Opening Plenary
Welcome Address by
H.H. Sheikh Nahyan Bin Mubarak Al
Nahyan

UAE Minister of
Higher Education &
Scientific Research
Welcome Address by James Hogan

President and Chief Executive Officer, Etihad Airways
Some very familiar challenges…

• Socio-political change in Middle East and North Africa
• Ongoing weakness in global economy
• Eurozone recession
• Oil availability and price volatility
• Regulation, taxes and charges
• Low margins of return - despite streamlining
• Highly competitive
… in a changing landscape

- Need for consolidation greater than ever
- Some movement – but is pace fast enough?
- Consumer behaviour more demanding and sophisticated
- Digital strategies demand a new approach in a changing world
“Although there are pockets of solid performance, passenger markets have been growing more slowly. The net effect is a demand limbo as consumers and businesses hedge spending while awaiting clarity on the economic front.”

IATA Traffic Report
Middle East region is one of the ‘strong pockets’

- Strong regional load factors
- Robust growth trend throughout 2012

The Gulf works – but why?
A new approach

• The Middle East region works because of a new approach – and Abu Dhabi is a prime example
• Unprecedented focus on service
• Working from a new cost control template
• No ‘legacy’ airline baggage
Best in class companies and organisations are working in partnership to shape Abu Dhabi as a global powerhouse and centre of excellence.
A new centre for trade

A growing, diversifying economy – backed by a Government with the vision, the will and ability to invest in the future.
A new centre for tourism

Double-digit growth based on investment in tourism infrastructure
A new centre for partnership

Embracing best practice and knowledge
A new centre for connecting
Meeting challenges by using opportunities

• High growth and newly emerging markets
  - Accelerated growth in India of 15 to 20 per cent by 2017

• Economic diversification and shifting economic power bases

• Booming middle classes in key markets
  - China: middle class of 300 million people
  - India – middle class approaching 300 million

New business models, economies of scale and greater efficiency
Our mandate

THE MANDATE

COMMERCIAL Viable

BEST AIRLINE

- Profitability and sustainability
- Strong governance
- Accountability

ABU DHABI ENABLER 2030

- Skytrax #1
- World Travel Awards #1
- Five star airline rating
- Safety certified by IOSA and GCAA
- On-time performance and technical dispatch reliability above international standards

- Economic contribution
- Emiratisation
**The Etihad Airways journey so far**

<table>
<thead>
<tr>
<th>Fleet &amp; Passengers</th>
<th>Etihad - 2005</th>
<th>Etihad – 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ 9 aircraft</td>
<td>▪ 69 aircraft</td>
<td></td>
</tr>
<tr>
<td>▪ 4 fleet types</td>
<td>▪ 6 fleet types</td>
<td></td>
</tr>
<tr>
<td>▪ Passengers: 1.5 million passengers</td>
<td>▪ Passengers: 10.6 million passengers</td>
<td></td>
</tr>
<tr>
<td>▪ Load factor: 60%</td>
<td>▪ Load factor: 79%</td>
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<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>▪ 16 destinations</td>
<td>▪ 86 destinations</td>
<td></td>
</tr>
<tr>
<td>▪ 31% routes with daily frequency</td>
<td>▪ 70% of routes with daily frequency</td>
<td></td>
</tr>
<tr>
<td>▪ No codeshare partners</td>
<td>▪ 41 codeshare partners</td>
<td></td>
</tr>
<tr>
<td>▪ 75% on time performance</td>
<td>▪ 85% on time performance</td>
<td></td>
</tr>
<tr>
<td>▪ 96.9% dispatch reliability</td>
<td>▪ 99.1% dispatch reliability</td>
<td></td>
</tr>
<tr>
<td>▪ Problematic IOSA and safety audits</td>
<td>▪ Safety certified by IOSA and GCAA</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Governance &amp; Organisation</th>
<th>Etihad - 2005</th>
<th>Etihad – 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Lack of organisational structure and skills</td>
<td>▪ Skilled management team and well defined organisation structure</td>
<td></td>
</tr>
<tr>
<td>▪ 3000 staff</td>
<td>▪ 10,192 staff</td>
<td></td>
</tr>
<tr>
<td>▪ Poor governance, infrastructure and IT system</td>
<td>▪ Governance with world class performance management system</td>
<td></td>
</tr>
<tr>
<td></td>
<td>▪ Infrastructure and IT system well established</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financials</th>
<th>Etihad - 2005</th>
<th>Etihad – 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Revenues:</td>
<td>US $300 million</td>
<td>US $4.9 billion</td>
</tr>
<tr>
<td>▪ Yield:</td>
<td>5.0 US cents/RPK</td>
<td>8.0 US cents/RPK</td>
</tr>
<tr>
<td>▪ CASK:</td>
<td>6.4 US cents (excluding fuel)</td>
<td>5.1 US cents (excluding fuel)</td>
</tr>
<tr>
<td>▪ Operating margin: (33%)</td>
<td>Operating margin: Profitability of US $30.1 million</td>
<td></td>
</tr>
<tr>
<td>▪ Financing:</td>
<td>With a few local banks</td>
<td>Financing: ECA Tier 1 and EXIM Bank of America approved with 33 international &amp; local banks</td>
</tr>
</tbody>
</table>
Achieved in under a decade:

- 10,000 employees from 125 nationalities
- 67 aircraft
- 86 direct destinations
- 10 million guests
- 370,000 tonnes of cargo
- Strong cargo operation
- State-of-the-art infrastructure and facilities
- Best in class service
- And…
Profitable

- 2011 revenues of US $4.1 billion
- Net profit of US $14 million
- Projecting US $5 billion+ revenues 2012
- Platform for sustainable profitability
Overall economic contribution

- Enterprise valuation conducted by Bank of America Merrill Lynch
- Implied enterprise value of approximately US $5.6 billion

GDP contribution for 2012 = US $8.05 billion
Expected to contribute 10.6 per cent of Abu Dhabi’s non-oil GDP and 4.3 per cent of total GDP in 2012
which is good for Abu Dhabi

- Human capital development and work opportunities
- Local spending and community development
- Aviation infrastructure and network contribution
  - Private services businesses are highly mobile and are attracted by quality infrastructure, including air passenger and cargo services
  - The connectivity provided by Etihad Airways is key to Abu Dhabi’s regional competitiveness

- Integral role in inbound tourism and promotion of Abu Dhabi as a leading global destination
# The journey continues

<table>
<thead>
<tr>
<th>Fleet &amp; Passengers</th>
<th>Network &amp; Operations</th>
<th>Governance &amp; Organisation</th>
<th>Financials</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ 121 aircraft</td>
<td>▪ 128 passenger and cargo destinations</td>
<td>▪ Group structure with strategic investments</td>
<td>▪ Revenues: US $10.0 billion</td>
</tr>
<tr>
<td>▪ 9 fleet types</td>
<td>▪ 96% of routes with daily frequency</td>
<td>▪ 17,750 staff estimated</td>
<td>▪ Sustainable Profitability</td>
</tr>
<tr>
<td>▪ Passengers: 21.7 million passengers</td>
<td>▪ 45 codeshare partners</td>
<td>▪ Excellence in governance</td>
<td>▪</td>
</tr>
<tr>
<td>▪ Load factor: 78%</td>
<td>▪ Operational excellence on on-time performance and dispatch reliability</td>
<td>▪ State of the art infrastructure</td>
<td>▪</td>
</tr>
</tbody>
</table>

Where we’ll be in 2017

- Safety certified by IOSA and GCAA
Our three-pronged strategy

- Organic growth
- Codeshares and partnerships
- Equity investments
Organic growth: 2012 new routes

- Lagos, July
- Addis Ababa, November
- Nairobi, April
- Basra, April
- Ahmedabad, November
- Shanghai, February
- Tripoli, January

Locations and associated months of new routes.
Further expansion in next 18 months

Washington DC  Ho Chi Minh City  São Paulo
Gives a combined network of 315 destinations – largest of any Middle East carrier
And our key strategic airline partners play a massive role

- A 29 per cent shareholding in air berlin, Europe’s sixth-largest airline
- A 40 per cent equity investment in Air Seychelles
- A stake of just under 3 per cent in Aer Lingus
- A 10 per cent stake in Virgin Australia
Revenue contribution surpassed full year estimate of US $50 million during Q3

Together we have so far delivered combined total of more than 150,000 passengers into each other’s networks in 2012
Air Seychelles on track to record profit in 2012 in first year of Etihad Airways management contract

Air Seychelles is reducing costs as it leverages synergies, economies of scale and integration of back office functions with Etihad Airways in Abu Dhabi.
Virgin Australia

Codeshare revenues to Etihad Airways up 16 per cent year-on-year
Interline and codeshare agreement signed

‘EY’ code on Aer Lingus flights between Dublin, Manchester, London Heathrow, and destinations in Ireland, the British Isles, the Channel Islands, Portugal, the Netherlands and the US

Aer Lingus ‘EI’ code on Etihad Airways flights between Abu Dhabi and Dublin and full access to flights across the network beyond Abu Dhabi

We are discussing additional commercial and cost opportunities to develop a closer working relationship in areas such as joint procurement
The big picture

As at 30 June 2012

<table>
<thead>
<tr>
<th>Fleet</th>
<th>379 aircraft</th>
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<tr>
<td>Destinations</td>
<td>384</td>
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<tr>
<td>Passengers</td>
<td>Over 72 million</td>
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<tr>
<td>FFP members</td>
<td>Over 9.5 million (not including Aer Lingus FFP)</td>
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<tr>
<td>Combined Revenues</td>
<td>US$14 billion</td>
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</table>

US$ 281 million in revenues from partnerships in H1 2012
Etihad Airways route network with partnerships
A valuable revenue contribution

• Revenue from codeshare partners represented 18 per cent of our total passenger revenue in Q3

• This component of our strategy is delivering a strong and growing revenue stream

• Complements our own double-digit organic growth
New Air France-KLM strategic partnership

• Historic agreement to codeshare on flights from October 28
• Opens up many new markets and reinforces importance of commercial partnerships as key enabler for accelerated network
• First phase of a much larger strategic partnership that can provide significant benefits for both groups
• An opportunity to develop an unrivalled commercial relationship
Air France-KLM strategic partnership

Yet another example of the core elements of our 10-year master plan:

- organic network growth
- forging strategic codeshare partnerships
- minority equity investments in other airlines

All the pieces of our plan are coming together
Our ongoing strategy

• Further equity investments if it's the right opportunity, right partner, right market and right price
• Our equity model is about growth, not control
• Aviation is a long game and airlines must have the structure to weather the issues
• We have the structure at Etihad Airways
Economies of scale produce cost savings

• Co-operation on fleet orders, deliveries and management
• Joint purchasing - from fuel to insurance to in-flight catering and equipment
• Shared maintenance programs, training and staff development
• With our equity partners, we have done deals on inflight entertainment, seats and engines which they couldn’t achieve in their own right
• They have benefitted and, by increasing our scale, they helped us too
At the same time, we continue to invest in our own business to embody true Arabian hospitality and respect in our service.
Guest focus at every point of contact
## Investing in our fleet

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<tr>
<td>B777-300ER</td>
<td>11</td>
<td>5</td>
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<tr>
<td>A320/A321</td>
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<td>5</td>
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<td>6</td>
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<td>A380</td>
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<td>3</td>
<td>3</td>
<td>2</td>
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<tr>
<td>B787</td>
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<td>2</td>
<td>3</td>
<td>10</td>
<td>7</td>
<td>17</td>
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<tr>
<td>A350</td>
<td>12</td>
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<td>1</td>
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<td>B777F</td>
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<td>A330</td>
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</table>
Investing in our lounges

• New flagship T3 Abu Dhabi lounge
• Europe: London Heathrow enhancements, Paris and Dusseldorf
• Australia: Sydney and Melbourne
• US: New York and Washington DC
Investment in our onboard product
Investing in smart technology with Sabre Airline Solutions

• Our single most critical business transformation for the next 10 years

• Enhancing guest experience, increasing revenue and streamlining work processes

• Training for 6,700 users across the network now underway in Abu Dhabi

February 23, 2013
“The Arabian Peninsula isn’t changing - it’s changed”

Forbes Magazine - October 2012
IATA World Passenger Symposium 2012

James Hogan, President and Chief Executive Officer
Keynote Address by Tony Tyler

Director General and CEO, IATA
Competition Law Guidelines
by Gary Doernhoefer

General Counsel, IATA
Setting the Scene for WPS 2012

Speaker:
Eric Leopold, Director
Passenger, IATA
Welcome to the World Passenger Symposium in Abu Dhabi
Welcome to Abu Dhabi
World

Innovation and Value creation
Passenger

“We know because we asked”

Simplifying the Business
DO YOU KNOW WHAT PASSENGERS REALLY THINK?

We know because we asked air travelers of every age, travel class and gender in more than 100 countries.

THE GLOBAL PASSENGER SURVEY 2012

Independent, in-depth and unbiased, the IATA Global Passenger Survey gives unrivalled insight into what passengers want, how they behave, why they make choices and what they spend their money on.

If you can get inside the heads of your customers, you can stay ahead of the competition.

To find out more, email paxsurvey@iata.org or visit:

www.iata.org/paxsurvey
StB five goals

Preparing for tomorrow’s passenger

- Airline product differentiation
- Passenger data
- Real-time interaction
- Hassle-free ground experience
- Seamless end-to-end journey
Symposium
Innovate together:
Greater value. Better experience

WPS11 commitments:
- End of StB phase 1
- Airline Distribution Goal
- Hassle free ground experience Goal

Delivered in 2012:
- New StB program
- New Distribution Capability
- Passenger Facilitation and Checkpoint of the Future project
Symposium

12 Highlights

- Keynote addresses
- Chief Economist’s “Where does the value go?”
- CEO Panel
- Customer stream
- Profit stream
- Global Passenger Survey
- Gala dinner
- Networking breaks and tool
- Exhibitor hall
- Closing plenary
- New StB
Networking Break Sponsor

infare solutions
Economic Outlook

Speaker: Brian Pearce, Chief Economist, IATA
Where does all the value go?

Brian Pearce
Chief Economist
www.iata.org/economics

To represent, lead and serve the airline industry
Air travel has seen tremendous growth

World scheduled RPKs and world GDP

Index to equal 100 in 1970

World scheduled RPKs (air travel volumes)

World GDP

Source: IATA, ICAO, IMF
Future potential growth is just as good

Global middle income class in 2009 and prediction for 2030

North America
Central & South America
Europe
Middle East & North Africa
Sub Saharan Africa
Asia Pacific

Source: OECD/ Standard Chartered Bank Research
The real cost of air travel has halved

Passenger yields (revenue/RPK) and airline unit costs (costs/ATK)

-60%

Source: IATA
Air travel spending closely follows cash GDP

World GDP in current US$ and spending on air travel

World GDP in current US$

Spending on air travel

Source: IATA, ICAO, IMF
$1 trillion annual air travel spend in next 10 years

Passenger spending on air travel (ex tax) and % world GDP spent on air travel

Source: IATA, ICAO, IMF
Air travel market could double over next decade

- $1 trillion annual spend on air travel in 10 years time
- Doubling every decade with 7% annual growth
- $5 trillion (2012 prices) spent during last 10 years
- $8 trillion (2012 prices) could be spent over the next 10 years
Yet the airline industry has never made money

Profitability of the worldwide commercial airline industry

Source: IATA, ICAO
Technology has driven unit costs down
Asset utilization has improved

Utilization of aircraft
Source: ICAO, ACAS

Wide-body aircraft utilization (right scale)

Weight load factor (left scale)

% of available tonne kilometers capacity


Average daily hours flown

Source: ICAO, ACAS
Big gains in fuel and labor productivity

Non-fuel unit costs, labour and fuel productivity

1997-2010 average growth

Indexed to equal 100 in 1997

Tonne-kilometer/employee

Tonne-kilometer/gallon of fuel

Source: ICAO, ACAS
Most of the value chain is profitable

Return on invested capital, 2002-2009

- CRS
- Travel Agents
- Freight Forwarders
- All services
- Lessors
- ANSPs
- Manufacturers
- Airports
- Airlines

% invested capital

25.9
20.0
14.8
10.8
9.3
8.1
7.2
4.6
2.8

Source: McKinsey & Company for IATA
Investor reward not related to risk

ROIC compared to a measure of risk, 2002-2009

- CRS
- Freight forwarding
- All services
- Lessors
- ANSPs
- Manufacturers
- Airports
- Airlines

% invested capital

Source: McKinsey & Company for IATA
But capital is mostly in airlines and airports

Invested capital and revenue by sector, 2009

- Airlines: Invested capital = 506 billion, Revenue = 506 billion
- Airports: Invested capital = 293 billion, Revenue = 293 billion
- Lessors: Invested capital = 48 billion, Revenue = 48 billion
- Manufacturers: Invested capital = 27 billion, Revenue = 80 billion
- ANSPs: Invested capital = 18 billion, Revenue = 18 billion
- Freight forwarders: Invested capital = 12 billion, Revenue = 12 billion
- Maintenance: Invested capital = 11 billion, Revenue = 11 billion
- Travel Agents: Invested capital = 10 billion, Revenue = 10 billion
- Ground services: Invested capital = 9 billion, Revenue = 9 billion
- CRS: Invested capital = 6 billion, Revenue = 6 billion
- Catering: Invested capital = 3 billion, Revenue = 3 billion

Source: McKinsey & Company for IATA
Airline economic losses average $20bn a year but economic profit in rest of chain is only $1-2bn

<table>
<thead>
<tr>
<th>Sector</th>
<th>Economic Profit/Losses, US$ billion, annual average 2002-2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturers</td>
<td>-0.6</td>
</tr>
<tr>
<td>Airlines</td>
<td>-0.2</td>
</tr>
<tr>
<td>ANSP</td>
<td>0.2</td>
</tr>
<tr>
<td>Airports</td>
<td>0.2</td>
</tr>
<tr>
<td>Catering</td>
<td>0.2</td>
</tr>
<tr>
<td>Ground MRO</td>
<td>-1.2</td>
</tr>
<tr>
<td>Lessors</td>
<td>0.4</td>
</tr>
<tr>
<td>Freight Forwarders</td>
<td>1.0</td>
</tr>
<tr>
<td>Total</td>
<td>-20.3</td>
</tr>
</tbody>
</table>

Economic profit = IC*(ROIC-WACC)

Source: McKinsey & Company for IATA
Not just a problem of ‘legacy’ airlines

Return on invested capital, 2002-2009

Average cost of capital

Source: McKinsey & Company for IATA
Where does the value go?

• Travel spend could reach an annual $1 trillion in 10 years
• Yet airline owners face average economic losses of $20 billion annually (i.e. versus alternative investments)
• And the rest of the value chain makes only $1-2 billion of economic profits (i.e. above what investors expect)
• Value captured by governments (in tax and wider economic benefits)
  – IATA campaigning against taxes and for regulatory improvements
• Value mostly captured by consumers
  – Costs halved, but entirely passed on to consumers
  – Willingness to pay challenge
  – Commoditization problem
  – Solutions require cooperation and innovation across value chain
Air Travel Value Chain panel

Moderator:
- Nina Dos Santos, Anchor, CNN

Panelists:
- James E. Bennett, CEO, Abu Dhabi Airports Company
- Montie Brewer, Former CEO, Air Canada
- Peter Baumgartner, CCO, Etihad Airways
- John S. Pistole, Administrator United States Transportation Security Administration
- Tony Taylor, Director General and CEO, IATA
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