

# 2012

ASL Aviation Group Limited  
**Annual Report**



**ASL**  
AVIATION  
GROUP

# ASL Aviation Group - Unrivalled Expertise and Experience



## Passenger Operations    Cargo Operations    Aviation Support    Aircraft Leasing

ASL Aviation Group



Air Contractors (Ireland)



Europe Airpost



Safair



Air Contractors Engineering



ACLAS Global



## 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** 693,000 p.a.

**Freight** 327,000 Tons p.a. | 64,300 Hours p.a.





ASL  
AVIATION GROUP



## Contents

### Chairman's Overview

- 4 Report of the Chairman

### Operational and Financial Highlights

- 5 Financial Highlights  
7 Highlights for 2012  
8 Report of the Executive

### Governance Statements and Structure

- 11 Corporate Governance  
13 Corporate Social Responsibility  
14 Group Ownership  
15 Organisation

### Other information

- 16 History of the ASL Aviation Group  
18 Fleet summary of owned aircraft  
19 Current Group fleet

# Report of the Chairman

## Trading Results and Financial Strength

It is pleasing that the ASL Aviation Group has continued to report strong trading results for 2012 following its excellent 2011 results. With little or no noticeable improvement in aviation industry conditions, it is a credit to the Group that the net profitability reduced only slightly from €30.5 million in 2011 to €26.1 million in 2012.

Most notable from the trading is the reduction in turnover which is a combination of the reduced passenger activity and a reduction in the rates of certain aircraft lease contracts. European passenger activity continues to be weaker and structural changes in the industry are reducing the opportunities available to the Group in this market. The passenger activity using existing aircraft from the cargo activity has historically been lucrative. The core cargo contracts continue to generate good value for the Group, some of which were extended and augmented by new fleet types in 2012. Whilst the Group is able to report strong gains on aircraft trading activity, reflecting a sound valuation and aircraft planning strategy, the Group has been exposed to US dollar and reported a loss from currency exposures and trading.

## Strategy

Much of the evolution of the fleet during 2012 was directed at supporting ASL's strategy for the sourcing and conversion of Boeing 737-400 aircraft to support the fleet development of the airline businesses described above. The fleet type is emerging strongly as the preeminent cargo aircraft in its category, especially as

recent reductions in the acquisition costs of the aircraft make the type more economical. Four aircraft of this type were acquired and put into conversion. In addition the Group disposed of three ATR aircraft at a profit out of the leasing fleet and reduced the number of Airbus A300-B4 aircraft through three aircraft retirements. The financial performance of the leasing activity remains robust.

As was reported in the media during the year, ASL had confirmed an interest in acquiring the airline operations of a major integrator. Unfortunately this deal did not complete due to regulatory issues with regard to the broader merger transaction, of which the airline transaction was a part.

## Outlook

Through its long term commitments from customers and advance sales of passenger activity, ASL is optimistic that 2013 will continue to provide stable results. Aircraft values, the effects of aviation regulation, fuel prices and currency exchange rates remain the main uncertainties facing the business.

## Finally

Once again it is important to recognise the particular expertise and dedication of the management and employees of ASL that contributes significantly to the Group's success. I would like, on behalf of the board, to thank the people of ASL Aviation Group for their efforts and contribution throughout this year.

**Mr Ludwig Criel**  
CHAIRMAN

## Financial Highlights



### Financial Numbers

	2012 €'000's	% change	2011 €'000's	2010 €'000's
Revenue	<b>380,037</b>	<b>-6.7%</b>	407,284	339,517
EBITDA	<b>75,429</b>	<b>-11.7%</b>	85,462	53,405
EBIT	<b>42,799</b>	<b>-13.5%</b>	49,487	27,228
Net Profit	<b>26,064</b>	<b>-14.4%</b>	30,452	14,339
Total Assets	<b>411,805</b>	<b>-7.9%</b>	446,964	448,197
Total Equity	<b>146,751</b>	<b>+18.1%</b>	124,287	88,805

### Operational Numbers

	2012	2011	2010
Hours Flown	64,346	68,012	65,566
Passengers Carried	693,000	814,000	802,000
Reliability	99.4%	99.8%	99.5%



# Highlights for 2012

<b>January</b>	► Three Boeing B737-300 freighter aircraft enter service, operating three new routes for DHL.
<b>February</b>	► Safair completes the purchase of five Hercules aircraft, bringing the operating fleet size to a total of eight.
<b>March</b>	► Safair's first Boeing B737-400 Combi aircraft arrives in Johannesburg, South Africa ahead of operations commencing in Uganda in May.
<b>April</b>	► The sale of Hercules aircraft registration ZS-ORC to Uganda Air Cargo is completed.
<b>May</b>	► Air Contractors Engineering commences Boeing B757 Line Maintenance operations at Edinburgh airport. ► Airbus A300 EI-OZB retires after 15 years of service with Europe Airport/Air Contractors (Ireland). ► Europe Airport signs a lease for its first two Boeing B737-400 freighter aircraft, making it the first company to introduce this type of aircraft in France. ► ASL Aviation Group signs agreement to purchase three Boeing B737-400 aircraft from Qantas Airways Limited. This brings the total of B737-400 aircraft owned/leased by the Group to seven.
<b>June</b>	► ACL Aviation Support Limited completes its rebrand and changes its name to ACLAS Global Limited to reflect the diverse geographical market and reach of ASL's spares support business. ► The first of the three Boeing B737-400 aircraft purchased by ASL Aviation Group is flown to Miami, Florida to commence its conversion to a full freighter.
<b>September</b>	► The first of three ATR72-500 aircraft within the aircraft leasing portfolio is delivered to long-term customer Czech Airlines to begin a long term lease.
<b>October</b>	► Following its freighter conversion the first of the Boeing B737-400 aircraft purchased by ASL Aviation Group enters service for Air Contractors (Ireland). ► Airbus A300 EI-OZI retires from service with Air Contractors (Ireland).
<b>November</b>	► A new loan facility is agreed with a major bank. The loan is secured by the newly acquired and recently leased aircraft.
<b>December</b>	► Air Contractors (Ireland) began its first Airbus A300-600 freighter operation with EI-OZJ. The aircraft operates initially on the integrator network and will then expand its operations to the Far East in January 2013 when the aircraft will begin flying for Air Hong Kong.

# Report of the Executive

The airline activities of the Group continue to trade successfully in spite of the difficult market conditions.

**Europe Airstop** has reported an increased shift towards cargo activity due to a reduction in passenger activity as a result of weak markets. This has been reflected by a sixteen percent increase in both 'number of cargo hours flown' and 'tonnes of cargo carried'. The introduction of the larger Boeing 737-400 with an approximate twenty five percent increase in capacity over the B737-300 has been introduced on certain routes. This fleet change has made a positive contribution without impacting on reliability, which continues to be of an exceptional level. A portion of the increase has been with the European integrator market, reducing some of the reliance on postal freight whilst at the same time certain contracts with the postal agencies were extended in the year.

The operations of **Air Contractors** (Ireland) have continued to evolve in 2012. Whilst the recurrent core activity remains the turboprop ATR cargo operations, the emergence of narrowbody jet Boeing 737 activity has continued to replace some of the Airbus widebody operations that are reducing, as the fleet type approaches the end of its economic life. The commencement of operations for a major integrator with the replacement fleet in Hong Kong represents a significant extension of the airline's geographic activity and also a significant step in the company's expansion into the Boeing 737 fleet type. Reliability remains the bedrock of the company's service proposition and the figures set out below for 2012, reflect the continued excellent performance.

**Safair** continues to successfully operate a mixed Hercules and Boeing fleet, largely in the aid and relief sector and to support aircraft leasing activity in the region. Safair sold one Hercules aircraft during the year and continues to develop the narrow body jet market. Safair is also developing the B737-400 Combi aircraft which allows passenger and cargo to be carried simultaneously in separate compartments on the main deck. This will facilitate an increase in passenger numbers on this aircraft type.

The Group has a developing **ATR spares trading** activity. This coupled with its capability as the OEM supplier of Shorts aircraft spares enabled the Group to generate revenue of approximately €16m from sales to external customers. Other support activity includes the ATR base maintenance facility, located in Edinburgh.

The **leasing activity** continues to be a solid financial performer with 50 aircraft currently leased to seven customers generating €40m of revenue, a roughly attributable contribution of €11m after tax.



<b>Europe Airport</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Number of hours	<b>33,223</b>	36,406	36,142
Number of hours cargo	<b>15,645</b>	13,459	13,846
Tonnes of cargo carried	<b>75,660</b>	64,940	64,339
Number of passenger hours	<b>17,578</b>	22,947	22,296
Number of passengers carried	<b>597,039</b>	730,020	842,898
Reliability	<b>99.06%</b>	99.56%	100%

<b>Air Contractors</b>	<b>2012</b>		<b>2011</b>		<b>2010</b>	
	<b>Number of aircraft</b>	<b>Number of hours</b>	<b>Reliability</b>	<b>Number of aircraft</b>	<b>Number of hours</b>	<b>Reliability</b>
ATR 42	<b>6</b>	<b>5,556</b>	<b>98.9%</b>	5	5,679	98.7%
ATR 72	<b>11</b>	<b>8,462</b>	<b>98.2%</b>	11	8,931	98.8%
A300	<b>9</b>	<b>8,576</b>	<b>96.9%</b>	12	13,572	96.7%
B737	<b>2</b>	<b>2,029</b>	<b>95.2%</b>	-	-	-

	<b>2012</b>	<b>2011</b>	<b>2010</b>
Tonnes of cargo carried	<b>224,682</b>	273,102	248,622
Number of passengers carried	<b>63,154</b>	73,691	50,432

<b>Safair</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Number of hours flown	<b>6,497</b>	8,806	5,494
Tonnes of cargo carried	<b>26,476</b>	27,707	24,193
Number of passengers carried	<b>32,504</b>	19,190	22,087



# Corporate Governance

## Board of directors

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 four executive directors of the subsidiary companies and two directors of ASL.

In 2012, 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 two weeks 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 2012, 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 committee 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, Emissions Trading Scheme credits, 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 the 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.

In 2012, the European airlines within the Group participated for the first time in the European Emissions Trading Scheme and by paying for emissions made a financial contribution in the area. Both airlines have successfully completed the mandatory registration and initial steps for participation.

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



### 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

<b>Airlines</b>	Safair Operations Johannesburg, South Africa Passenger, cargo and aid and relief	Air Contractors Ireland Dublin, Ireland Passenger and cargo	Europe Airpost Paris, France Passenger and cargo
<b>Support</b>	Air Contractors Engineering Edinburgh, Scotland Maintenance facility	ACLAS Global Southend-on-Sea, United Kingdom Spares provisioning	
<b>Leasing</b>	ASL Aircraft Investment ACL Leasing ACL Aviation 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

**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.



## 2007

Shareholding changed to CMB & 3P Airfreighters/Petercam

## 2010

Purchase of Safair Operations and Safair Lease Finance



## 2008

Formation of ASL Aviation Group  
Purchase of Europe Airpost



## 2003

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



# Fleet Summary of owned aircraft

As at 31 December 2012

Type	MSN	Country of registration	Year of manufacture	Configuration
<b>AIRBUS</b>				
A300 B4-100 F	152	Ireland	1981	freighter
A300 B4-203 F	220	Ireland	1982	freighter
A300 B4-100 F	234	Ireland	1983	freighter
A300 B4-100 F	236	Ireland	1983	freighter
A300 B4-100 F	259	Ireland	1983	freighter
A300 B4-203 F	274	Ireland	1983	freighter
<b>BOEING</b>				
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
B737-400	24433	USA	1990	freighter
B737-400	24440	Ireland	1992	freighter
B737-400	24446	Ireland	1994	freighter
B737-400	26961	USA	1995	passenger
<b>ATR</b>				
ATR 42-300	149	Ireland	1989	freighter
ATR 42-320	115	Spain	1989	passenger
ATR 42-500	625	Czech Republic	2004	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
<b>HERCULES</b>				
L-382	4673	Ireland	1976	standard
L-382	4208	South Africa	1967	standard
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	4695	South Africa	1984	standard
<b>FOKKER</b>				
Fokker F27	10369	Italy	1969	freighter
Fokker F27	10373	Italy	1969	freighter
Fokker F27	10377	Italy	1969	freighter
Fokker F27	10378	Italy	1969	freighter

# Current Group fleet

As at 31 December 2012

## Operated Fleet - 59 Aircraft



**7** Boeing 737-400  
(5 owned)



**2** Boeing 737-700



**9** ATR 72  
(4 owned)



**5** ATR 42



**7** Hercules  
(7 owned)



**10** Airbus A300-B4  
(6 owned)



**19** Boeing 737-300  
(8 owned)

## Owned Fleet - Leased out - 20 Aircraft



**5** Boeing 737-800



**4** Fokker F27



**5** ATR 72



**6** ATR 42

# Contact information

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16



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1. ATR72-202 EI-SLG and B737-400 Freighter EI-STB parked at SNN airport
  2. B737-400 Freighter EI-STB parked at SNN airport
  3. Air Contractors Cabin Crew (L-R): Beata Szuler, Pasquale Aluzzi and Evelina Wiatr on board Boeing 737 aircraft EI-STA at DUB airport.
  4. Air Contractors, Cargo flight operations, SNN airport
  5. Stephane Lempire, Europe Airpost Operations, CDG
  6. Ken Clancy, Air Contractors, SNN airport
  7. Interior of Boeing B737-400 aircraft EI-STB
  8. Capt Pascal Pouilly, Europe Airpost CDG airport
  9. Brendan Smyth, Adrian Williamson, Peter Scott and David Slipper, Air Contractors, Dublin
  10. Ian Reece, Colin Grant and Hugh Flynn, ASL Aviation Group, Dublin
  11. Colm Fitzgerald, Air Contractors, SNN airport
  12. Benoit Subra, Richard Vicente, Stephane Lempire and Sandy de Stercke, Europe Airpost Operations Personnel at CDG
  13. Safair Hercules aircraft ZS-RSC, Antarctica
  14. Europe Airpost cargo flight operations, CDG airport
  15. Interior of B737-400 main deck
  16. Safair Hercules aircraft ZS-RSC, Antarctica



13

14

15



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