Our business

Etihad Airways, the national airline of the United Arab Emirates, was set up by Royal (Amiri) Decree in July 2003. Etihad Airways commenced operations in November 2003 and in nearly 10 years has become one of the fastest growing airlines in the history of commercial aviation.

The airline has received a range of awards that reflect its position as one of the world’s leading premium airline brands, including ‘World’s Leading Airline’ at the World Travel Awards for four consecutive years.

Its main business is the international air transportation of passengers. Etihad Airways also operates Etihad Cargo, Etihad Holidays, and a global contact centre organisation as part of its commercial group.

ETIHAD AIRWAYS AND GOVERNMENT OF SERBIA UNVEIL STRATEGIC PARTNERSHIP TO SECURE FUTURE OF SERBIAN NATIONAL AIRLINE

Etihad Airways has acquired 49 per cent of JatAirways. The Abu Dhabi-based carrier has also been awarded a five year management contract for the Serbian national airline.

These are two of the key components of a wide-ranging strategic partnership agreement, signed by Etihad Airways and the Government of Serbia, which includes a complete identity change and the rebranding of JatAirways to Air Serbia, a fleet of new aircraft, and a new integrated network of international destinations enabling greater access for business and leisure travellers to Serbia.

Within the agreement Etihad Airways will make available a USD 40 million loan facility which will be converted into equity on 1 January 2014, subject to regulatory approval. This will be matched by an equal funding injection by the Government of Serbia.

Etihad Airways and the Government of Serbia will also each provide further funding through shareholder loans and other funding mechanisms of up to USD 60 million to meet working capital requirements and support network development for the newly created Air Serbia.

Among other planned developments will be an enhanced flight network, codesharing with Etihad Airways and airberlin, adding to Air Serbia’s current network of 33 cities another 12 destinations in Africa, Europe and the Middle East.

The new destinations are Abu Dhabi (complementing Etihad Airways’ daily service), as well as Banja Luka, Beirut, Bucharest, Budapest, Cairo, Kiev, Ljubljana, Prague, Sofia, Varna, and Warsaw.

The strategic partnership agreement will also offer unprecedented career development opportunities for Air Serbia cabin and flight deck crew, who will have access to Etihad Airways’ world class Training Academy and facilities in Abu Dhabi.

Air Serbia is Etihad Airways’ sixth equity partner following investments in airberlin (29.21 per cent), Air Seychelles (40 per cent), Virgin Australia (10.5 per cent), Aer Lingus (2.99 per cent) and most recently, Jet Airways (24 per cent – subject to regulatory approval).

Key performance indicators to-date for 2013

<table>
<thead>
<tr>
<th>Key performance indicators</th>
<th>Jan to July 2012</th>
<th>Jan to July 2013</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger carried (millions)</td>
<td>5,838,749</td>
<td>6,526,119</td>
<td>12%</td>
</tr>
<tr>
<td>Cargo carried (Tonnes)</td>
<td>207,498</td>
<td>261,602</td>
<td>26%</td>
</tr>
<tr>
<td>Seat factor</td>
<td>78%</td>
<td>79%</td>
<td>1 point</td>
</tr>
</tbody>
</table>
Our partners

**airberlin**

In December 2011 Etihad Airways increased its stake in airberlin – Europe’s sixth largest airline and Germany’s second biggest carrier – to 29.21 per cent, becoming airberlin’s single largest shareholder. Under the agreement, Etihad Airways has two seats on the Board of Directors of Air Berlin PLC.

The deal was Etihad Airways’ first equity investment in another airline. Under the partnership, airberlin operates daily flights from Berlin and Düsseldorf to Abu Dhabi, and additionally operates daily services from Abu Dhabi to Phuket in Thailand.

Etihad Airways codeshares on all airberlin flights to/from Abu Dhabi and beyond the four German hubs of Berlin, Düsseldorf, Frankfurt and Munich to a number of points in Europe and North America. Combined, these provide passengers with access to around 900 additional flights per week. Etihad Airways also codeshares on flyNiki flights beyond Frankfurt, Munich and Milan into Vienna.

Etihad Airways holds a 70 per cent stake in a new entity incorporated to own airberlin’s topbonus frequent flyer program, the first step in the establishment of a global loyalty platform. airberlin has the remaining 30 per cent.

**Air Seychelles**

In January 2012 Etihad Airways acquired a 40 per cent stake in Air Seychelles Ltd, as part of a strategic partnership. The agreement, the first of its kind in Africa, includes a five-year management contract for Etihad Airways to support the implementation of strategic measures guiding Air Seychelles’ long-term commercial growth.

The comprehensive codeshare agreement includes Etihad Airways-marketed flights across Air Seychelles’ network, providing Etihad Airways’ passengers with access to around 100 extra flights per week. Air Seychelles cooperates on Etihad Airways flights from the Seychelles to Abu Dhabi and beyond, to Etihad Airways’ destinations across Europe, the Middle East, the GCC, Asia and Australia.

**Aer Lingus**

Etihad Airways acquired a 2.987 per cent stake in Aer Lingus on May 1, 2012 with the intention of forging a commercial partnership with the Irish national carrier.

Building on this relationship, the carriers signed an historic interline and codeshare agreement in July 2012, enabling Etihad Airways to place its EY code on Aer Lingus flights from Dublin, Manchester and London Heathrow, to destinations in the United Kingdom, the Channel Islands, Portugal, and the Netherlands.

Additionally, following approval from the United States (US) Department of Transportation in April 2013, Etihad Airways can now put its EY flight code on Aer Lingus’ transatlantic services via Dublin to Boston, Chicago and New York, providing passengers with access to around 550 flights per week.

In return, Aer Lingus places its EI code on Etihad Airways flights between Abu Dhabi and Dublin, and has full access to flights across the network beyond Abu Dhabi to points including Australia, Asia Pacific, and the Middle East.
Our partners

Virgin Australia

Etihad Airways currently holds a 10.5 per cent equity stake in Virgin Australia and has received approval from the Foreign Investment Review Board to increase its shareholding to 19.9 per cent.

This equity investment in Virgin Australia’s domestic operations significantly strengthens the 10-year strategic partnership forged by the two carriers in August 2010 which makes provision for codesharing on flights, joint marketing initiatives and reciprocal ‘earn-and-burn’ on their respective frequent flyer programs.

Together, Etihad Airways (25) and Virgin Australia (3) operate 28 flights a week between Abu Dhabi and Australia. Etihad Airways codeshares on all Virgin Australia’s domestic Australian and trans-Tasman services, giving passengers access to over 3,000 additional flights per week.

Our fleet

Etihad Airways fleet is one of the youngest in the world and, as at July 31, 2013, comprises 78 passenger and cargo aircraft:

<table>
<thead>
<tr>
<th>Aircraft type</th>
<th>Current Fleet</th>
<th>Aircraft arrivals</th>
<th>Total Fleet 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Remainder of 2013</td>
<td>2014-2020</td>
</tr>
<tr>
<td>Airbus A320 family</td>
<td>19</td>
<td>5</td>
<td>11*</td>
</tr>
<tr>
<td>Airbus A330 family</td>
<td>22</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>Airbus A340 family</td>
<td>12**</td>
<td>-1</td>
<td>-</td>
</tr>
<tr>
<td>Airbus A350</td>
<td>-</td>
<td>-</td>
<td>12</td>
</tr>
<tr>
<td>Airbus A380</td>
<td>-</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>Boeing 787</td>
<td>-</td>
<td>-</td>
<td>41</td>
</tr>
<tr>
<td>Boeing 777-300ER</td>
<td>16</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Airbus 330-200F (Freighter)</td>
<td>3</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Boeing 777-200F (Freighter)</td>
<td>3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Boeing 747-F (Freighter)</td>
<td>3</td>
<td>-</td>
<td>-3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>78</strong></td>
<td><strong>6</strong></td>
<td><strong>159</strong></td>
</tr>
</tbody>
</table>

*One A320 aircraft planned for retirement

** This includes a wetlease A340-300 aircraft that will be released later in 2013

Codeshares:

Kenya Airways launches new service to Abu Dhabi

Kenya Airways has launched its new three times a week service between Nairobi and Abu Dhabi as part of the commercial partnership agreement signed with Etihad Airways in February this year.

Through the partnership, guests on Kenya Airways will have access to Etihad’s existing daily service between Nairobi and Abu Dhabi, and onwards to 33 new destinations, subject to government approval, in Europe, the Middle East, North and South East Asia, the Indian Subcontinent and Australia.

Etihad Airways now places its EY code on Kenya Airways flights from Abu Dhabi to Nairobi, and onwards to 26 destinations across Kenya Airways’ network in Africa, pending government approvals.

The agreement also paves the way for greater collaboration between the airlines on the joint procurement of services for ground handling, maintenance, training and cargo operations.

Etihad Airways and Korean Air sign codeshare agreement

Etihad Airways has signed a new codeshare agreement with Korean Air, South Korea’s largest airline, which comes into effect on July 22nd, subject to government approval.

In the first phase of cooperation, Korean Air will place its KE code on Etihad Airways’ daily services between Seoul (Incheon) and Abu Dhabi. Members of Etihad Airways’ and Korean Air’s loyalty programs will enjoy full reciprocity, allowing them to ‘earn and burn’ across their respective networks.

South African Airways codeshare flights on sale

Etihad Airways has commenced codeshare services with South African Airways (SAA) enabling passengers to travel on Etihad Airways’ marketed flights from Johannesburg to four major destinations on the SAA network - Cape Town, Durban, East London and Port Elizabeth.

Codesharing on scheduled services to other destinations, including Livingston, Lusaka, Ndola, Harare, and Victoria Falls, is awaiting approval. In return, passengers travelling from Africa can now access SAA marketed flights on Etihad Airways’ scheduled service from Johannesburg to Abu Dhabi, and onwards to Singapore, Jeddah, Bahrain, Kuwait, Bangkok and Kuala Lumpur. Shanghai is currently awaiting regulatory approval.
Our network

Etihad Airways currently serves 94 destinations in 55 countries, including passenger routes to:
Our sales

Sales teams are based in every market in which the airline operates. Each market is managed by a General Manager who reports into one of six geographical regions, led by a regional Vice President. The regions include:

- the Americas;
- Europe;
- Africa and the Middle East;
- the UAE and Oman;
- Asia Pacific North and the Indian Subcontinent, and
- Asia Pacific South and Australasia.

Global Accounts: a dedicated global sales team manages the commercial relationships with the airline’s biggest customers across a wide variety of industry sectors. These key partners include: multinational corporate accounts, travel management companies, online travel agents, tour operators, marine and student agents and specialist consolidators.

Etihad Holidays: through our strong partnerships with our airline partners, tourism boards, international hotel chains and tourism service providers, Etihad Holidays offers a range of holiday packages, tours and excursions to over 140 destinations in 45 countries in Africa, Australia, Asia, Europe, the Middle East and the Americas.

Hala Abu Dhabi: is Etihad’s in-house destination management company (DMC) offering full event and leisure planning services, providing tailor made solutions, for visa processing, travel, accommodation and tours, to venue selection and conference facilities.

Essential Abu Dhabi: promotes awareness of Abu Dhabi, the capital of the UAE, as one of the world’s top business and tourist destinations. A detailed directory of the Emirate’s attractions and exclusive offers on a wide range of products and services, including hotel accommodation, dining, shopping and cultural activities in more than 35 venues in Abu Dhabi, is available on the dedicated website: www.essentialabudhabi.com

Global contact centres: Etihad Airways currently has four global contact centres located in Abu Dhabi, Al Ain, Mumbai and Manchester, employing over 600 people who service guests in 35 markets in 15 languages. The teams handle over 8,000 calls per day. Etihad Airways has set up an all-female call centre in Al Ain with a team of Emirati women the first of its kind – which is a key example of the airline’s Emiratisation program in action.

Etihad Cargo: operates a fleet of nine dedicated cargo aircraft that fly on scheduled services to 26 of the airline’s passenger destinations in Europe, the Middle East, Asia and Africa. The airline also operates cargo freighters to a further 13 freighter-only destinations that include: Benghazi, Eldoret, Guangzhou, Hong Kong, Houston, Kabul, Miami, Quito, Sharjah, Vienna, Viracopos, Tblisi and Djibouti. A further freighter is scheduled for delivery in 2014. Worldwide freighter charter services are also available, and further information is available at: www.etihadcargo.com

Etihad.com: is an integrated sales and marketing channel for the airline. The website is available in 15 languages – English, Arabic, French, German, Italian, Chinese, Japanese, Korean, Thai, Russian, Spanish (European), Portuguese (Brazilian), Greek, Turkish and Dutch. There are over 100 country-specific websites where customers can book flights, arrange car hire, chauffeur service and check-in and update and manage their bookings. Members of Etihad Guest program can also view their mileage transactions and claim retro miles.

Hala Travel Management: is a joint venture between Etihad Airways (80 per cent) and BCD Travel (20 per cent) providing various travel management services to the Government of Abu Dhabi and its clients and supporting the growing requirement for a comprehensive service for corporate and government clients, including global airline reservations, hotel accommodation, car rental and insurance.

Access Abu Dhabi: is an innovative joint initiative between Etihad Airways and Abu Dhabi Tourism and Culture Authority (TCA Abu Dhabi) that promotes the Emirate as a leading leisure destination, and provides international travel partners with ‘Preferred Incentive Packages’ that include dedicated sales and marketing support, joint roadshows and familiarisation programs.
Our community

Etihad Airways and its subsidiary companies employ nearly 16,000 staff representing more than 138 nationalities. This diverse workforce is our most important asset, and their wellbeing is critical to our successful growth and sustainability. Our competitive employee package includes pay, benefits and rewards, staff travel benefits, long service awards and retail discounts. A recent global staff survey highlighted that employees were proud to be working at Etihad Airways, and we continue to invest in making this a great place to work.

In the local community and across our network, the airline continues to invest in its people – empowering and developing individuals to take up meaningful economic roles in their communities. This commitment is no better illustrated than at our home base in Abu Dhabi by Etihad Airways’ career development and nationalisation programs. Further afield, the airline supports a range of educational initiatives to develop both business skills and artistic talent in all disciplines.

As a natural consequence of living and working in a multinational, cosmopolitan city and by virtue of its own diverse workforce, Etihad Airways sees it as a priority to connect people and support projects and initiatives that facilitate ongoing dialogue and engagement to promote cultural awareness and understanding.

Etihad Airways continues to drive economic growth

According to the latest study by leading UK think tank, Oxford Economics, Etihad Airways and its partners continue to play a crucial role in supporting and driving economic growth in the UAE.

The airline’s growth and sustained commercial success are good for Abu Dhabi. The economic contributions are classified into four key areas: direct (within Etihad Airways), indirect (suppliers to Etihad Airways), induced (spending of direct and indirect employees) and catalytic (impacts on other industries).

The Etihad Airways group contributed a total of US$10.7 billion to Abu Dhabi’s GDP in 2012. This represents 10.5 per cent of the non-oil GDP of the Emirate. The Group supported 83,500 jobs in total.

Direct economic contribution:
The airline contributed US$2.3 billion to Abu Dhabi’s GDP in 2012.

Indirect economic contribution:
Etihad Airways made an indirect economic contribution of US$1.2 billion and supported an additional 16,695 jobs in 2012 through fuel purchases, maintenance and repair, airport rental and landing fees, marketing, advertising, IT ventures and communications.

Induced economic contribution:
An induced GDP contribution of US$1.1 billion and 15,434 additional jobs can be attributed to money spent during 2012 by employees of Etihad Airways and its suppliers.

Catalytic economic contribution:
Etihad Airways played an important role in improving air links between Abu Dhabi and the rest of the global economy, and the airline’s expanding network was a key factor in encouraging businesses to invest in the Emirate and the UAE. These activities provided a catalytic economic contribution of nearly US$6.1 billion, and supported nearly 41,540 jobs.

Etihad Airways was also a key contributor to the development and growth of tourism in the UAE, in 2012, carrying 10.3 million passengers through its hub in Abu Dhabi.

Abu Dhabi Award for Excellence in Government Performance (ADAEP)

Etihad Airways has successfully completed 20 submissions for the Abu Dhabi Award for Excellence in Government Performance (ADAEP). In accordance with ADAEP’s guidelines, the ‘Main Entity’ and four ‘Excellence Drivers’ submissions were delivered to the ADAEP office on July 7, and a further five ‘Project/Team’ submissions and 10 submissions for individual awards were delivered on July 11. Following review of the documents, ADAEP’s assessors will conduct a visit for a more detailed review of the airline’s business practices. The site visit is expected to take place in August or September.
Our environment

This section reports on the introduction of lighter cargo containers, the greening of our cargo fleet, the progress at ICAO in developing a global solution to emissions management and an update on our biofuels work.

Lightening the load
Following the transition in 2012 of nearly 3000 baggage and cargo containers to a lighter more durable type for our aircraft, there is now a replacement schedule for additional flight cargo units which will reduce the aircraft weight even further.

The original container replacements reduced the weight on a wide bodied aircraft by about 200kg, which amounted to savings of around 5,000 tonnes of carbon dioxide in a year. The new Jettainer cargo units will reduce weight by a further 116 kg per flight and the anticipated fuel saving for 2013 will be in the region of 340 tonnes, resulting in a carbon dioxide emission reduction of almost 1,100 tonnes. For 2014, with the full introduction and our fleet growth, the projected reductions are estimated to be 4,000 tonnes of carbon dioxide emissions.

Etihad Cargo’s greener fleet
Etihad Cargo has taken delivery of one Boeing 747-8F, one Boeing 777F, and one Airbus A330-200F, bringing the carrier’s expanding fleet to nine freighter aircraft.

The improved payload and efficiency of the new aircraft will mean a much more fuel efficient fleet with reduced carbon emissions.

In particular the following efficiency improvements will be realised through:
• replacement of the MD11 to the B777F results in a 19 per cent efficiency gain per tonne of payload carried.
• replacement of the A300F to the A330-200F results in a 40 per cent efficiency gain per tonne of payload carried.

Over the last two years fleet replacement within the cargo fleet has led to a commendable improvement in efficiency of 28 per cent. This will improve further with the introduction of these new aircraft.

International aviation emissions management
The 38th session of the ICAO Assembly in September 2013 will have climate change and emissions management as a key agenda item.

As a run up to this, and to look at means of implementing the industry’s ‘Carbon Neutral Growth 2020’ commitment, IATA has been working on industry options, which were used as a basis for a resolution on this at the IATA AGM in June.

Key points as follows:
• The ‘Resolution on the implementation of the aviation ‘CNG2020’ strategy’ was well received and approved and will be used as a basis for the industry position to the ICAO Assembly.
• The view of IATA is that many States are being more supportive of the global approach now with the main dissent remaining with China, India and a few others.
• There is potential risk of failure to get consensus at ICAO, and therefore it is important that the industry remains aligned in its position – reaffirming the four-pillar strategy and CNG2020 goal, and a commitment to a pathway towards a single market-based measure.
• It appears very unlikely that the EU will reenergize the full EU ETS. If nothing else there appears to be increasing opposition within Europe from those States that recognise the potential trade war implications.

Biofuels work
Etihad Airways is a founding member of the Sustainable Bioenergy Research Consortium (SBRC). The agenda for the SBRC includes:
• identifying potential biofuel feedstocks that are appropriate to the region;
• driving what are fundamentally revolutionary and transformative concepts, using saltwater tolerant plants and coupled with extensive research into maximising energy values;
• supporting and driving waste to fuel potential in Abu Dhabi, for municipal waste and ‘green’ waste; and
• investigating the potential for near term waste-derived biofuel flight through:
  - boosting the potential / buy in for green waste to fuel facility in Abu Dhabi with the waste regulators, and
  - showcasing the commitment of Etihad in supporting viable realistic and appropriate feedstocks in this region.