

PROFITABLE YEAR FOR WORLD'S FIRST EQUITY ALLIANCE

Etihad Airways and each of its equity partners report successful 2012

Etihad Airways today heralded a successful first year of its equity alliance strategy, after a financial reporting season which saw each of the five airlines within the alliance – airberlin, Air Seychelles, Virgin Australia, Aer Lingus and Etihad Airways – announce profitable performance.

The airlines' individual and collective results were boosted by a number of measures, including growing codeshare traffic between their networks, successful joint sales and marketing efforts, and a range of increasing business and cost synergies.

James Hogan, Etihad Airways' President and Chief Executive Officer, welcomed the success of the airlines.

He said: "2012 was a year in which the global economy remained very tough and in which airline industry profits as a whole shrank, for the second successive year.

"Yet each of the airlines in our equity alliance showed strong financial performance with each reporting a profit.

"That broadcasts two messages, loud and clear. First, we have invested in businesses and in management teams which have the vision and focus to outperform the wider industry. Second, the 'win-win' of more passengers and shared cost synergies that our alliance brings to each member is having a positive effect on performance."

The airlines' results included:

- Etihad Airways reported a second year of earnings before interest and tax (US\$170 million) and net profit (US\$42 million), in only its ninth year of operation.
- airberlin, in which it holds a 29.21 per cent equity stake, reported operating profit of EUR 70.2 million in 2012, a turnaround of EUR 317.20 million on the previous year. The airline's net income of EUR 7 million marked a return to bottom line profitability for the first time since 2007.
- Air Seychelles, in which Etihad holds a 40 per cent stake and has been awarded a five-year management contract, reported 2012 net profit of US\$1 million, its first profitable year since 2007.
- Virgin Australia, in which Etihad holds a nine per cent stake, reported statutory profit after tax of AUD\$23 million for the six months to 31 December 2012 (the airline's financial year is to 30 June).

- Aer Lingus, in which Etihad holds a 2.987 per cent stake, reported operating profit up 40.7 per cent to EUR 69.1 million, with net profit of EUR 40.6.

Etihad Airways' equity alliance model has seen increasing cooperation with each of its equity investment airlines.

It has codeshare relationships in place with each of the other four airlines, adding to its 38 other codeshares around the world, which together delivered more than 1.2 million passengers onto the virtual network. airberlin, Virgin Australia and Air Seychelles have also already launched new services to Abu Dhabi from their respective markets.

In 2012, Etihad Airways and its equity partners carried 76 per cent of all passengers at Abu Dhabi airport. With the addition of the airline's remaining codeshare partners, the combined passenger number amounted to 83 per cent.

Etihad Airways also initiated a range of business and cost synergy programs, covering fleet and engine acquisition, maintenance, recruitment and training, and joint marketing.

It is working with its equity alliance partners to develop 'centres of excellence' in which operational and commercial expertise is pooled to deliver best practice across the group.

Mr Hogan said: "Because we've got 'skin in the game', we go much, much further than the legacy alliances. Our new model gives benefits on both sides of the equation – revenue and costs."

James Rigney, Etihad Airways' Chief Financial Officer, said: "On revenues, we have seen major boosts to our own traffic from our equity alliance and our other codeshare partners, generating more than US\$600 million in additional revenues to Etihad Airways alone during 2012. Of course, those are two-way streets, with all our partners being fed passengers from our growing global network.

"Where we really win is in the business and cost synergies. We have been able to share many benefits already with our equity partners and, in what has only been the first year of this strategy, we have only scratched the surface."

In its latest business forecast, published in December 2012, IATA forecast an overall drop in global airline industry profits, from US\$8.8 billion in 2011 to US\$6.7 billion in 2012.

Each of the regions in which Etihad Airways equity alliance partners are based was also forecast to drop: Europe down from US\$0.4 billion to US\$0.0 billion; Asia-Pacific down from US\$5.3 billion to US\$3.0 billion; and the Middle East down from US\$1.0 billion to US\$0.8 billion.

Mr Hogan said: “When we took the first steps on this strategy, with our investment in airberlin, we described it as a game-changer.

“I am pleased to see that it has changed the game, not just for Etihad Airways but for each of our partners. These are strong and strengthening businesses, which have outperformed the global market and their own regional markets in 2012.

“The overall economic outlook remains challenging in 2013. The strengths of our equity alliance point towards a positive year ahead, with many further benefits to be unlocked for each of us.”

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