Committee meets management to discuss and authorise the carrying out of any activity deemed necessary to enable the company to achieve its commercial objectives and operational activities, and to review risks and formulate actions to address such potential risks.</td>
<td>Monthly</td>
<td>A subcommittee of Board members, CEO, CFO and Chief Officers as required</td>
</tr>
<tr>
<td>Audit Committee</td>
<td>To provide assurance to the Board over the qualification, independence, and performance of the registered public accounting firm (internal auditor), and to seek advice from the company's internal audit function as to the adherence to relevant governance standards.</td>
<td>At least 5 times a year</td>
<td>Two members of the Board – CEO and CFO Two independent members including representatives of Abu Dhabi Accountability Authority Audit Committee Secretary (VP IA)</td>
</tr>
<tr>
<td>Chiefs Meetings</td>
<td>The Chief Officers of the company meet to discuss and review performance to ensure the company achieves its commercial objectives. At this meeting the CEO updates his direct reports on issues affecting the company and feedback of Board, Executive Committee and other meetings. The Chief Officers update the CEO on issues and focus areas relating to their divisions.</td>
<td>Monthly</td>
<td>CEO, Chief Officers</td>
</tr>
<tr>
<td>Performance Review Prioritisation Meeting</td>
<td>These meetings focus on the performance of the company including planned initiatives and continuous improvement. Included in this review is the BSC/PMO/CAPES VMC (Value Management Committee).</td>
<td>Quarterly or as required</td>
<td>CEO, Chief Officers, PMO Cross functional VPs, FP</td>
</tr>
<tr>
<td>Divisional Business Review Meetings (BRM)</td>
<td>The CEO meets with the management teams on a monthly basis to ensure the organisation's performance is aligned to strategic objectives and a healthy operational environment exists. This is done through updating the CEO and other members of the BRM on initiatives, projects, risks and critical performance indicators and focus areas of the division.</td>
<td>Monthly</td>
<td>CEO, Chief Officers, VPs, Departments Heads and Divisional Financial Controllers</td>
</tr>
<tr>
<td>Divisional Organisational Review Meetings (ORM)</td>
<td>Divisional Organisational Review Meetings (ORM) are held to review the divisional organisational structure and identify resource needs, gaps, efficiency measures, career plans and succession planning</td>
<td>Twice Quarterly</td>
<td>CEO, Chief Officers, CPPO and HR Business Partners</td>
</tr>
</tbody>
</table>

In addition to the various layers of shareholder, management and regulatory oversight, Etihad employs a centralised project management office (PMO) and value management committee (VMC), and operates an ethical and objective process for the procurement of goods and services, managed by a tender board.
The Finance division provides robust corporate governance to the airline and supports the business with financial, financing, risk management and other, administrative, services.

In 2010, the division achieved new levels of efficiency through the redesign of business processes and implementation of improved policies and systems and continued to provide quick, accurate, and relevant financial data for good decision-making.

**Financial planning and analysis**

During 2010, Financial Planning initiated and implemented the airline’s cost reduction program, resulting in unit cost reductions of 7.4 per cent (including fuel) and 13 per cent (excluding fuel) – against the base of 2009. This was accomplished through:

- Rigorous budgetary controls and the subsequent re-negotiation of all key contracts – hotels, fuel, ground handling companies and airports
- Regular and accurate updates of internal forecasts to ensure financial performance aligned with the business plan
- Rigorous financial analysis of key strategic decisions
- Investment business cases

Financial Planning also managed the annual planning and budgeting cycle for 2011 through timely and proactive setting of the key performance targets to achieve the 2011 financial performance objectives. These targets are aligned by the department to the Abu Dhabi 2030 Plan and to the core pillars of the business plan to ensure that the shareholder’s investment in the company delivers on the expectations and vision.

**Treasury**

The Treasury department manages Etihad’s liquidity position, cash investments, jet fuel, insurance, foreign exchange and interest rate hedging programs, and its aircraft financing portfolio.

During the year, Treasury managed a range of global relationships with banks and aviation finance institutions. It increased its lending partners by 28 per cent, achieving its stated goal of diversifying the airline’s debt portfolio. Etihad now has financing arrangements in place for 57 aircraft with 40 lending institutions and leasing companies in an aircraft financing and leasing portfolio of approximately AED 12.1 billion (USD 3.3 billion).

Financing arrangements for four aircraft (one Boeing 777-300ER, two Airbus A330-300s and one Airbus A330-220F) were secured in 2010 through export credit finance with international banks. The total value of these deals was approximately AED 1.34 billion (USD 164 million).

In promoting its portfolio to new lenders, Etihad held financial road shows in Abu Dhabi, Bahrain, Beijing, London, New York, Tokyo and Washington, DC.

Approximately 75 per cent of the airline’s exposure to oil prices for 2011 was hedged at favourable prices with 17 international and local financial institutions, with hedge levels at 38 per cent for 2012 and 10 per cent for 2013, at 2010 year-end.

The foreign exchange hedging program was implemented on those currencies representing the largest portion of Etihad’s exposure and with suitable instruments to hedge exchange rate risk exposure (AUD, EUR, GBP, SAR). Up to 75 per cent of these exposures were hedged for 2011 as at 2010 year-end.

The ongoing hedging of interest rates on the airline’s borrowings has also continued, and achieved risk reduction.

The Treasury department, as part of a cross-functional working group, reviewed Etihad’s projected commitments under the proposed European Union Emissions Trading Scheme (ETS). A hedging program is being finalised to manage the financial impact of the ongoing, projected liabilities under the scheme.

Treasury also assisted Etihad Guest in the evaluation and selection of partners for the launch of co-branded credit cards with ADCB and ADIB.

The department reduced Etihad’s overall insurance premium for 2011 by nine per cent in real terms against the previous year, despite challenging conditions in insurance markets, particularly the aviation insurance market.

In April, Etihad was awarded Deal of the Year by Global Trade Review magazine for an aircraft financing transaction conducted with HSBC bank in 2009 for an Airbus A330-300 aircraft.

In October 2010, Etihad’s Vice President Treasury, Ricky Thrilion, was named Global Treasurer News’ Corporate Treasurer of the Year.

**Financial reporting**

In 2010, the Financial Reporting department focused on the enhancement of management reporting data and analysis, systems integration and business process re-engineering, and the airline’s mandatory audit obligations.

Etihad obtained an unqualified 2009 audit report on its group financial statements from KPMG.

The integrity of Etihad’s management reporting—particularly data related to route profitability on a destinational, day, flight number and class level—was significantly improved.

**Property**

The Property department completed myriad projects in 2010, reflecting the physical growth of Etihad’s footprint.

Eleven new or upgraded outstation office fit-outs were completed, valued at AED 8.4 million (USD 2.3 million), as well as 10 airport offices representing expenditure of AED 700,000 (USD 190,000). Two new Etihad premium airport lounges in Dublin and Manchester and refurbished First and Business lounges in Terminal 1 at Abu Dhabi Airport also opened in 2010, to a value of AED 20 million (USD 5.5 million).

The state-of-the-art Etihad Medical Centre at Etihad Plaza – the airline’s flagship residential complex – opened in April, an investment in Etihad’s people of AED 9 million (USD 2.5 million).

Construction of the new Al Ain Call Centre – a purpose-built facility employing only female UAE nationals – was completed in December 2010 at a cost of AED 20 million (USD 5.5 million) including landlord works.

The department realised total savings of AED 11.2 million (USD 3 million) in budgeted operating expenses and AED 18.7 million (USD 5.1 million) in budgeted capital expenditure.
James Hogan
Chief Executive Officer

James Hogan was appointed CEO of Ansett Australia in September 2006, bringing more than 30 years of travel industry expertise to the airline.

Mr Hogan started his career in 1975 at Ansett Airlines, and subsequently held senior positions with Air New Zealand, Airline Travel and Galia Air.

At Hertz, his roles included directorships of the marketing, sales and services divisions. In 1995, based in London, he joined the executive management committee as Vice President, Marketing & Sales for Europe, Middle East and Africa.

At BMI British Midland, James served as service director and then chief operating officer and member of the Board.

Mr Hogan was appointed chief executive of the Ansett consortium in 2001, which was created with the aim of acquiring Ansett Airlines from administration, before joining Bahrain-based Gulf Air in 2002, where he served as chief executive for four years.

Mr Hogan is a former non-executive director of Cathay Pacific, where he was a member of the Board’s Audit Committee. He is a fellow of the Royal Aeronautical Society.

James Rigney
Chief Financial Officer

James Rigney was appointed to the position of Executive Vice President Finance at Etihad Airways in October 2006, and became the airline’s Chief Financial Officer in March 2009.

Mr Rigney’s career in aviation has spanned two decades. He joined Etihad from Gulf Air where he was Head of Corporate Strategy.

Prior to joining Gulf Air in 2003, Mr Rigney held a number of senior strategic and commercial positions within the Ansett Group in Australia.

Mr Rigney is responsible for finance, treasury, information technology, supply chain and property at Etihad Airways. He is also a non-executive director of Axalta Coating Systems (ADAT).

A chartered accountant, he holds a Bachelor of Business and an MBA from RMIT University in Melbourne, Australia.

Peter Baumgartner
Chief Commercial Officer

Peter Baumgartner was appointed Chief Commercial Officer of Etihad Airways in April 2009. He joined Etihad Airways in April 2001 and has managed the airline’s intense global commercial efforts during a period of rapid growth - both in network expansion and the introduction of new product and service innovations.

Mr Baumgartner heads up global sales, marketing, product, service delivery, call centres, e-commerce, loyalty programs and the airline’s emergency response procedures.

Captain Hill began his aviation career as a Cadet Pilot at British Airways in 1979. He spent 20 years with British Midland Airways (now bmi), where he rose to Director Flight Operations and finally Director Operations.

He joined Gulf Air in 2002 as General Manager Operations, Technical and Head of Flight Operations. In 2006 he served as Head of the flight operations inspectorate department for the UK Civil Aviation Authority.

Captain Hill maintains his pilot qualification by operating as a CAG150 on the A330/A340 fleet.

Richard Hill
Chief Operations Officer

Captain Richard Hill joined Etihad Airways, in January 2007 and was appointed Chief Operations Officer in April 2009.

He is responsible for Etihad’s flight operations, in-flight services, airport operations, technical, training standards, flight safety and quality and aviation security including the airline’s emergency response procedures.

Guy Rigney is responsible for the airline’s human resources functions, including recruitment, workplace development and performance management, as well as being responsible for Etihad’s training initiatives.

Mr Rigney joined Etihad from the Royal Bank of Scotland (RBS), where he was Director of Human Resources for Europe and the Middle East regional markets. Prior to that, he held similar positions at the Ulster Bank Group in Ireland and RBS European Consumer Finance, as well as with Intel Corporation in the USA.

Mr Rigney holds a Bachelor in Economics from University College, Dublin, and is a fellow of the Royal Aeronautical Society.

Ray Gammell
Chief People & Performance Officer

Ray Gammell joined Etihad Airways as Chief People & Performance Officer in April 2009.

He oversees all of the airline’s human resources functions, including recruitment, workplace development and performance management, as well as being responsible for Etihad’s training initiatives.

Mr Gammell joined Etihad from the Royal Bank of Scotland (RBS), where he was Director of Human Resources for Europe and the Middle East regional markets. Prior to that, he held similar positions at the Ulster Bank Group in Ireland and RBS European Consumer Finance, as well as with Intel Corporation in the USA.

Mr Gammell holds a Bachelor in Economics from University College, Dublin, and is a fellow of the Royal Aeronautical Society.

Kevin Knight
Chief Strategy & Planning Officer

Kevin Knight joined Etihad Air from the Royal Bank of Scotland (RBS), where he was Director of Human Resources for Europe and the Middle East regional markets. Prior to that, he held similar positions at the Ulster Bank Group in Ireland and RBS European Consumer Finance, as well as with Intel Corporation in the USA.

Mr Gammell joined Etihad from the Royal Bank of Scotland (RBS), where he was Director of Human Resources for Europe and the Middle East regional markets. Prior to that, he held similar positions at the Ulster Bank Group in Ireland and RBS European Consumer Finance, as well as with Intel Corporation in the USA.

Mr Gammell holds a Bachelor in Economics from University College, Dublin, and is a fellow of the Royal Aeronautical Society.

Jim Callaghan
General Counsel & Company Secretary

Jim Callaghan became Etihad’s General Counsel and Company Secretary in May 2009. Previously, he spent nine years at Europe’s largest low cost carrier, Ryanair Ltd, as Company Secretary and Director of Legal and Regulatory Affairs.

At Ryanair, Mr Callaghan was responsible for setting up the airline’s legal function and for corporate governance and liaison with the Board. He actively managed a range of issues related to data protection, consumer law, aircraft contracts, advertising standards, competition law, and commercial litigation.

Before joining Ryanair in 2000, Mr Callaghan spent several years at international law firms in the United States and in Brussels. He holds a Bachelor of Science in Business Administration from the University of Pennsylvania and a Master’s in European and International Affairs from Johns Hopkins University in Brussels.
Etihad Airways is committed to meaningful participation in causes that assist people and communities across its global network and to embedding the principles of sustainability in every layer of business thinking, planning and execution.

As one of Abu Dhabi’s most high-profile brands, the airline has a duty to operate in a socially responsible manner at all times – operating safely; reducing its impact on the environment; supporting charitable and cultural initiatives; sharing economic prosperity; and helping its employees fulfill their potential.

Etihad is publishing a 2010 Sustainability Report, which includes comprehensive information about the airline’s programs relating to:

- safety and security;
- its employees;
- the environment;
- stakeholder relations; and
- philanthropy and community.

The Sustainability Report maps Etihad’s performance in these areas against global indexes.

Because the Sustainability Report complements this Business Review, some information has been condensed or omitted in this document.