

2013

ASL AVIATION GROUP LIMITED
ANNUAL REPORT

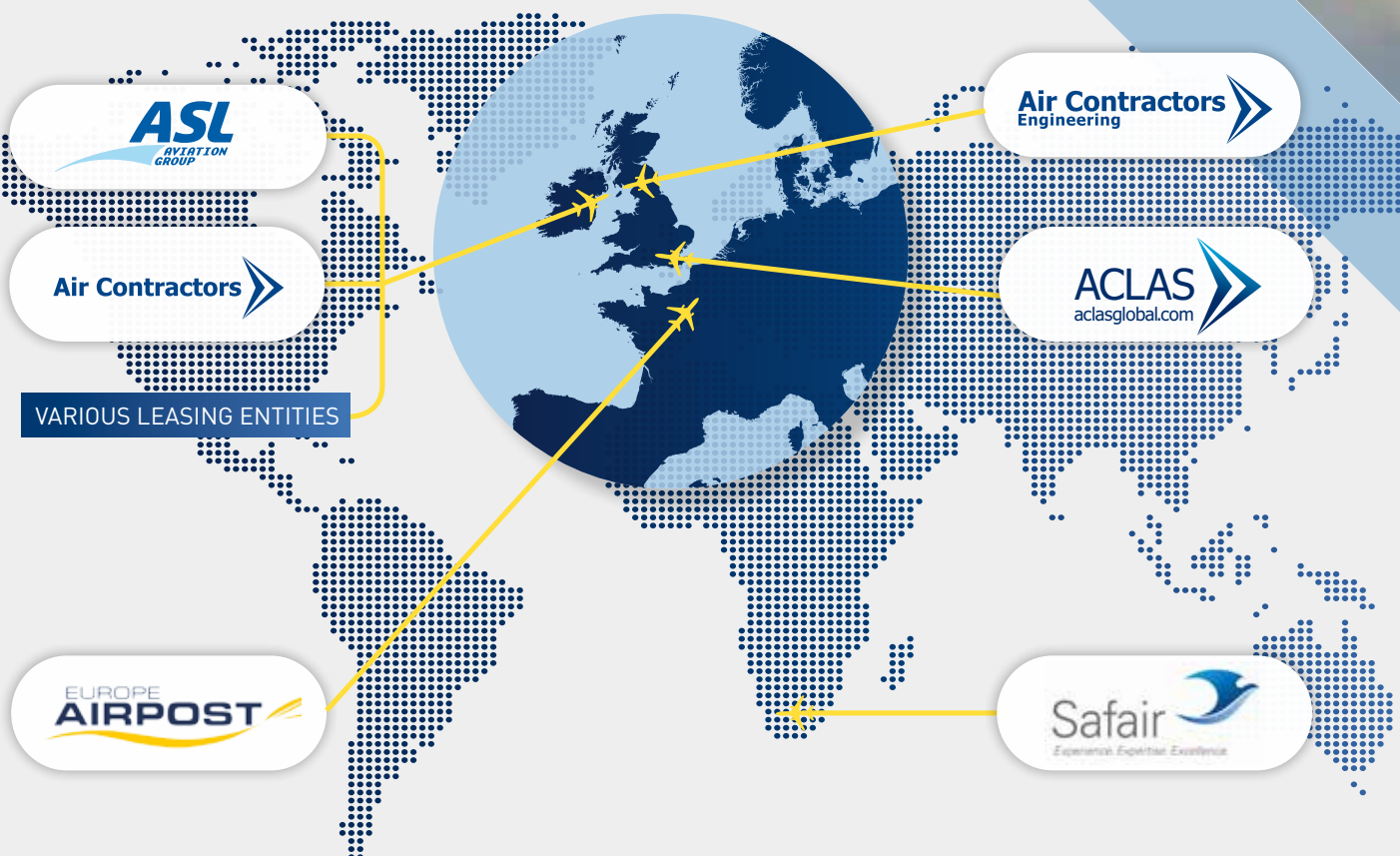


AIRLINES

SUPPORT

LEASING

ASL AVIATION GROUP - UNRIVALLED EXPERTISE AND EXPERIENCE



	Pax Flight	Cargo Flight	Support	Leasing
ASL Aviation Group				✈
Air Contractors Ireland	🧳	🚚	🔧	✈
Europe Airpost	🧳	🚚	🔧	✈
Safair*	🧳	🚚	🔧	✈
Air Contractors Engineering			🔧	
ACLAS Global			🔧	

* Safair Operations (Pty) Ltd is an associate company

THE GLOBAL AVIATION SERVICE PROVIDER

We are a well established aviation group offering an unrivalled array of aviation services to our customers worldwide. From passenger and cargo airline operations to aircraft leasing, aircraft maintenance and aircraft parts support, the breadth of services provided by ASL Aviation Group subsidiary and associate companies on every continent enables us to offer a truly unique service.

PASSENGERS

755,000 p.a.

FREIGHT

169,000 Tonnes p.a.

58,000 Hours p.a.



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REPORT OF THE CHAIRMAN

TRADING RESULTS AND FINANCIAL STRENGTH

I'm pleased to report that despite the challenging trading conditions particularly in the cargo market, ASL Aviation Group managed to produce a strong result for 2013 with a profit after tax of €17.0m. It is a credit to the Group that the legacy of strong profitability continues given the economic turbulence experienced by the industry in recent years.

From a trading perspective, it is important to mention the reduction in turnover which resulted from a reduction in both rates and volume of certain cargo contracts and the realigning of the Group's passenger activities. The Group continues to build on the strong relationships with existing cargo customers and remains dedicated to maintaining the flexibility and reliability to which our customers rely on. While the European cargo market continues to evolve and readjust to market demand, passenger activity continues to expand. While the core cargo contracts will remain the bedrock of the Group, significant strides have been made during the year in developing the passenger business. During the year the Group signed a number of new contracts which will see the Group flying scheduled passenger services in both Europe and Africa in addition to transatlantic passenger operations on behalf of a major European carrier. In addition to the continued use of existing aircraft from the cargo operations, 2014 will see the addition of two new fleet types in order to perform the aforementioned newly signed contracts. The Group continues to report strong results in the aircraft trading activities which supports the Group's already proven valuation and planning methodologies.

STRATEGY

While the focus in 2012 was in supporting the Group's strategy for the sourcing and conversion of Boeing 737-400 aircraft, 2013 saw the successful integration of the fleet type within the existing Group network. The continued growth and expansion of the Group's activities into the passenger market is an exciting one. While the composition of the fleet did not significantly change during the year, 2014 will see the evolution of the fleet to support the increasing passenger activities. 2013 saw the conclusion of the A300B4 contracts as the aircraft reached

the end of their economic life and with it, their exit from the Group fleet. The Group also disposed of the Fokker F27 fleet type, one ATR 42-500 and a Hercules aircraft during the year. The financial performance of the leasing activity remains strong with the Group actively seeking opportunities to develop and regenerate the fleet.

OUTLOOK

ASL's strong relationships and long term commitments with existing customers along with developments on passenger activities across the Group allows ASL Aviation Group to look forward to 2014 with confidence. While market conditions will remain challenging for the business, ASL Aviation Group expects to continue to produce strong results in 2014.

FINALLY

As always, it is important to recognise the hard work and drive of the management and employees of ASL Aviation Group throughout the year. On behalf of the board, I would like to thank the people of ASL Aviation Group for all their efforts and achievements as we look forward to a successful 2014.

LUDWIG CRIEL
CHAIRMAN



FINANCIAL HIGHLIGHTS

€57.8m

EBITDA

6.9%

PRE TAX MARGIN

€322.8m

REVENUE

11.2%

AFTER TAX RETURN ON EQUITY

	2013 €'000	% change	2012 €'000	2011 €'000
REVENUE	322,760	-15.1%	380,037	407,284
EBITDA	57,798	-24.9%	76,964	85,462
EBIT	26,400	-40.5%	44,334	49,487
NET PROFIT	17,018	-37.1%	27,077	30,452
TOTAL ASSETS	369,481	-10.3%	411,805	446,964
TOTAL EQUITY	155,987	6.3%	146,751	124,287

	2013	2012	2011
NUMBER OF HOURS FLOWN	58,036	64,346	68,012
PASSENGERS CARRIED	754,750	693,000	814,000
RELIABILITY	98.5%	99.4%	99.8%





HIGHLIGHTS FOR 2013

- JANUARY**
- Europe Airpost commenced a new three year extension with La Poste and Chronopost.
 - Air Contractors begins operating the A300-600 freighter aircraft in Asia on behalf of Air Hong Kong.
- FEBRUARY**
- The Group signed a contract to purchase five B737-400 aircraft bringing the total fleet of this aircraft type to ten.
 - Safair awarded a three year contract with the United Nations bringing to three the number of aircraft with the organisation.
- APRIL**
- Safair begins flying for Korongo which is a passenger airline based in the Democratic Republic of Congo and was founded on behalf of Brussels airlines and the Belgian George Forest Group.
 - An ATR 42-500 aircraft was sold to Hawaiian Airlines bringing to three the total number of Group aircraft sold to the Hawaiian carrier in recent years.
- MAY**
- Air Contractors signed a contract with Aer Lingus to operate three B757s from Ireland to New York, Boston and Toronto beginning in early 2014.
 - Europe Airpost took part in the prestigious Ferte-Alais air show with one of its B737-300s completing a low altitude pass.
 - Safair transported a special delivery of sixty Nyala and Sable antelopes to a game farm in Namibia.
- JUNE**
- Europe Airpost becomes the first airline in France to get approval from the French Civil Authority and implement the EFB 2 (electronic flight bag).
 - Safair's Hercules aircraft ZS-ORA, "a proud old lady", manufactured in 1967 with 88,700 flight hours and 42,000 cycles bids farewell to the fleet as it is retired from service.
 - Air Contractors is awarded a contract to operate an additional feeder route for FedEx which will connect to the Nordic hub at Copenhagen.
 - Europe Airpost completed the recertification of ISO 9001:2008.
- JULY**
- The first two B737-400 aircraft purchased earlier in the year are delivered.
 - Europe Airpost launch its new website using the newest and latest technology.
 - Air Contractors operates its final A300B4 flight from Leipzig for DHL. The operation will now utilise B737-400 aircraft on this customer's routes.
- AUGUST**
- The Group agrees a new finance facility with a major bank.
 - Air Contractors re-launches its website.
- SEPTEMBER**
- The Group took delivery of the third of five B737-400 aircraft following conversion to freighters.
 - The Group was a major contributor to FlightFest, one of the events of 'The Gathering Ireland 2013' which was held in Dublin with an ATR and Hercules aircraft taking part.
- OCTOBER**
- Safair Operations became a 25% associate Group company.
- NOVEMBER**
- Safair was on hand and assisted the relief efforts following the devastating typhoon in the Philippines.
 - Air Contractors announces record flight hours over the summer season.
- DECEMBER**
- The final two B737-400 purchased earlier in the year were delivered from conversion to Europe Airpost.
 - ACLAS completed the phasing in of a new state of the art stock control system.



REPORT OF THE EXECUTIVE

THE AIRLINE ACTIVITIES OF THE GROUP IN EUROPE CONTINUE TO TRADE SUCCESSFULLY IN SPITE OF THE DIFFICULT MARKET CONDITIONS WITH LEASING ACTIVITIES CONTINUING TO PRODUCE STRONG RESULTS.

Europe Airpost

Europe Airpost reported a decrease in overall activity during the year. It has seen a gradual migration towards the passenger market as the company continues to grow the number of routes operated and destinations travelled. Strong relationships continue to exist with the postal integrators which resulted in the extension of existing contracts with postal freight agencies. While the Boeing 737-300 (quick change, freighters and passenger) continue to be the cornerstone of activity, the gradual introduction of the larger Boeing 737-400F continues to impact positively on contribution and reliability which remains at an exceptional level (see overleaf).

Air Contractors

The operations of Air Contractors (Ireland) have continued to evolve in 2013. Whilst the recurrent core activity remains the turboprop ATR cargo operations, the emergence of narrowbody jet Boeing 737 activity has continued to replace Airbus widebody operations which have now concluded as the fleet type reached the end of its economic life. The company also signed a significant contract with a major European carrier to operate transatlantic passenger flights from 2014 which further adds diversity to the revenue streams. Reliability remains the bedrock of the company's service proposition and the figures set out for 2013 (see overleaf), reflect the continued excellent performance.

Safair

In addition to the continued successful operation of both Hercules and Boeing Combi aircraft, largely in the aid and relief sector, Safair also identified scheduled passenger services opportunities in the South African market during the year which it is continuing to progress. As part of a strategic Group restructuring process, Safair Operations became a 25% associate Group company during the year.

Support

The Group has a developing ATR spares trading activity which has further evolved and grown over the course of the year as turnover rose 6%. Other support activity includes the ATR base maintenance facility, located in Edinburgh.

Leasing

The leasing activity continues to be a solid financial performer with 14 aircraft leased to seven customers generating €27.5m of revenue and with an attributable contribution of €8m after tax.



HUGH FLYNN
CEO

REPORT OF THE EXECUTIVE

EUROPE AIRPOST	2013	2012	2011
NUMBER OF HOURS	28,750	33,223	36,406
NUMBER OF HOURS CARGO	12,400	15,645	13,459
TONNES OF CARGO CARRIED	52,971	75,660	64,940
NUMBER OF PASSENGER HOURS	16,350	17,578	22,947
NUMBER OF PASSENGERS CARRIED	639,272	597,039	730,020
RELIABILITY	98.56%	99.06%	99.56%

AIR CONTRACTORS	2013			2012			2011		
	Number of aircraft	Number of hours	Reliability	Number of aircraft	Number of hours	Reliability	Number of aircraft	Number of hours	Reliability
ATR 42	6	5,412	98.5%	6	5,556	98.9%	5	5,679	98.7%
ATR 72	11	10,263	98.6%	11	8,462	98.2%	11	8,931	98.8%
A300	3	3,484	96.8%	9	8,576	96.9%	12	13,572	96.7%
B737	4	5,275	95.8%	2	2,029	95.2%	-	-	-

AIR CONTRACTORS	2013	2012	2011
TONNES OF CARGO CARRIED	102,606	224,682	273,102
NUMBER OF PASSENGERS CARRIED	65,711	63,154	73,691

SAFAIR	2013	2012	2011
NUMBER OF HOURS FLOWN	4,852	6,497	8,806
TONNES OF CARGO CARRIED	13,095	26,476	27,707
NUMBER OF PASSENGERS CARRIED	49,767	32,504	19,190



CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT

The ASL Aviation Group is committed to risk management practices that assist the directors in the carrying out of their responsibilities.

BOARD OF DIRECTORS

The board is currently composed of six members and two nominated alternates. This includes one executive member and the remaining directors are representatives of the shareholders or are members by special invitation.

The Board of Directors is assisted by two special advisory board committees, an Audit Committee and a Remuneration Committee.

AUDIT COMMITTEE

Currently the Audit Committee consists of four executive directors of the subsidiary companies and two directors of ASL.

In 2013, the Audit Committee assisted the board of directors in order to achieve its supervision and monitoring responsibilities in the broadest sense. The Audit Committee meets several times a year to assess the results and financial position of the Group, the valuation of its aircraft fleet and to review the audit process and findings. The Group has retained the services of an external accounting firm which reviews and reports on internal audit matters referred to it by the Audit Committee as and when required.

Following each meeting the Chairman of the Audit Committee reports back to the Board of Directors.

REMUNERATION COMMITTEE

The Remuneration Committee currently consists of three directors of the ASL Group. The committee meets as required during the year to review and approve remuneration matters and the incentive plans of the executives and employees and to determine



remuneration of the non-executive directors. Following each meeting the Chairman of the Remuneration Committee reports back to the Board of Directors.

ASL EXECUTIVE COMMITTEE

The Chief Executive of ASL, Mr Hugh Flynn is the Chairman of the Executive Committee which consists of key directors from the subsidiary companies. This committee meets monthly to consider the day-to-day activities of the companies, manage the aircraft fleet and agree on actions to implement the strategic direction of the Group.

FLIGHT SAFETY COMMITTEE

During 2013, the Group continued to develop the activities of a Flight Safety Committee with the objective of providing oversight and co-ordination of the flight safety practices of the respective airlines. The Group is composed of key personnel involved in managing the day-to-day risks of operating aircraft. By sharing best practice methodology, the Group can maximise its commitment to maintaining safety.

RISKS AND UNCERTAINTIES

In the course of its normal business the Group is exposed to risks and uncertainties. These can be summarised in three categories:

Strategic risks:

macro-economic environment, financial circumstances, the Group's reputation, political and legal developments.

Operational risks:

changes in the market conditions, counterparty credit risk, relationship with business partners, human resources, IT-infrastructure, safety of assets and data.

Financial risks:

cash management, taxes, forecasts and budgets, correct and timely reporting, compliance with accounting rules, interest rate and exchange rate fluctuations, coverage.

The major and specific risks for each segment are as follows:

Aircraft Leasing

- > significant changes in the value of aircraft. The value of aircraft is subject to variation arising from changes in aircraft technologies, evolving regulation, fuel prices and market trends/moves;
- > counterparty risk on the leasing portfolio.

Airline Activity

- > fluctuations;
- > decrease of the demand for passenger charter activities from travel agents;
- > reputational issues from negative publicity regarding aircraft related incidents;
- > risk of disruption of air traffic due to a force majeure event;
- > concentration of cargo contracts with a small number of customers.

Support Businesses

- > changes in the value of spares due to actions of manufacturers and changes in market conditions.

The Group has risk management processes that include assessment of these changes in risk registers that are used to identify, evaluate and initiate actions to mitigate these risks.

Apart from these specific risks, the Group – in the course of its normal activities – is exposed to exchange rate and interest rate risks. The Group uses various financial instruments to cover these risks. This is explained in detail in note 23 of the consolidated accounts.



CORPORATE SOCIAL RESPONSIBILITY

SAFETY

The ASL Aviation Group is fully committed to maintaining and exceeding safety standards. Across the Group, there are various accreditations over and above the required safety standards including ISO 9000 and IOSA accreditations at certain of its airlines to uphold and improve safety standards and ensure compliance with the requirements of the relevant aviation authorities.

EMISSIONS AND NOISE

ASL recognises that as a participant in the aviation industry it has a responsibility to minimise emissions. The Group is committed to operating aircraft in the most efficient manner possible and actively engages at all levels to minimise aircraft fuel burn through flight planning and minimising weight. Where possible the Group is modernizing its fleet and replacing older types of aircraft with new more fuel efficient aircraft. The Group's commitment to more fuel efficient turboprop aircraft through its ATR fleet is further evidence of this strategy.

In 2013, the European airlines within the Group participated in the European Emissions Trading Scheme and by paying for emissions made a financial contribution in the area.

The Group also recognises that in operating into several commercial centres, particularly in Europe, it contributes to noise levels. Pilot training, investment in aircraft modifications and reduced take off weights contribute towards reducing the amount of noise generated by our aircraft.

EMPLOYEE TRAINING AND RELATIONS

The Group invests significant amounts in the training of its personnel, for both front-line aircraft operations and also in its support staff. The Group has further committed to sponsor appropriate external training that contributes towards the development of its people.

The Group has a mixture of both unionised and non-unionised staff across its respective workforces. Common to both arrangements is a highly effective and complementary relationship between management and staff that acts to produce a coherent, aligned and motivated labour force.

The Group also conducts a six-monthly "roadshow" at the respective business facilities with as many staff as possible and available on the day in order to update them on Group strategy, performance and plans.



GROUP OWNERSHIP



COMPAGNIE MARITIME BELGE

Compagnie Maritime Belge (CMB) is a major Belgian shipping company based in Antwerp. It was founded in 1895 and its shares are quoted on Euronext Brussels and are also included in the Next 150 index and the BelMid.

51%



PETERCAM / 3P AIR FREIGHTERS

An aircraft leasing company incorporated in Dublin and is sponsored by Petercam Private Projects ("3P"). 3P is the Private Equity section of Petercam, a leading Brussels based independent financial group.

49%

ORGANISATION

AIRLINES	Air Contractors Ireland Dublin, Ireland Passenger and cargo	Europe Airpost Paris, France Passenger and cargo	Safair Operations* Johannesburg, South Africa Passenger, cargo and aid and relief * Associate company (25% ownership through Safair Holdings)
SUPPORT	Air Contractors Engineering Edinburgh, United Kingdom Maintenance facility	ACLAS Global Southend-on-sea, United Kingdom Spares provisioning	
LEASING	ASL Aviation Group ASL Aircraft Investment ACL Leasing ACL Air Safair Aviation Ireland Safair Lease Finance 72 Dublin, Ireland	Safair Lease Finance Johannesburg, South Africa	

HISTORY OF THE ASL AVIATION GROUP



1946

South African Marine Corporation is formed

1970

Safmarine purchase Tropair (Pty) Ltd. and change name to Safair Freighters (Pty) Ltd.

1994

Safair Freighters (Pty) Ltd. is renamed Safair (Pty) Ltd.

1972

Air Bridge Carriers in the United Kingdom was formed

1998

Purchased by CMB & Safair. Renamed Air Contractors

2007

Shareholding changed to CMB & 3P Airfreighters/Petercam

1992

Hunting Group renamed company Hunting Cargo Airlines

2004

Purchase of BAC Group in Southend, UK

1991

The French postal airline L'Aeropostale is formed between La Poste and Air France

2000

The French La Poste Group creates its own subsidiary Europe Airpost to transport its mail freight

2002

The Company's aircraft fleet dons its new livery





2001

Safair establishes its leasing division Safair Lease Finance (Pty) Ltd.



2010

Purchase of Safair Operations and Safair Lease Finance



2008

Formation of ASL Aviation Group
Purchase of Europe Airpost



2013

Safair Operations becomes an associate company (25%)



2003

Set up of the Cabin Crew Division and development of passenger transportation activities



FLEET SUMMARY OF OWNED AIRCRAFT AS AT 31 DECEMBER 2013

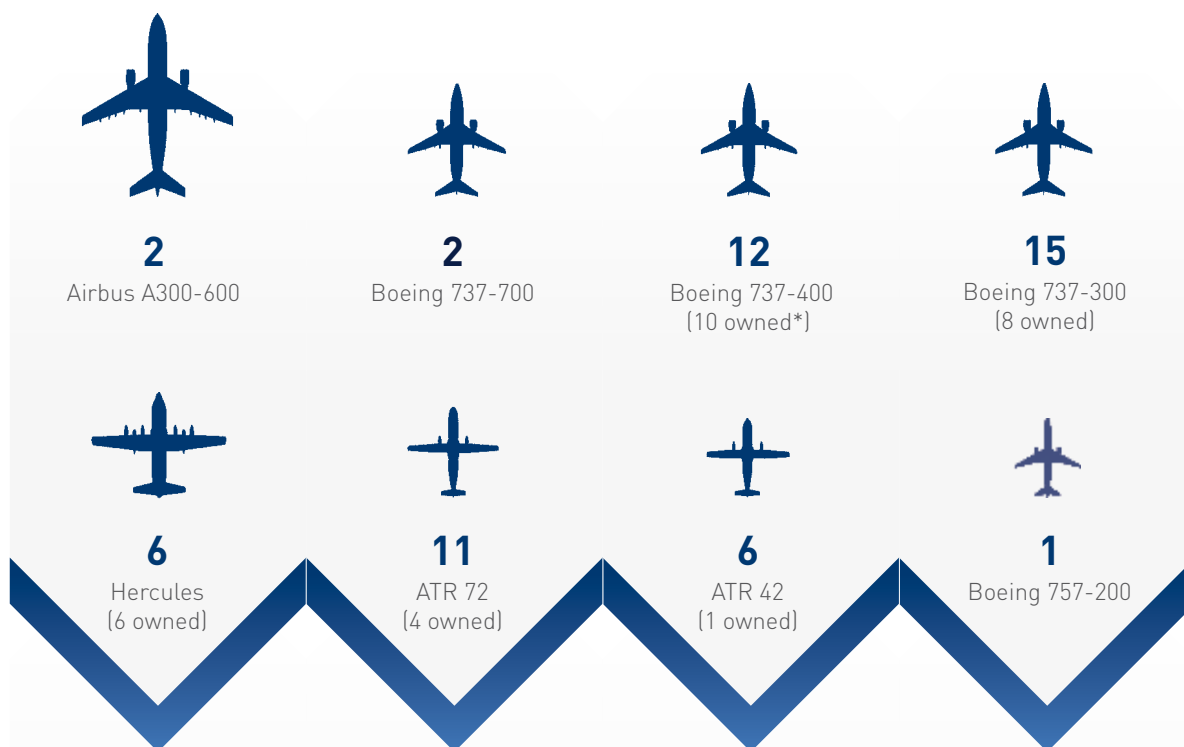
TYPE	MSN	COUNTRY OF REGISTRATION	YEAR OF MANUFACTURE	CONFIGURATION
BOEING				
B737-300	24387	France	1989	quick change
B737-300	24388	France	1989	quick change
B737-300	24789	France	1990	quick change
B737-300	25124	France	1991	quick change
B737-300	26850	France	1992	quick change
B737-300	28898	France	1997	quick change
B737-300	29333	France	1998	quick change
B737-300	29336	France	1999	quick change
B737-400	24433	Ireland	1990	freighter
B737-400	24440	Ireland	1992	freighter
B737-400	24446	Ireland	1994	freighter
B737-400	25261	Ireland	1992	freighter
B737-400	25181	Ireland	1992	freighter
B737-400	25184	Ireland	1992	freighter
B737-400	26961	South Africa	1995	combi
B737-400*	24917	South Africa	1991	standard
B737-400*	26065	South Africa	1992	standard
B737-400	27143	South Africa	1993	combi
B737-800	32631	South Africa	2002	passenger
B737-800	32632	South Africa	2002	passenger
B737-800	32633	South Africa	2002	passenger
B737-800	32634	South Africa	2003	passenger
B737-800	32635	South Africa	2003	passenger
ATR				
ATR 42-300	149	Ireland	1989	freighter
ATR 42-320	115	Spain	1989	passenger
ATR 42-500	633	Czech Republic	2005	passenger
ATR 42-500	637	Czech Republic	2005	passenger
ATR 42-500	639	Czech Republic	2005	passenger
ATR 72-200	157	Ireland	1989	freighter
ATR 72-200	183	Ireland	1990	freighter
ATR 72-200	210	Ireland	1992	freighter
ATR 72-212	387	Ireland	1994	passenger
ATR 72-212	395	Ireland	1994	freighter
ATR 72-212	405	Ireland	1994	passenger
ATR 72-500	674	Czech Republic	2001	passenger
ATR 72-500	679	Czech Republic	2001	passenger
ATR 72-500	681	Czech Republic	2001	passenger
HERCULES				
L-382	4248	South Africa	1967	standard
L-382	4475	South Africa	1973	standard
L-382	4562	South Africa	1974	standard
L-382	4565	South Africa	1974	standard
L-382	4673	Ireland	1976	standard
L-382	4695	South Africa	1976	standard

* Airframes owned by Safair Operations

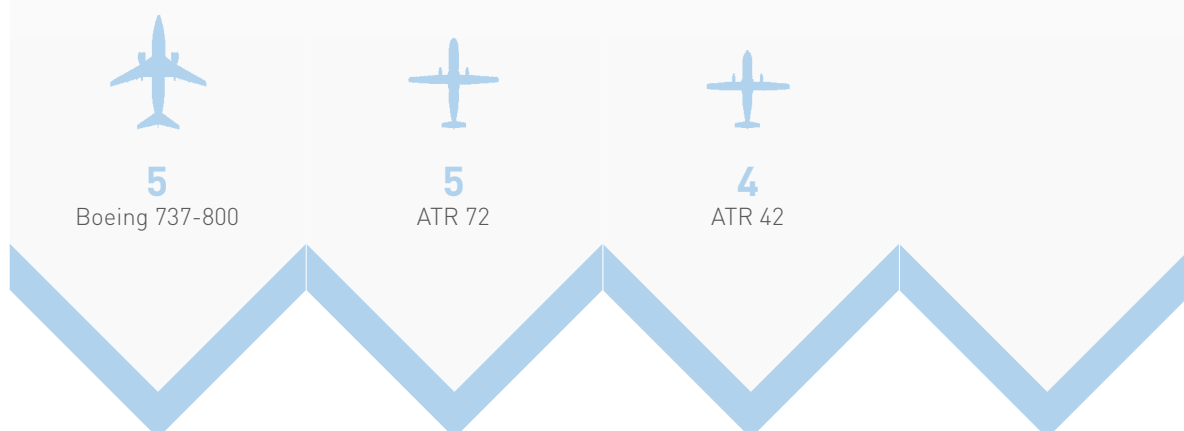
CURRENT GROUP FLEET

AS AT 31 DECEMBER 2013

OPERATED FLEET - 55 aircraft



OWNED FLEET LEASED OUT - 14 aircraft



* 2 airframes owned by an associate company







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