

2011

ANNUAL REPORT

ASL Aviation Group Limited





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 companies on every continent enables us to offer a truly unique service.

PASSENGERS 814,000 p.a.



WORLDWIDE AID & RELIEF





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Report of the Chairman



I am pleased to report that 2011 was a very successful year for the ASL Aviation Group.

Trading results and financial strength

Supported by the recent corporate acquisitions, the current year's trading represents a significant leap forward in establishing the Group as a major player in the freight and regional passenger airline market. With revenues moving towards half a billion Euro per annum and profitability more than doubling in the year, the Group has generated a net return of more than €30 million to shareholders in 2011.

Strategy

We continue to look at innovative ways to optimise the variety of resources and specialised knowledge as the activity of the Group stretches across the globe. We recognise that the perpetual modernisation of the fleet is an important element of retaining a balanced leasing portfolio and that investment in new business ventures is essential to evolve with the changing needs of our customers within dynamic markets. Managing risks within this environment is not easy, yet the operations have managed to tailor solutions for our core customers that deliver real value and at the same time protection from economic fluctuations.

One of the targets set for 2011 was the refinancing of debt acquired as part of recent corporate acquisitions and the negotiation of extensions for leases that were contracted to terminate in the short-term. I believe that we have been very successful in the year in this regard.

Outlook

The board is realistic about the significant challenges facing the aviation industry and the ASL Aviation Group. At the same time these challenges represent opportunities for a diversified aviation group and ASL is well placed to be able to assimilate and develop new business opportunities.

Conclusion

I would like, on behalf of the board, to thank the people of ASL for their tremendous enthusiasm and commitment of the past year that has been an integral part of this success.

Mr Ludwig Criel
CHAIRMAN

Financial Highlights

€407.3m

Revenue

€85.5m

EBITDA

20%

Growth
in revenue

60%

Growth
in EBITDA

9.72%

Pre tax
margin

FINANCIAL NUMBERS

	2011 €'000's	% change	2010 €'000's	2009 €'000's
REVENUE	407,284	+20%	339,517	292,376
EBITDA	85,462	+60%	53,405	46,806
EBIT	49,487	+82%	27,228	25,894
NET PROFIT	30,452	+112%	14,339	15,356
TOTAL ASSETS	446,964	-0.3%	448,197	243,788
TOTAL EQUITY	124,287	+40%	88,805	75,757

OPERATIONAL NUMBERS

	2011	2010	2009
HOURS FLOWN	68,012	65,566	45,819
PASSENGERS CARRIED	814,000	802,000	753,000
RELIABILITY	99.8%	99.5%	99.2%

Highlights for 2011



JANUARY

Safair project to relocate 20 rhinos to Zambia was completed.

FEBRUARY

Europe Airpost ranks as the leading regional French charter company, out of 19, based in the French provinces.

APRIL

Safair flies a record number of Hercules hours in March, completing 617 flight hours with its fleet of eight Hercules.

MAY

The new office facilities in Swords, Dublin were officially opened by Mr Eamonn Brennan of the Irish Aviation Authority.

JUNE

ASL Aviation Group is ranked number 134 out of the top 1000 companies in Ireland by the Irish Times newspaper.





JULY

Sale of the Group's minority interest in the Jetworx maintenance facility was completed.

Two Helitt aircraft recently purchased were delivered to Air Contractors Engineering for a full interior refurbishment.

SEPTEMBER

The purchase of the Group's first Boeing 737-400 aircraft was concluded. This aircraft will be converted to a 'combi' configuration and is expected to enter commercial service at the beginning of 2012, to be operated by Safair.

A significant additional loan facility was agreed with a major bank.

A commitment to purchase five additional Hercules aircraft was concluded. This will bring the number of owned Hercules aircraft to eight.

OCTOBER

Europe Airpost received a special recognition plaque from Boeing "for helping to promote air safety and flight training" following a nine-day audit at the company.

Safair was successful in obtaining renewal of its IOSA accreditation.

NOVEMBER

A lease extension for five Boeing 737-800 aircraft with South African Airways was signed.

Air Contractors was presented with the 'Airbus Award for Operational Excellence of the A300 B4 Freighter' at the A300 operator's conference in Istanbul.

Discussions for the extension of leases of seven ATR aircraft with Czech Airlines are confirmed in a Letter of Intent.

DECEMBER

A contract was agreed for the operation of three Boeing 737 aircraft for EAT/DHL to commence in January 2012.

Report of the Executive



The successful integration of the acquisitions from 2010 has allowed the ASL Group to report record results for 2011. The level of activity, as measured by revenue, has increased by 20% with an increase in after tax profits of 112% from €14.3 million in 2010 to €30.5 million in 2011. This reflects a very solid trading performance of both the recently acquired and existing businesses in the context of the deteriorating economic situation and its impact on the aviation sector in particular.

A significant portion of 2011 was dedicated to integration of the Safair companies acquired in late 2010.

Whilst there is some overlap between the leasing and operations activities within the Group, the most notable increase in ASL Group profitability is attributable to the increased leasing portfolio of the Group. This follows from the Safair acquisition of 2010 which added thirteen aircraft to the fleet. The contribution of leasing activities from these aircraft is included in the consolidated results for a full twelve months for the first time in 2011. Approximately 58% of the net profitability of the group in 2011 was derived from direct leasing activities.

There were some notable developments in the aircraft leasing portfolio.

The lease of the Group's five Boeing 737-800s, to South African Airways, was due for expiry in two tranches in November 2011 and July 2012. Management has successfully negotiated the extension of these leases on favourable rates on lease terms between 36 and 60 months for lease expiry between 2015 and 2016. This has secured not only revenues for 2011 but the term of the extension provides for revenues well into the future.

On the back of the lease extension of the Boeing aircraft with South African Airways, the Group has looked to refinance these aircraft. In a deal concluded with a major bank, the Group has secured financing of approximately \$75 million that will be drawn down in 2011 and 2012. This will secure the Group's immediate funding requirements and has allowed the Group to make a commitment to acquire five additional Hercules aircraft in 2012. The new loans replace the previous ZAR denominated borrowings and reduce the exposure of the group to foreign currency movements.



	2011	Change	2010
Aircraft Leasing revenue * includes Safair for 4 months	€44.6m	+91%	€23.4m*

OWNED FLEET: number of aircraft at end of year

Wide body jet aircraft	8	-2	10
Narrow body jet aircraft	14	+1	13
Turboprop	25	-2	27
TOTAL	47	-3	50

The aggregate number of owned aircraft has reduced to 47 from 50 in 2010. This movement includes the retirement of two Airbus A300 and one ATR aircraft from service and one narrow body jet held for sale at year end. Furthermore, one ATR aircraft on lease to an Irish lessor was involved in an incident which caused damage to the airframe. On the back of the insurance compensation for the damage sustained, the aircraft was retired and will be harvested for spare parts within the Group, for sale by the spares trading company. As part of the process of fleet renewal, additions include the acquisition of newer aircraft, one additional Boeing 737-300 Quick Change aircraft

and the larger Boeing 737-400 aircraft which is being converted into 'combi' configuration.

There have been no defaults on the part of lessees in the current period.

During the year the Group reached agreement with Czech Airlines (CSA) for a six-year extension of four ATR 42 aircraft that were due to reach lease expiry in 2013. In addition, three of the Group's ATR 72 aircraft currently on lease in India will be moved to CSA on similar lease terms at the expiry of their current leases in 2012. At the same time, the leases of the remaining three ATR aircraft were extended for a short term to facilitate the smooth transition from the ATR 42 aircraft to the larger ATR 72 aircraft coming from India. These agreements were formalised in February 2012. Management has received a number of enquiries for the sale or lease of the three ATR 42 aircraft which will now come off lease in the last quarter of 2012.

The spares trading operations for the Group have shown significant expansion during the year with an increase in sales of 65% and now represent almost 4% of the Group's turnover.



The **airline activities** of the Group in Europe continue to trade successfully and profitably even under the depressed European conditions for airlines.

Europe Airpost's passenger activity was disrupted by the political unrest in some of its traditional destinations but was mitigated by actions to replace these operations with substitute destinations. The inclusion of longer range aircraft (Boeing 737-700) has allowed Europe Airpost to slightly increase the overall number of cargo and passenger hours flown (+0.7%). Through the cost savings initiatives the operating profitability of the company improved even before taking account of currency trading gains of more than €2 million on coverage of 2012 currency requirements that did not qualify for hedge accounting. Reliability remains a key component of Europe Airpost's service delivery.

Negotiations for the extension of the contract with La Poste, which forms the largest proportion of the company's freight revenue was on-going during 2011. Final agreement has been reached early in 2012 for the extension of this contract for a further three years that will also see the introduction of larger aircraft on core routes.

Europe Airpost	2011	2010	2009
Number of hours	36,406	36,142	33,855
Number of cargo hours	13,459	13,846	13,364
Tons of cargo carried	64,940	64,339	62,924
Number of passenger hours	22,947	22,296	20,491
Number of passengers carried	804,000	780,000	753,000
Reliability - Cargo	99.56%	99.34%	99.34%
Reliability - Passenger	99.95%	99.91%	99.47%



The reliability for customers continues to reflect top quality of service:

Air Contractors	2011			2010			2009		
	NUMBER OF AIRCRAFT	NUMBER OF HOURS	PUNCTUALITY	NUMBER OF AIRCRAFT	NUMBER OF HOURS	PUNCTUALITY	NUMBER OF AIRCRAFT	NUMBER OF HOURS	PUNCTUALITY
ATR 42	5	5,679	98.7%	5	5,416	98.9%	6	7,382	98.9%
ATR 72	11	8,931	98.8%	11	9,159	99.0%	9	7,012	98.6%
A300	12	13,572	96.7%	12	12,194	96.5%	1	93	100 %

Air Contractors continues to operate its fleet of ATR and Airbus freighter aircraft on behalf of the major integrators and postal companies operating in Europe. Contracts to include solutions for DHL with Boeing 737 aircraft on an ad-hoc basis in 2011 resulted in contracts for three aircraft commencing at the beginning of 2012.

Safair, in Johannesburg, has continued to operate its predominant Hercules fleet on a worldwide basis. This has been supplemented by the addition of one Boeing 737 'Quick change' aircraft and the Boeing 737 'Combi' during 2011 which will allow the company to explore supplemental markets in the aid and relief arena.

In 2011, Safair was also successful in obtaining the renewal of its IOSA accreditation.

The outlook for 2012 remains optimistic with the impacts of fuel prices, emission costs and currency exchange rates the largest uncertainties.



Governance Statements

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 included 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 three executive directors of the subsidiary companies and two directors of ASL.

In 2011, 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 every month 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

In 2011, the Group established 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.

Corporate Governance



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, 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 and fuel prices;
- Counterparty risk on the leasing portfolio;

Airline activity

- 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 (e.g. volcanic ash cloud);
- Concentration of cargo contracts with a small number of customers.

Support businesses

- Changes in value of spares due to actions of manufacturers and in market conditions.

The Group has risk management processes that include the 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 modernising 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.

The Group also recognises that in operating into several commercial centres, particularly in Europe, it contributes to noise levels. Pilot training 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.

Group Ownership and Organisation



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

Safair Operations

Johannesburg, South Africa

Air Contractors Ireland

Dublin, Ireland

Europe Airpost

Paris, France

Passenger and Cargo
operations

SUPPORT

Air Contractors Engineering

Edinburgh, UK

Maintenance Facility

ACL Aviation Support

Southend-on-Sea, UK

Spares provisioning

LEASING

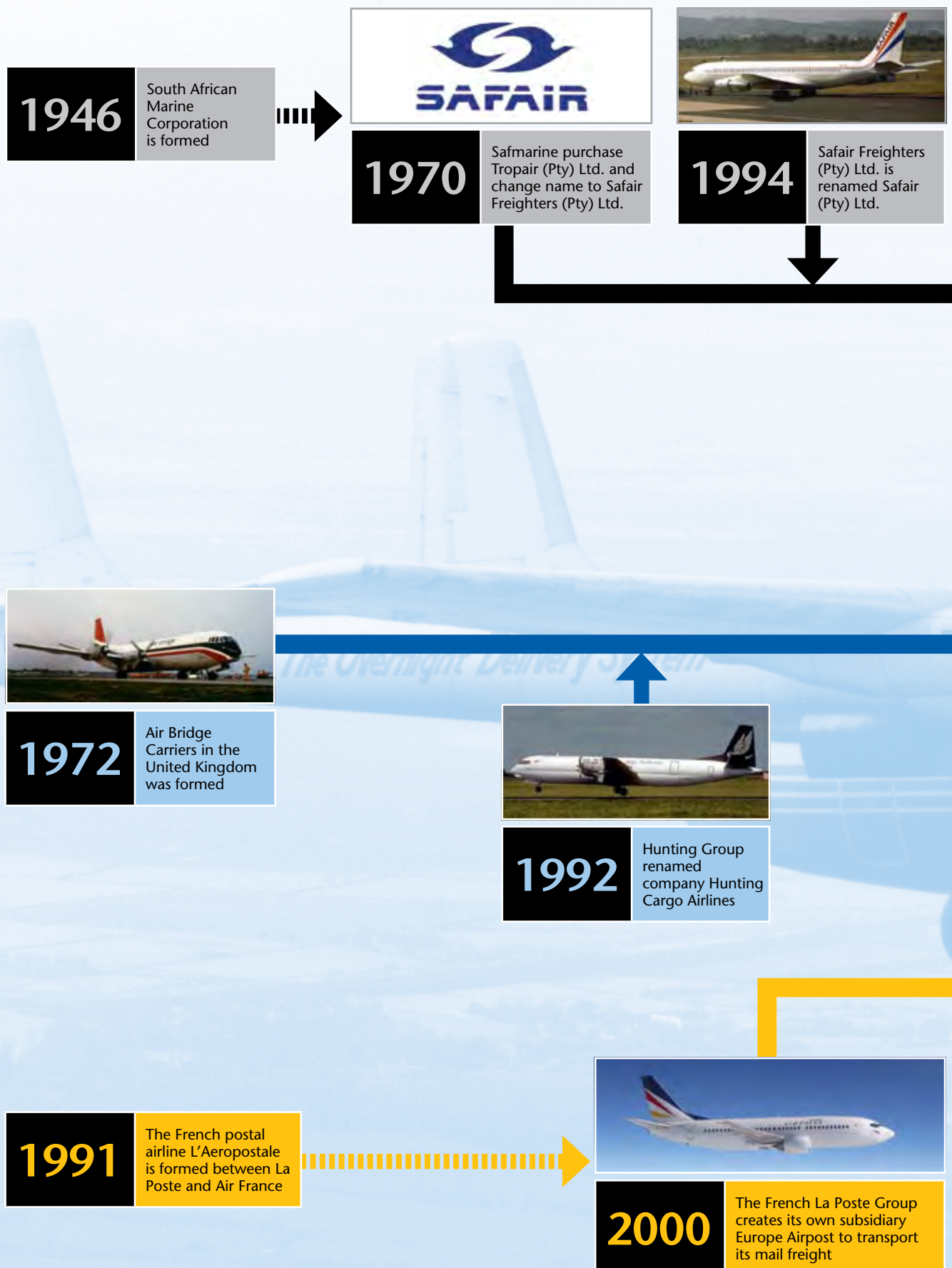
ACL Leasing Aviation & Air

Dublin, Ireland

Safair Lease Finance

Johannesburg, South Africa

History of the ASL Aviation Group





2001

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



1998

Purchased by CMB & Safair Renamed Air Contractors



2007

Shareholding changed to CMB & 3P Airfreighters/ Petercam



2010

Purchase of Safair Operations and Safair Lease Finance



2004

Purchase of BAC Group in Southend, UK



2008

Formation of ASL Aviation Group Purchase of Europe Airpost



2002

The Company's aircraft fleet dons its new livery



2003

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

ASL
AVIATION
GROUP

Fleet summary of owned aircraft

AS AT 31 DECEMBER 2011

TYPE	MSN	COUNTRY OF REGISTRATION	YEAR OF MANUFACTURE	CONFIGURATION
AIRBUS				
A300 B4-203 F	220	Ireland	1982	freighter
A300 B4-203 F	274	Ireland	1983	freighter
A300 B4-100 F	184	Ireland	1982	freighter
A300 B4-100 F	189	Ireland	1982	freighter
A300 B4-200 F	152	Ireland	1981	freighter
A300 B4-200 F	234	Ireland	1983	freighter
A300 B4-200 F	236	Ireland	1983	freighter
A300 B4-200 F	259	Ireland	1983	freighter
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	28898	France	1997	quick change
B737-300	29333	France	1998	quick change
B737-300	29336	France	1999	quick change
B737-300	26850	France	1992	quick change
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
B737-400	27143	South Africa	1993	combi
ATR				
ATR 42-300	149	Ireland	1989	freighter
ATR 42-320	115	Spain	1989	passenger
ATR 42-500	623	Czech Republic	2004	passenger
ATR 42-500	625	Czech Republic	2004	passenger
ATR 42-500	629	Czech Republic	2004	passenger
ATR 42-500	633	Czech Republic	2005	passenger
ATR 42-500	635	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	395	Ireland	1994	freighter
ATR 72-212	387	Ireland	1994	passenger
ATR 72-212	405	Ireland	1994	passenger
ATR 72-500	674	India	2001	passenger
ATR 72-500	679	India	2001	passenger
ATR 72-500	681	India	2001	passenger
HERCULES*				
L-382	4388	South Africa	1970	standard
L-382	4673	Ireland	1976	standard
L-382	4695	South Africa	1984	standard
FOKKER				
Fokker F27	10369	Italy	1969	freighter
Fokker F27	10373	Italy	1969	freighter
Fokker F27	10377	Italy	1969	freighter
Fokker F27	10378	Italy	1969	freighter

* Commitment at 31/12/2011 to purchase 5 additional Hercules aircraft in February 2012

Current Group fleet

at April 2012

Operated fleet

1

Boeing 737-400
Combi (owned)



2

Boeing 737-700



11

ATR 72
(4 owned)



5

ATR 42



8

Hercules
(8 owned)*



12

Airbus A300-B4
(8 owned)



20

Boeing 737-300
(8 owned)



*one aircraft held for sale

Owned fleet - leased out

5

Boeing 737-800



4

Fokker F27



5

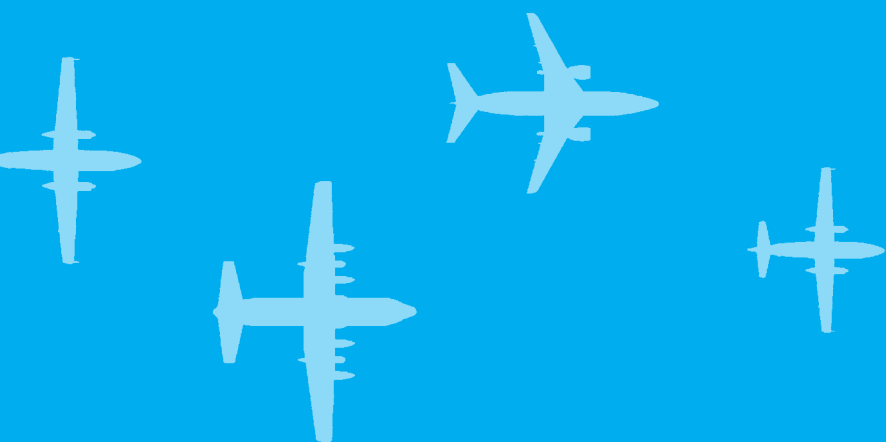
ATR 72



9

ATR 42





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