

Strategic Review - Booz & Co

- Since 2005, Etihad has successfully developed into a top quality flag carrier growing much faster than its competitors and has delivered on mandates
- The combination of a growth mandate with a number of external and internal risk factors complicate Etihad's ability to reach profitability under the current business model
- An enriched business model coupled with a more flexible approach to addressing dynamic market uncertainties should enable Etihad to meet its profitability mandate in the near term

Strong Liquidity and Balance Sheet as at 31 Dec 2010

	<u>US\$ m</u>
• Liquidity	
Cash	308
Undrawn Bank Facilities	648
	<hr/> 956 <hr/>
• Fixed Assets	
• PDPs	1,342
• Aircraft	3,496
• Engines & Simulators	250
• Buildings	53
	<hr/> 5,141 <hr/>
• External Loans against fixed assets	<hr/> 2,644 <hr/>

Financing Strategy

- Bulk of financing needs have historically been fleet related
- No PDP financing required
- Funding has been through a mix of:
 - Shareholder funds: Equity and shareholders loans
 - External Financing
- Etihad continues to grow its presence in the aviation finance markets:
 - Broad range of lessors and debt providers (currently 40 institutions)
 - Structures (Finance/Operating leases, Islamic, Tax Leases, Export credit)
- Continued diversification of funding sources:
 - Vanilla commercial and islamic
 - Operating lease, German and Japanese operating lease markets
 - Export credit – vanilla and capital markets
 - Securitisation, EETC, private placement incl. bonds and sukuk markets
- ASU review a major consideration for 2011

Equity and Shareholders Loan

- Legal Status
 - Etihad Airways PJSC is a public joint stock company
 - The Company's share capital is wholly contributed by the Government of Abu Dhabi ("the Shareholder")
- Equity
 - The shareholder has provided significant authorised capital
 - Provide ability to fund aircraft deposits
 - Access to working capital
- Shareholder Loan
 - The shareholder has provided significant loan facility for aircraft deposits and working capital
 - Subordinated, interest free and no repayments until 2027
- All terms and condition issued by Decree of the Government of Abu Dhabi

Share Capital and Shareholder's Loan as at 31 December 2010 (US \$m)

	<u>Paid up / Drawn</u>
Share Capital	3,530
Shareholder's Loan	<u>3,012</u>
	<u>6,542</u>

- Significant amount of future capital secured
- Legislated under Royal Decree (Law 53 of 2008)

External debt development

Start – up: 2003 – 2006

- Abu Dhabi banks and some international banks
- Aircraft leasing companies
- Raised \$ 1.3 bn in external finance
- Introduced 16 financial institutions

Development: 2007 – 2008

- Diversification of sources: international banks and new regions
- Diversification of types of finance
- Introduced 16 financial institutions
- Raised \$ 2 bn in external finance

Maturing: 2009 - 2010

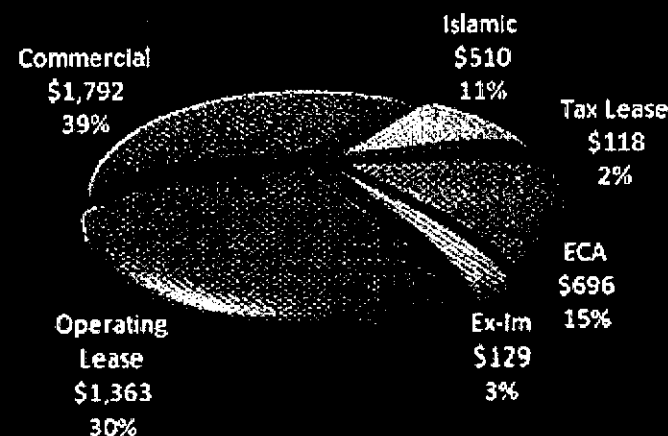
- Continued diversification of sources and forms
- Export credit (ECA / EXIM) focus
- Introduced 4 new financial institutions
- Raised \$ 1.3bn in external finance

Total of 40 lenders and lessors involved

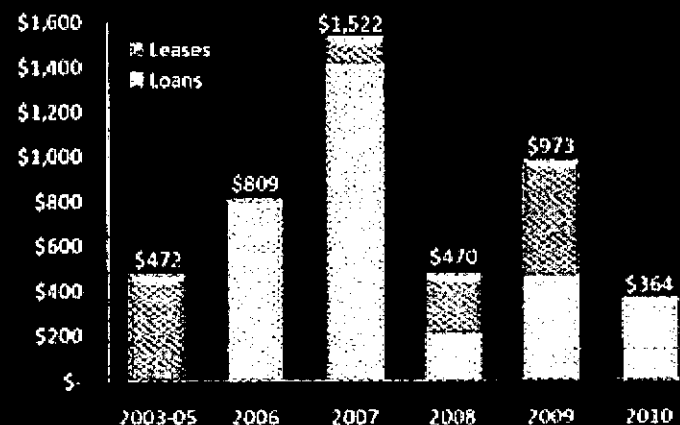


External Aviation Finance Raised (USD 'M)

Total Raised = \$4.6bn, ECA + Ex-Im = 18%



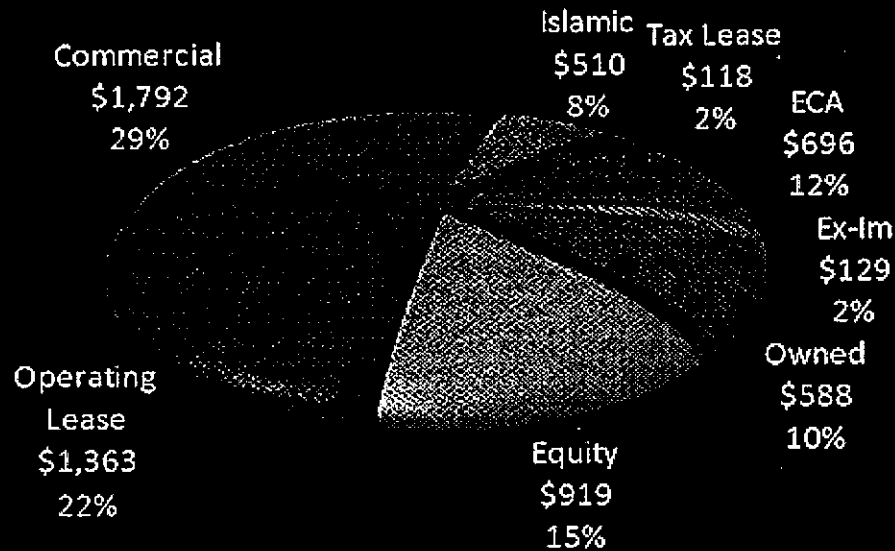
External Aviation Finance Raised (USD 'M)



Aviation financing portfolio

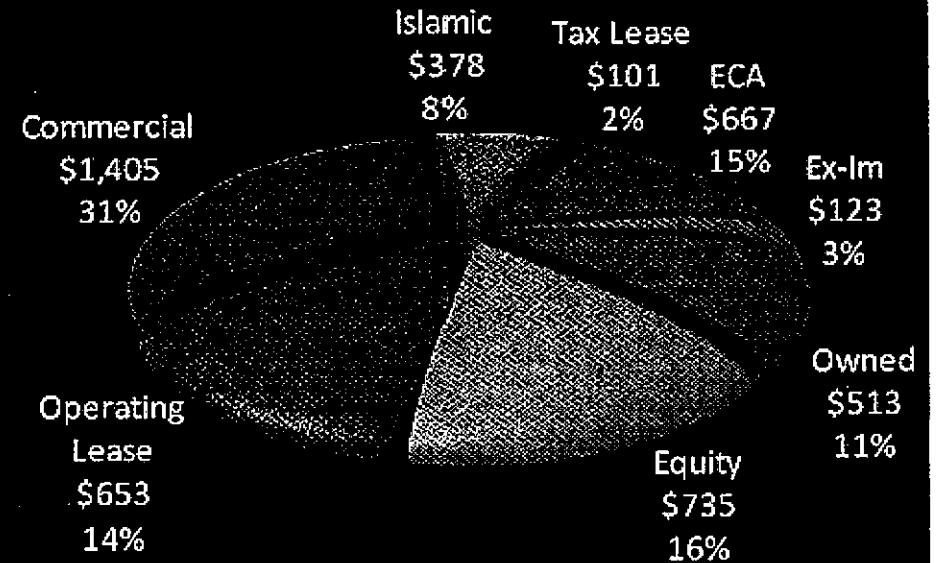
Sources of Aviation Finance (2003-2010) (USD 'M)

Total Capital = \$6.1bn
ECA + Ex-Im = 14%, Internal/Equity = 25%



Aviation Finance - Total Outstanding (USD 'M)

Total outstanding = \$4.6bn
ECA + Ex-Im = 18%, Internal + Equity = 27%

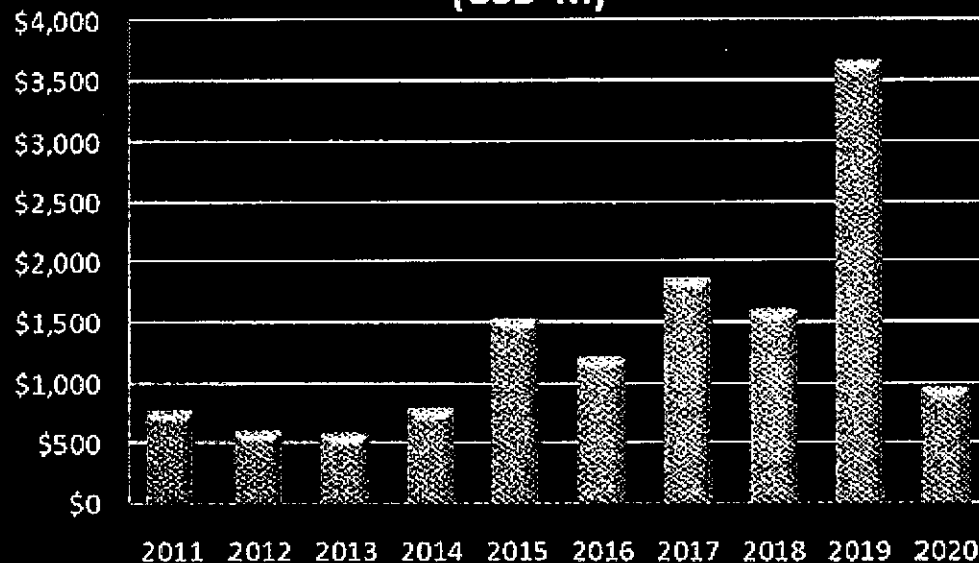


Owned Assets — { 2x A332
2x A319 + Spare Engines
3x A320

Aircraft financing requirements: long term

- 2008 Fleet and 2009 Engine orders are primary drivers of projected long term capital requirements
- Significant support has been secured from the Abu Dhabi Government for the pre-delivery commitments related to the fleet plan

**Future Financing Opportunities @ 80% LtV
(USD 'M)**



**Forecast \$15.8bn in total
aircraft and spare engines
spend over the next 10
years**

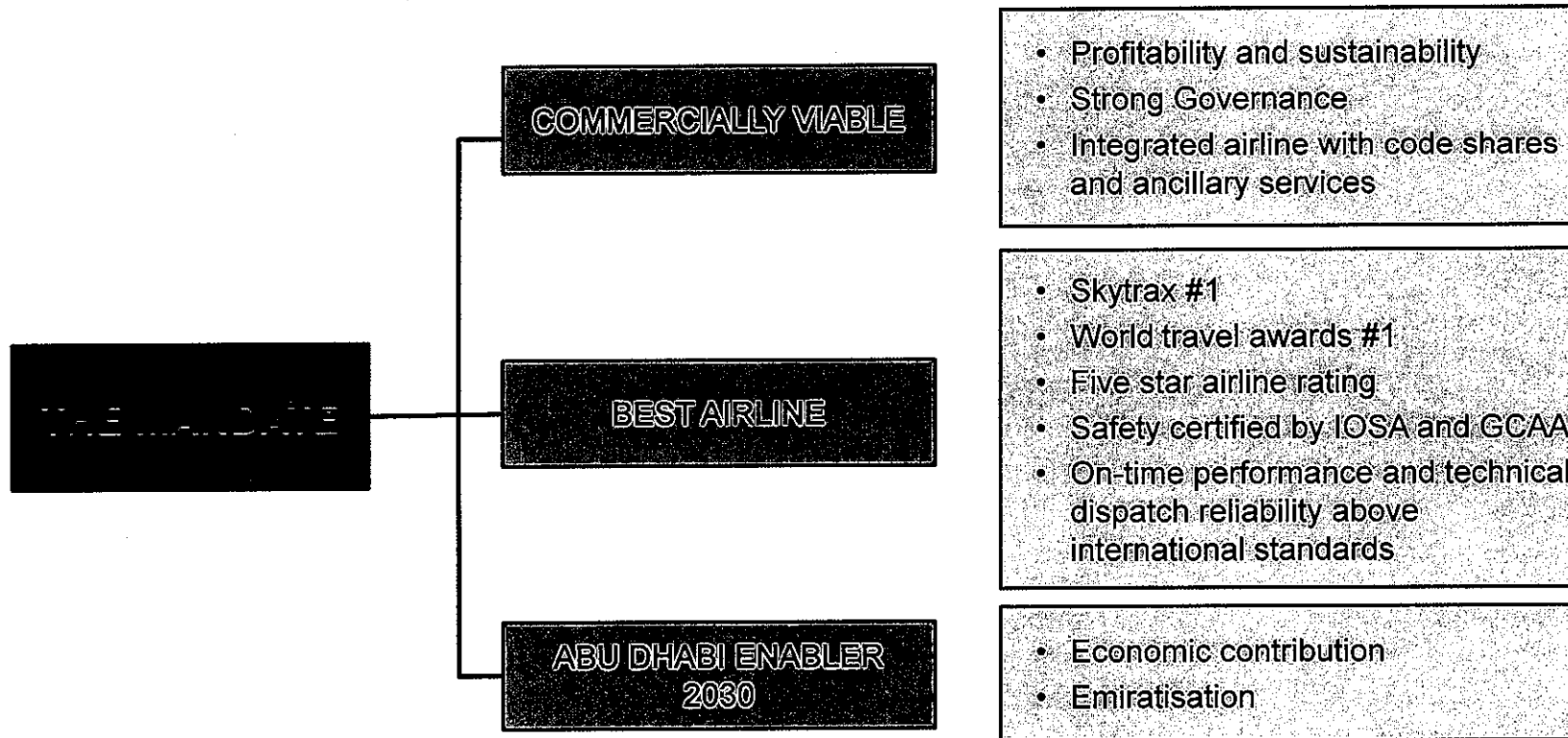
**Projected external
financing requirement is
\$13.3bn**

الإتجاه
ETIHAD
A I R W A Y S

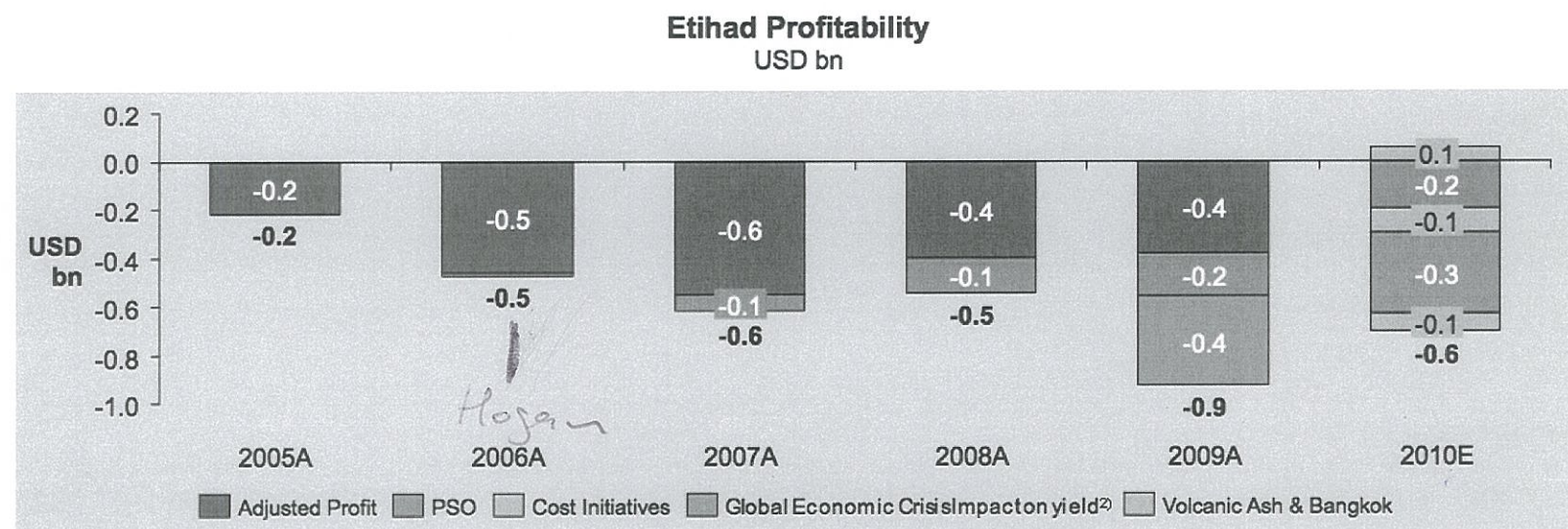
PRESENTATION TO H.H. CROWN PRINCE

UPDATED OCTOBER 2010

YOUR VISION



However Etihad has not yet achieved profitability

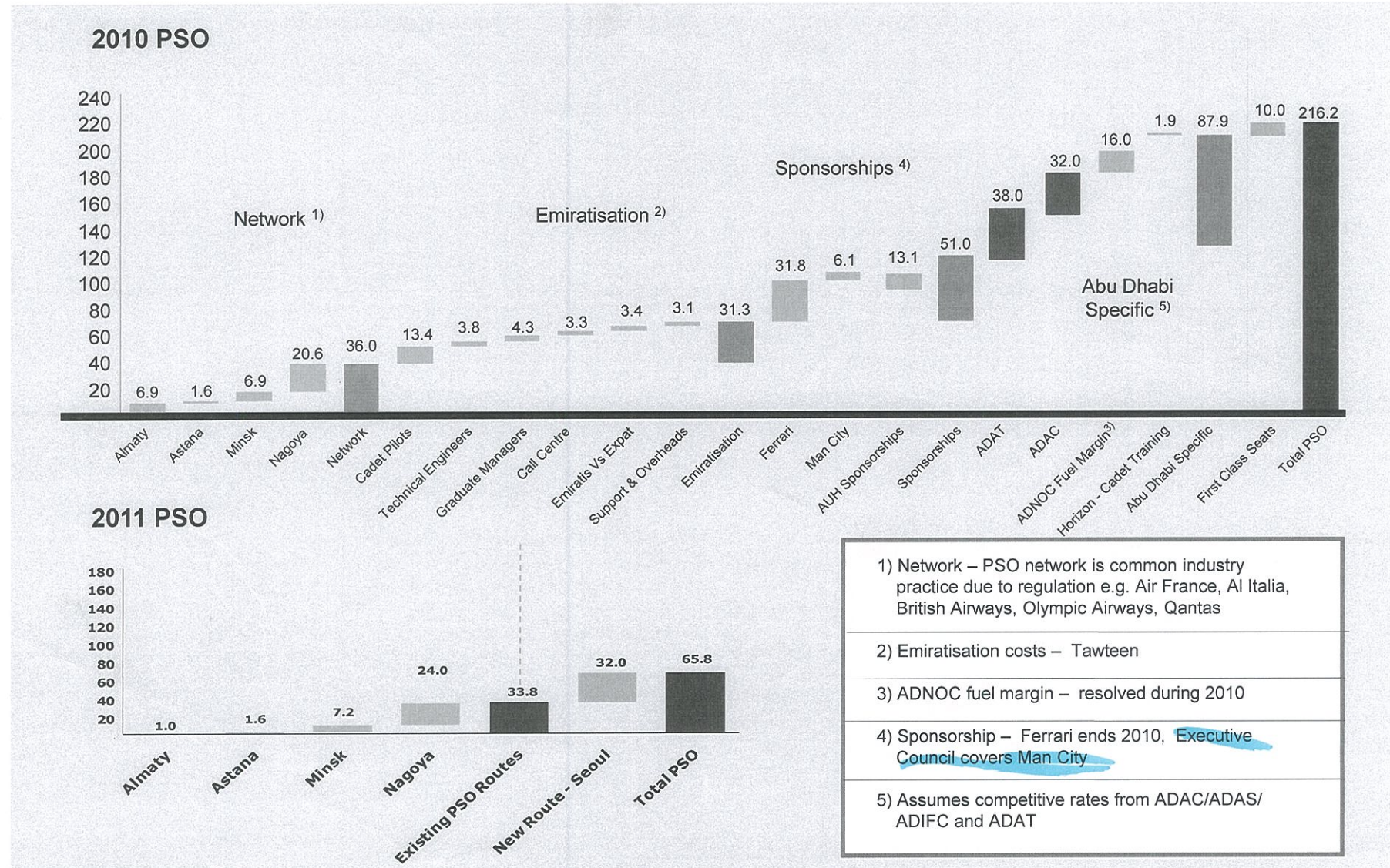


Passengers (mn)	1.5	2.8	4.6	6.0	6.2	~7.1¹⁾
Load Factor (%)	58%	60%	69%	75%	74%	75%¹⁾
Yield (AED fils)	20.5	21.1	24.9	30.1	25.3	26.5¹⁾
PSO (USD mn)	8	17	66	143	179	216¹⁾

1) Based on Jan-Jun 2010 actuals and Jun-Dec 2010 forecast; 2) Based on 2008 yields; Source: Etihad Airways

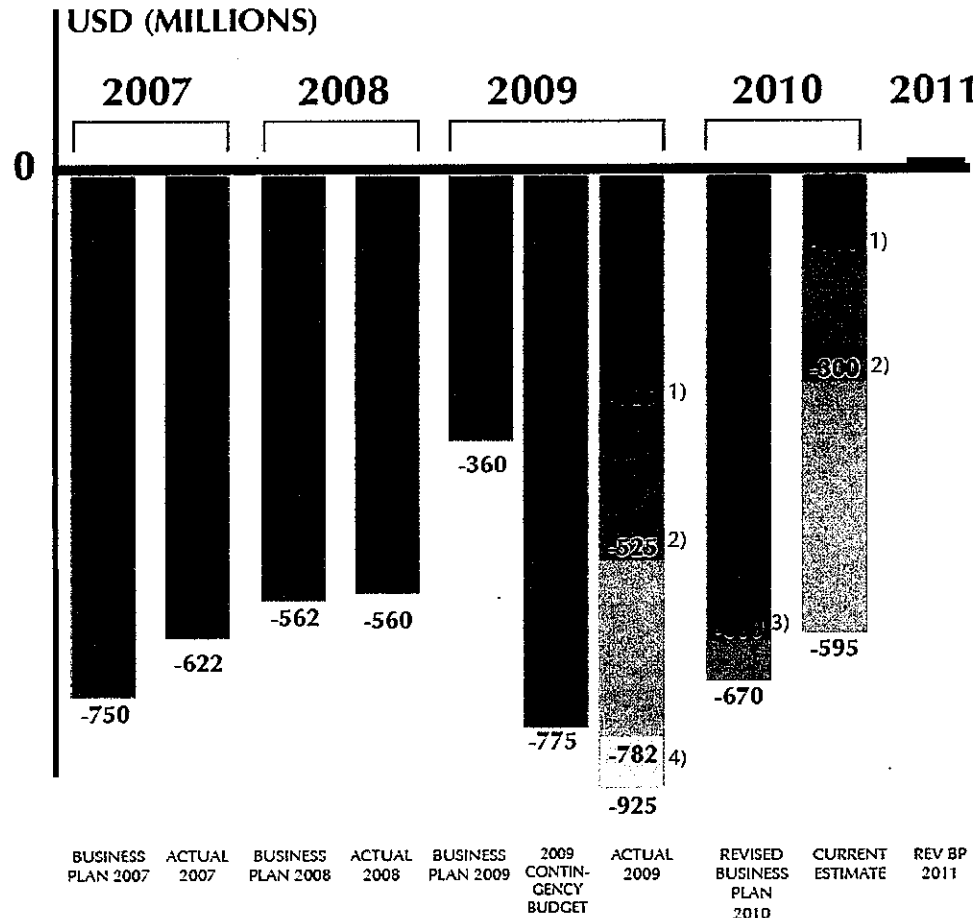
PSO

These costs have not been included in the original business plan of 2006



Run rate reduction of USD 182.4m YoY, but 2011 includes new PSOs of USD 32m for Korea
 As destinations enter profitability they are removed from PSO

PROFITABILITY 2011



- 2008 record fuel prices and onset of the global recession in September 2008
- 2009 global financial crisis and full effect of recession became evident. In May 2009 the World Health Organisation announced a global H1N1 pandemic
 - Includes PSOs
- 2010 European Ash cloud and Bangkok political events expected to deteriorate performance
 - Assumes PSO offset
- 2011 is based on achievement of 30.5 fls yield, 76.5% seat factor, and US\$ 78 bbl brent fuel
 - Excludes assets and loan write-offs
 - Assumes network PSO and Emiratisation offset; and competitive rates for ADAC and ADAT
 - Sensitivities
 - 1 fl yield = US\$ 108 million annual revenue
 - 1% seat factor = US\$ 35m annual revenue
 - US\$ 10bbl fuel = US\$ 40m movement in fuel cost per annum (hedged exposure)

1) Excluding annualised cost initiatives
 2) Excluding Global Economic Impact on yield
 3) Excluding European volcanic ash and Bangkok political effect
 4) PSO included

WHAT ETIHAD NEEDS TO WIN?



▪ Elimination / reimbursement of requirements outside business plan:

- Competitive charges from ADAC and ADAT or the ability to set up airport handling and catering
- Abu Dhabi government related entities mandated to fly Etihad
- Emiratisation accelerate i.e. pilots
- PSO destinations loss to be underwritten

▪ Enriched business model as proposed

- Approval for acquisition of targets passenger air transport
- Approval for acquisition or joint venture in distribution companies (BCD)
- Abu Dhabi travel business mandated to Etihad
- Approval for joint venture in air cargo operations
- Approval for the creation of its own ground handling and catering operations at Abu Dhabi Hub

▪ Land

- Request for land for Etihad City
- Request for land next to Etihad Head Office

▪ Risk Mitigation

- Mitigation of the current risk - delay in the midfield terminal complex
- Low cost airline