Al Shindagha Sukuk Limited

(incorporated with limited liability under the laws of the Cayman Islands)

U.S.$500,000,000 Trust Certificates due 2019

The U.S.$500,000,000 trust certificates due 2019 (the "**Certificates**") of Al Shindagha Sukuk Limited (in its capacity as issuer and in its capacity as trustee, the "**Trustee**") will be constituted by a declaration of trust (the "**Declaration of Trust**") dated 26 November 2014 (the "**Issue Date**") entered into between the Trustee, Dubai Aviation Corporation (trading as "**flydubai**") and Deutsche Trustee Company Limited as the delegate of the Trustee (the "**Delegate**"). The Certificates confer on the holders of the Certificates from time to time (the "**Certificateholders**") the right to receive certain payments (as more particularly described herein) arising from an undivided ownership interest in the assets of a trust declared by the Trustee pursuant to the Declaration of Trust (the "**Trust**") over the Trust Assets (as defined herein) which will include, *inter alia*: (i) the Rights to Travel (as defined herein); and (ii) the Trustee's rights under the Transaction Documents (as defined herein).

Periodic Distribution Amounts (as defined herein) shall be payable subject to and in accordance with the terms and conditions of the Certificates (the "**Conditions**") on the outstanding face amount of the Certificates from (and including) the Issue Date to (but excluding) 26 November 2019 (the "**Scheduled Dissolution Date**") at a rate of 3.776 per cent. per annum. Payments on the Certificates will be made free and clear of, and without deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Cayman Islands, the United Arab Emirates or the Emirate of Dubai or any authority therein or thereof having power to tax to the extent described under Condition 10 (*Taxation*).

The Certificates will be redeemed on the Scheduled Dissolution Date unless the Certificates are redeemed before the Scheduled Dissolution Date (i) at the option of the Trustee in whole but not in part at their Dissolution Distribution Amount (as defined in the Conditions) in the event of certain changes affecting taxes of the Cayman Islands, the United Arab Emirates and/or the Emirate of Dubai; (ii) at the option of the relevant Certificateholder at their Dissolution Distribution Amount following a Change of Control (each as defined in the Conditions); or (iii) following a Dissolution Event at their Dissolution Distribution Amount (each as defined in the Conditions).

Each payment of a Periodic Distribution Amount will be made by the Trustee provided that flydubai shall have paid amounts equal to such Periodic Distribution Amount pursuant to the terms of the Service Agency Agreement and/or the Purchase Undertaking, as the case may be (each as defined in the Conditions).

The Certificates will be limited recourse obligations of the Trustee. An investment in the Certificates involves certain risks. For a discussion of these risks, see "*Risk Factors*". Potential investors should be aware that the Government of Dubai is not guaranteeing the obligations of flydubai or the Trustee under, or in connection with, the Certificates.

This Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**") as competent authority under Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State) (the "**Prospectus Directive**"). The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and European Union (EU) law pursuant to the Prospectus Directive. Such approval relates only to the Certificates which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC or which are to be offered to the public in any Member State of the European Economic Area. Application has been made to the Irish Stock Exchange for the Certificates to be admitted to the official list (the "**Official List**") and trading on its regulated market (the "**Main Securities Market**"). The Main Securities Market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC) ("**MiFID**"). This Prospectus has been approved by the Dubai Financial Services Authority (the "**DFSA**") under the DFSA's Markets Rule 2.6 and is therefore an approved prospectus for the purposes of Article 14 of the DFSA's Markets Law 2012. Application has also been made to the DFSA for the Certificates to be admitted to the official list of securities maintained by the DFSA and to NASDAQ Dubai for such Certificates to be admitted to trading on NASDAQ Dubai. References in this Prospectus to Certificates being listed (and all related references) shall mean that such Certificates have been admitted to listing on the Official List and the official list of securities maintained by the DFSA and have been admitted to trading on the Main Securities Market and on NASDAQ Dubai.

The Certificates will be represented by interests in a global certificate in registered form (the "**Global Certificate**") deposited on or before the Issue Date with, and registered in the name of a nominee for, a common depositary (the "**Common Depositary**") for Euroclear Bank S.A/N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Definitive Certificates evidencing holdings of interests in the Certificates will be issued in exchange for interests in the Global Certificate only in certain limited circumstances described herein.

This Prospectus relates to an Exempt Offer in accordance with the Markets Rules (the "**Markets Rules**") of the DFSA. This Prospectus is intended for distribution only to persons of a type specified in the Markets Rules. It must not be delivered to, or relied on by, any other person. The DFSA does not accept any responsibility for the content of the information included in this Prospectus, including the accuracy or completeness of such information, nor has it determined whether the Certificates are *Shari'a* compliant. The liability for the content of this Prospectus lies with the Trustee and flydubai. The DFSA has also not assessed the suitability of the Certificates to which this Prospectus relates to any particular investor or type of investor. If you do not understand the contents of this Prospectus or are unsure whether the Certificates to which this Prospectus relates are suitable for your individual investment objectives and circumstances, you should consult an authorised financial adviser.

The Certificates may only be offered, sold or transferred in registered form in minimum face amounts of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

Joint Lead Managers

Crédit Agricole CIB
Emirates NBD Capital
Noor Bank P.J.S.C.

HSBC

Dubai Islamic Bank P.J.S.C.
National Bank of Abu Dhabi
Standard Chartered Bank

Co-Managers

Arab Banking Corporation (B.S.C.)

Sharjah Islamic Bank P.J.S.C.

Union National Bank P.J.S.C.

The date of this Prospectus is 24 November 2014

This Prospectus complies with the requirements in Part 2 of the Markets Law (DIFC Law No.1 of 2012) and Chapter 2 of the Markets Rules and comprises a prospectus for the purposes of the Prospectus Directive. This Prospectus is for the purpose of giving information with regard to the Trustee, flydubai and the Certificates which, according to the particular nature of the Trustee, flydubai and the Certificates, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Trustee and flydubai.

The Trustee and flydubai accept responsibility for the information contained in this Prospectus. To the best of the knowledge of each of the Trustee and flydubai, each having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

To the best of the knowledge and belief of the Trustee and flydubai, the information contained in this Prospectus is true and accurate in every material respect and is not misleading and this Prospectus, insofar as it concerns such matters, does not omit to state any material fact necessary to make such information not misleading. The opinions, assumptions, intentions, projections and forecasts expressed in this Prospectus with regard to the Trustee and flydubai are honestly held by the Trustee and flydubai, have been reached after considering all relevant circumstances and are based on reasonable assumptions and are not misleading in any material respect. The Trustee and flydubai accept responsibility for the information contained in this Prospectus.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Trustee, flydubai or the Managers to subscribe or purchase, any of the Certificates. None of the Managers, the Trustee, the Delegate or flydubai makes any representation to any investor in the Certificates regarding the legality of its investment under any applicable laws. Any investor in the Certificates should be able to bear the economic risk of an investment in the Certificates for an indefinite period of time.

The distribution of this Prospectus and the offering and sale of the Certificates in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Trustee, flydubai and the Managers to inform themselves about and to observe any such restrictions. None of the Trustee, the Delegate, flydubai or the Managers represents that this Prospectus may be lawfully distributed, or that the Certificates may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Trustee, the Delegate, flydubai or the Managers which is intended to permit a public offering of the Certificates or distribution of this Prospectus in any jurisdiction where action for that purpose is required.

Accordingly, the Certificates may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

For a description of further restrictions on offers and sales of Certificates and distribution of this Prospectus, see "*Subscription and Sale*" below.

No person is authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Trustee, the Delegate, flydubai or the Managers. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Trustee or flydubai since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Trustee or flydubai since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Certificates is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Neither this Prospectus nor any other information supplied in connection with the issue of the Certificates (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Trustee, the Delegate, flydubai or any of the Managers that any recipient of this Prospectus or any other information supplied in connection with the issue of the Certificates should purchase any Certificates. Each investor contemplating purchasing any Certificates should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Trustee and flydubai. Furthermore, no comment is made or advice given by the Trustee, the Delegate, flydubai or the Managers in respect of taxation matters relating to any Certificates or the legality of the purchase of Certificates by an investor under applicable or similar laws. None of the Managers undertakes to review the financial condition or affairs of the Trustee or flydubai during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Certificates of any information coming to the attention of any of the Managers.

Each potential investor in the Certificates must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Certificates, the merits and risks of investing in the Certificates and the information contained in this Prospectus;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Certificates and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Certificates, including where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Certificates and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Certificates are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Certificates unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Certificates will perform under changing conditions, the resulting effects on the value of such Certificates and the impact this investment will have on the potential investor's overall investment portfolio.

EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN TAX ADVISER, LEGAL ADVISER AND BUSINESS ADVISER AS TO TAX, LEGAL, BUSINESS AND RELATED MATTERS CONCERNING THE PURCHASE OF CERTIFICATES.

To the fullest extent permitted by law, the Managers accept no responsibility whatsoever for the contents of this Prospectus, or for any other statement made or purported to be made by a Manager or on its behalf in connection with the Trustee, flydubai or the issue and offering of the Certificates. Each Manager accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement. No representation or warranty, expressed or implied, is made or given by or on behalf of the Managers, nor any person who controls them, or any director, officer, employee or agent of them, or affiliate of any such person, as to the accuracy, completeness or fairness of the information or opinions contained in this document and such persons do not accept responsibility or liability for any such information or opinions.

The Certificates have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Each purchaser of the Certificates is hereby notified that the offer and sale of Certificates to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S under the Securities Act ("**Regulation S**").

The transaction structure relating to the Certificates (as described in this Prospectus) has been approved by the *Shari'a* Board of Crédit Agricole Corporate and Investment Bank, the Executive Committee of the Fatwa and *Shari'a* Supervisory Board of Dubai Islamic Bank P.J.S.C., Dar Al Sharia Legal & Financial Consultancy, the Executive *Shariah* Committee of HSBC Saudi Arabia Limited, the Fatwa and *Shari'a* Supervisory Board of Noor Bank P.J.S.C. and the *Shari'a* Supervisory Committee of Standard Chartered Bank. Prospective Certificateholders should not rely on such approvals in deciding whether to make an investment in the Certificates and should consult their own *Shari'a* advisers as to whether the proposed transaction described in such approvals is in compliance with their individual standards of compliance with *Shari'a* principles.

Stabilisation

In connection with the issue of the Certificates, HSBC Bank plc (the "**Stabilising Manager**") (or persons acting on behalf of the Stabilising Manager) may over-allot Certificates or effect transactions with a view to supporting the market price of the Certificates at a level higher than that which might otherwise prevail, but in so doing, the Stabilising Manager shall act as principal and not as agent of the Trustee or flydubai. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the Issue Date and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Certificates. The Stabilising Manager (or persons acting on behalf of the Stabilising Manager) must conduct such stabilisation in accordance with all applicable laws and rules.

Cautionary note regarding forward-looking statements

This Prospectus contains "forward-looking statements" — that is, statements related to future, not past, events. In this context, forward-looking statements often address flydubai's expected future business and financial performance, and often contain words such as "expect", "anticipate", "intend", "may", "plan", "believe", "seek" or "will". Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For flydubai, particular uncertainties that could adversely affect its future results include: fluctuations in interest and exchange rates, rises in jet fuel prices, changes in general political, social and economic conditions, and the impact of regulation and regulatory, investigative and legal actions. Although flydubai believes that the expectations, estimates and projections reflected in flydubai's forward-looking statements are reasonable, if one or more of the risks or uncertainties materialise including those which flydubai has identified in the Prospectus, or if any of flydubai's underlying assumptions prove to be incomplete or inaccurate, flydubai's actual future results may be materially different than those expressed in its forward-looking statements.

The forward-looking statements in this Prospectus speak only as of the date of this Prospectus.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*". Without prejudice to any requirements under applicable laws and regulations, flydubai expressly disclaims any obligation or undertaking to disseminate after the date of this Prospectus any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any forward-looking statement is based.

Presentation of certain financial and other information

The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements or appoint any auditors.

The financial statements relating to flydubai included in this document are the unaudited interim condensed financial statements as of and for the six months ended 30 June 2014 (the "**Unaudited Interim Financial Statements**") and the audited financial statements as of and for the financial years ended 31 December 2013 (the "**2013 Audited Financial Statements**") and 31 December 2012 (the "**2012 Audited Financial Statements**" and, together with the 2013 Audited Financial Statements, the "**Audited Annual Financial Statements**". flydubai's financial year ends on 31 December and references in this document to a "financial year" are to the twelve-month period ended on 31 December of the year referred to.

The Audited Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board (the "**IASB**"). The Audited Annual Financial Statements have been audited in accordance with the International Standards on Auditing by PricewaterhouseCoopers, Dubai Branch, ("**PwC**"), independent auditors, as stated in their reports appearing herein. The Unaudited Interim Financial Statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("**IAS 34**"). The Unaudited Interim Financial Statements have been reviewed by PwC in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity" ("**ISRE 2410**"), independent auditors, as stated in their report appearing herein. flydubai publishes its financial statements in UAE dirham.

Certain differences between IFRS, IFRS as adopted by the European Union ("IFRS-EU") and General Accepted Accounting Principles in the United States ("U.S. GAAP")

The Audited Annual Financial Statements have been prepared and presented in accordance with IFRS and the Unaudited Interim Financial Statements in accordance with IAS 34. Certain differences exist between IFRS, IFRS-EU and U.S. GAAP which might be material to the financial information herein. This Prospectus does not include any reconciliation to IFRS-EU or U.S. GAAP with respect to any financial statements and related footnote disclosures included herein or any other financial information prepared and presented in accordance with IFRS. Moreover, this Prospectus does not include any narrative description of the differences between IFRS, IFRS-EU and U.S. GAAP and flydubai has made no attempt to identify or quantify the differences between IFRS, IFRS-EU and U.S. GAAP that might be applicable to flydubai or their respective financial statements and related footnote disclosures or other financial information. It is possible that a reconciliation or other qualitative or quantitative analysis would identify material differences between the financial statements and related footnote disclosures included herein and other financial information prepared under IFRS, IFRS-EU and U.S. GAAP.

Non-GAAP measures

This Prospectus includes certain references to non-GAAP measures such as the EBITDAR, net debt, net debt to total capital, profit margin, EBITDAR margin, net debt to equity ratio, net debt (including aircraft operating leases) to equity ratio. flydubai uses these non-GAAP measures to evaluate its performance, and this additional financial information is presented in this Prospectus. This information is not prepared in accordance with IFRS and should be viewed as supplemental to flydubai's financial statements. Investors are cautioned not to place undue reliance on this information and should note that EBITDAR, net debt, net debt to total capital, profit margin, EBITDAR margin, net debt to equity ratio, net debt (including aircraft operating leases) to equity ratio as calculated by flydubai, may differ materially from similarly titled measures reported by other companies, including flydubai's competitors.

Presentation of Industry Data

In this Prospectus, references to:

- "**ASKM**" are to available seat kilometres, an airline industry measure of passenger capacity calculated as the number of seats available multiplied by the distance flown;

- "**Breakeven seat factor**" are to the overall load factor at which revenue will equal operating costs;

- "**IATA**" are to the International Air Transport Association;

- "**Overall seat factor**" are to RPKM divided by ASKM, an airline measure of aircraft passenger use;

- "**Overall yield**" are to revenue earned per RPKM and expressed in fils per RPKM, an airline measure of performance;

- "**RPKM**" are to revenue passenger kilometres, an airline industry measure of passenger traffic calculated as the number of passengers carried multiplied by the distance flown; and

- "**Unit costs**" are to airline operating costs incurred per ASKM.

Presentation of Other Information

In this document, references to:

- "**AED**", "**dirham**" or "**fils**" are to the lawful currency of the UAE. One dirham equals 100 fils;

- "**CIS**" are to the Commonwealth of Independent States;

- "**Dubai**" are to the Emirate of Dubai;

- "**GAAP**" are to generally accepted accounting principles;

- "**GCC**" are to the Gulf Cooperation Council, which comprises Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE;

- "**UAE**" are to the United Arab Emirates; and

- "**U.S.$**" or "**U.S. dollars**" are to the lawful currency of the United States.

The dirham has been pegged to the U.S. dollar since 22 November 1980. The mid point between the official buying and selling rates for the dirham is at a fixed rate of AED 3.6725 = U.S.$1.00. All U.S. dollar translations of dirham amounts appearing in this document have been translated at this fixed exchange rate. Such translations should not be construed as representations that dirham amounts have been or could be converted into U.S. dollars at this or any other rate of exchange.

Certain financial and statistical amounts included in this Prospectus are approximations or have been subject to rounding adjustments. Accordingly, amounts shown as derivations or totals in certain tables may not be exact arithmetic derivations or aggregations of the amounts that precede them.

The language of this Prospectus is English. Information contained in any website referred to herein does not form part of this Prospectus.

Certain Publicly Available Information

Certain statistical data and other information appearing in this Prospectus, including under the heading "Airline Industry Overview", have been extracted from public sources identified in this Prospectus such as the IATA. None of the Managers, the Trustee nor flydubai accepts responsibility for the factual correctness of any such statistics or information but both the Trustee and flydubai accept responsibility for accurately extracting and transcribing such statistics and information and believe, after due inquiry, that such statistics and information represent the most current publicly available statistics and information from such sources at the dates and for the periods with respect to which they have been presented. Both the Trustee and flydubai confirm that all such third party information has been accurately reproduced and, so far as the Trustee and flydubai are aware and have been able to ascertain from that published information, no facts have been omitted which would render the reproduced information inaccurate or misleading.

NOTICE TO U.K. RESIDENTS

The Certificates constitute "alternative finance investment bonds" within the meaning of Article 77A of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 as amended by the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2010. This Prospectus is not being distributed to, and must not be passed on to, the general public in the United Kingdom.

The distribution in the United Kingdom of this Prospectus and any other marketing materials relating to the Certificates is being addressed to, or directed at, only the following persons: (i) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Financial Promotion Order**"); (ii) persons falling within any of the categories of persons described in Article 49 of the Financial Promotion Order; and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Financial Promotion Order. Persons of any other description in the United Kingdom may not receive and should not act or rely on this Prospectus or any other marketing materials in relation to the Certificates.

Potential investors in the Certificates in the United Kingdom are advised that all, or most, of the protections afforded by the United Kingdom regulatory system will not apply to an investment in the Certificates and that compensation will not be available under the United Kingdom Financial Services Compensation Scheme.

Any individual intending to invest in the Certificates should consult his professional adviser and ensure that he fully understands all the risks associated with making such an investment and that he has sufficient financial resources to sustain any loss that may arise from such investment.

CAYMAN ISLANDS NOTICE

No invitation may be made to any member of the public of the Cayman Islands to subscribe for the Certificates.

THE KINGDOM OF SAUDI ARABIA NOTICE

This Prospectus may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the "**Capital Market Authority**").

The Capital Market Authority does not make any representations as to the accuracy or completeness of this Prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus. Prospective purchasers of Certificates should conduct their own due diligence on the accuracy of the information relating to the Certificates. If a prospective purchaser does not understand the contents of this Prospectus, he or she should consult an authorised financial adviser.

NOTICE TO BAHRAIN RESIDENTS

In relation to investors in the Kingdom of Bahrain, securities issued in connection with this Prospectus and related offering documents may only be offered in registered form to existing account holders and accredited investors as defined by the Central Bank of Bahrain (the "**CBB**") in the Kingdom of Bahrain where such investors make a minimum investment of at least U.S.$100,000 or the equivalent amount in any other currency or such other amount as the CBB may determine.

This offer does not constitute an offer of securities in the Kingdom of Bahrain in terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This

Prospectus and related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no securities may be offered, sold or made the subject of an invitation for subscription or purchase, nor will this Prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe for or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors for an offer outside the Kingdom of Bahrain. The CBB has not reviewed, approved or registered this Prospectus or related offering documents and it has not in any way considered the merits of the securities to be offered for investment, whether inside or outside the Kingdom of Bahrain.

Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Prospectus and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Prospectus. No offer of securities will be made to the public in the Kingdom of Bahrain and this Prospectus must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

NOTICE TO RESIDENTS OF THE STATE OF QATAR

This Prospectus does not and is not intended to constitute an offer, sale or delivery of the Certificates under the laws of the State of Qatar and has not been and will not be reviewed or approved by or registered with the Qatar Financial Markets Authority or Qatar Central Bank. The Certificates are not and will not be traded on the Qatar Exchange.

NOTICE TO RESIDENTS OF MALAYSIA

The Certificates may not be offered for subscription or purchase and no invitation to subscribe for or purchase the Certificates in Malaysia may be made, directly or indirectly, and this Base Prospectus or any document or other materials in connection therewith may not be distributed in Malaysia other than to persons falling within the categories set out in Schedule 6 or Section 229(1)(b), Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3) of the Capital Market and Services Act 2007 of Malaysia.

The Securities Commission of Malaysia shall not be liable for any non-disclosure on the part of the Trustee or flydubai and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Base Prospectus.

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RISK FACTORS

Each of the Trustee and flydubai believes that the following factors may affect the Trustee's ability to fulfil its obligations under the Certificates. All of these factors are contingencies which may or may not occur and neither the Trustee nor flydubai is in a position to express a view on the likelihood of any such contingency occurring. Factors which the Trustee and flydubai believe may be material for the purpose of assessing the market risks associated with the Certificates are also described below.

Each of the Trustee and flydubai believes that the factors described below represent the principal risks inherent in investing in the Certificates, but the Trustee may be unable to pay any amounts on or in connection with any Certificate for other reasons and neither the Trustee nor flydubai represents that the statements below regarding the risks of holding any Certificate are exhaustive.

Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

Risks Relating to the Trustee

The Trustee is an exempted limited company incorporated in the Cayman Islands on 14 October 2014. The Trustee has not as at the date of this Prospectus engaged, and will not engage, in any business activity other than the issuance of the Certificates, the acquisition of the Trust Assets as described herein, acting in the capacity as Trustee, and other activities incidental or related to the foregoing as required under the Transaction Documents.

The Trustee's only material assets, which will be held on trust for Certificateholders, will be the Trust Assets, including the right to receive amounts paid by the Service Agent under the Service Agency Agreement.

The ability of the Trustee to pay amounts due on the Certificates will be dependent upon receipt from flydubai of amounts paid under the Service Agency Agreement and Purchase Undertaking (as applicable) (which in aggregate may not be sufficient to meet all claims under the Certificates and the Transaction Documents).

Risks Relating to flydubai

Factors that may affect the Issuer's ability to fulfil its obligations under or in connection with the Certificates

flydubai's business may be significantly adversely affected by a reduction in the volume of travellers using its services, which could be caused by a range of events beyond its control.

flydubai has an extensive route network centered on its home base in Dubai. Almost all of its revenues are derived from business and leisure travel from, to or through Dubai. Its business model and investments in new aircraft and other capital assets (such as spare engines) are predicated on management's growth expectations, which may prove inaccurate if any of the following or other factors that are beyond flydubai's control were to materialise. Accordingly, a reduction in the volume of travellers using its services caused by one or more of a range of factors, which may be short-, medium- or long-term in nature and may be local, regional or global in their effect, could significantly affect the revenue of flydubai.

These factors include, but are not limited to:

- terrorist attacks, such as the 11 September 2001 attacks in the United States, may cause uncertainty in the minds of the travelling public and/or result in increasingly restrictive security measures which can materially adversely affect passenger demand for air travel;

- the occurrence of wars or the threat of war, such as the recent stand-off between Ukraine and Russia, the emergence of the Islamic State threat, the Egyptian and Syrian crisis, which gave rise to a reduction in travel over the Middle East region generally pending the resolution of political and economic uncertainties. In addition, the perceived threat or existence of any armed conflict in the region arising from such tensions may result in the closure or restriction of access to airspace or airports which may also adversely affect flydubai's business and profitability;

- the political tension between countries, or civil unrest within a country (such as recent violent insurrections and/or their aftermath in Ukraine, Bahrain, Egypt, Libya, Syria and Iraq), may also result in the cancellation of, and reductions in, bookings as well as the closure or restriction of access to airspace or airports which may also adversely affect flydubai's business;
- any material decline in global economic activity or within a region, which can significantly affect demand for travel by air and for cargo space. In particular, the prolonged recession in Europe and the weakness in growth in other regions of the world, may adversely affect flydubai's business and profitability;
- epidemics and other natural calamities such as the outbreak of Severe Acute Respiratory Syndrome ("**SARS**") in 2003, which significantly reduced air travel to and from SARS-affected areas, the outbreak of Ebola virus disease in 2014 and the volcanic eruption in Iceland in 2010 which materially adversely affected air travel to, from and within Europe; and
- concerns about the environmental impacts of air travel and tendencies towards "green" travel initiatives which may cause consumers to reduce their air travel activities.

It is not possible for flydubai to predict the occurrence of events or circumstances such as or similar to those outlined above, or the impact of such occurrences. flydubai's financial condition, results of operations and business may be materially adversely affected if one or more of the events or circumstances outlined above were to occur and, as a result, there may be a material adverse effect on flydubai ability to perform its obligations under the Transaction Documents to which it is a party.

flydubai's results of operations may be materially affected by changes in jet fuel prices.

Jet fuel is flydubai's largest operational cost. Jet fuel costs are subject to wide fluctuations as a result of many economic and political factors and events occurring throughout the world that flydubai can neither control nor accurately predict, including increases in demand, sudden disruptions in supply and other concerns about global supply, as well as market speculation. Oil prices increased substantially in the years 2012, 2013 and the first half of 2014, but have since fallen to below U.S.$100 a barrel in September 2014. Substantial price increases, adverse exchange rates, or the unavailability of adequate fuel supplies, including, without limitation, any such events resulting from international terrorism, prolonged hostilities in Ukraine or in the Middle East and other oil producing regions or the suspension of production by any significant producer, may adversely affect flydubai's profitability. In the event of a fuel shortage resulting from a disruption of oil imports or otherwise, additional increases in fuel prices or a curtailment of scheduled services could result. Due to the competitive nature of the airline industry, flydubai may not always be able to pass on increases in jet fuel prices to its customers through increased fares and/or fuel surcharges, particularly in times of lower economic growth or when travel declines generally.

In 2013, flydubai put in place a dynamic fuel hedging policy based on a consistent assessment of the market to manage volatility in fuel cost across financial years, by utilising commodity future contracts. The programme remains dynamic in order to balance the benefits of having certainty of costs through the active hedging against the possibility that fuel prices decline or remain high in the foreseeable future. However, as with any hedging strategy, it carries the possibility of being ineffective and, if so, the cost of jet fuel could have a material adverse effect on flydubai's financial condition, results of operations and business and, as a result, flydubai's' ability to perform its obligations under the Transaction Documents to which it is a party.

flydubai may not be successful in increasing fares to cover rising business costs.

flydubai has limited control over its fuel costs and already has comparatively low operating costs. In periods of high fuel costs, if flydubai is unable to further reduce its other operating costs or generate additional revenues, operating profits are likely to fall, which may have an adverse impact on flydubai's financial condition, results of operations and business and, as a result, a material adverse effect on flydubai's ability to perform its obligations under the Transaction Documents to which it is a party. flydubai cannot offer any assurances regarding its future profitability.

flydubai's business is subject to seasonal patterns over a given financial year.

Whilst the airline industry is subject to seasonal demand patterns, the seasonal impact on flydubai's business between six-month interim periods is considered significant. In the year ended 31 December 2013, flydubai recorded 46 per cent. of total revenues in the six-month period ending 30 June and the remaining 54 per cent. of total revenue was recorded in the six months ending 31 December. Accordingly, a relative shortfall from expected revenue levels materialising in the relevant seasonal period could have an adverse impact on flydubai's financial condition, results of operations and business and, as a result, a material adverse effect on flydubai's ability to perform its obligations under the Transaction Documents to which it is a party.

flydubai's growth may expose it to risks.

flydubai's operations have grown rapidly since they commenced in June 2009. flydubai intends to continue to expand its fleet and add new destinations and additional flights. However, no assurance can be given that this expansion will be successful. If growth in passenger traffic and flydubai's revenues do not keep pace with the expansion of its fleet, flydubai could suffer from overcapacity, which could have a material adverse effect on flydubai's financial condition, results of operations and business and, as a result, a material adverse effect on flydubai's ability to perform its obligations under the Transaction Documents to which it is a party.

The continued expansion of flydubai's fleet and operations, in addition to other factors, may also strain existing management resources and related operational, financial, management information and information technology systems. Expansion will generally require additional skilled personnel, equipment, facilities and systems. An inability to hire skilled personnel or to secure required equipment and facilities efficiently and in a cost-effective manner may adversely affect flydubai's ability to achieve its growth plans and sustain or increase its profitability, which could have a material adverse effect on flydubai's financial condition, results of operations and business and, as a result, a material adverse effect on flydubai's ability to perform its obligations under the Transaction Documents to which it is a party.

Extended disruptions in service affecting DIA in particular or other airports in jurisdictions in which flydubai operates could have a material adverse impact on flydubai's operations.

Any inability to operate flights to or from Dubai International Airport ("DIA") or other airports on flydubai's network as a result of an accident, other catastrophe or for other reasons, any change in the operating policies of DIA or network airports with regards to timing of operations (such as imposing night flight restrictions) or any substantial change in the facilities available to flydubai at DIA or other network airports (or any substantial interruption in their availability to flydubai) could have a material adverse effect on flydubai's financial condition, results of operations and business and, as a result, a material adverse effect on flydubai's ability to perform its obligations under the Transaction Documents to which it is a party.

flydubai has significant funding requirements and may be adversely affected by a shortage of available financing or an increase in its costs of funding.

As of 30 June 2014, flydubai had AED 42.0 billion in authorised and contracted capital commitments in respect of its aircraft fleet. flydubai seeks to finance these capital commitments by using a range of different instruments (including finance leases, operating leases, bank loans, export credit guaranteed financing and capital markets instruments). Because of changing market conditions, flydubai may not in the future be able to obtain financing or otherwise access the capital markets on favourable terms or at all.

If flydubai is unable to obtain sufficient financing at any time to meet its commitments or if its cost of funding increases materially in the future, this could materially adversely affect flydubai's financial condition, results of operations and business and, as a result, materially adversely affect flydubai's ability to perform its obligations under the Transaction Documents to which it is a party.

flydubai is exposed to the risk of significant liability for personal injury or death as a result of accidents or disasters affecting its aircraft. These may not all be covered by insurance and increases in insurance costs or reductions in insurance cover could also materially adversely affect flydubai's business.

flydubai manages its airline business with a level of insurance coverage against the risk of losses from man-made and natural disasters that flydubai's management believes to be adequate. These policies stipulate a number of conditions under which the insurers may terminate policies and are subject to policy limits and exclusions. In addition, the policies must be renewed at regular intervals. flydubai may be subject to liability claims arising out of accidents or disasters involving aircraft on which its customers are travelling, including claims for serious personal injury or death. flydubai's insurance coverage may be insufficient to cover one or more large claims and any shortfall may be material. Additionally, any accident or disaster involving one of flydubai's aircraft may significantly harm flydubai's reputation for safety, which could have a material adverse effect on flydubai's financial condition, results of operations and business and, as a result, adversely affect flydubai's ability to perform its obligations under the Transaction Documents to which it is a party.

Future terrorist attacks, acts of sabotage and other disasters, especially if they were to be directed against the aviation industry, could result in insurance coverage for aviation risks becoming more expensive and/or certain risks becoming uninsurable. In addition, aircraft crashes or similar disasters of another airline could impact passenger confidence and therefore lead to a reduction in ticket sales, particularly if the aircraft crash or disaster concerned involved the same type of aircraft as used by flydubai. Any significant uninsured loss, loss of cover or significant increase in insurance costs could adversely affect flydubai's financial condition, results of operations and business and, as a result, adversely affect flydubai's ability to perform its obligations under the Transaction Documents to which it is a party.

flydubai is dependent on external service providers including for specialist works and any failure on their part to fully perform their contractual obligations could materially adversely affect flydubai's business.

flydubai is dependent on its ability to source, on favourable terms, sufficient quantities of goods and services in a timely manner, including the supply of substantial equipment such as aircraft, engines and related components and those services available at airports or from airport authorities, such as ground handling, in-flight catering and air traffic control services. flydubai is also dependent on third parties for services such as fuel distribution and airframe and engine maintenance. In certain cases, flydubai may only be able to access goods and services from a limited number of suppliers and the transition to new suppliers of such goods and services may take time and require significant resources. The failure, refusal or inability of a supplier to provide goods or services may arise as a result of numerous different causes, many of which are beyond flydubai's' control. Any failure or inability by flydubai to successfully source goods and services, including because of the failure, refusal or inability of a supplier to provide goods or services, or to source goods and services on terms and pricing and within the timeframes acceptable to flydubai, could have a material adverse effect on flydubai's financial condition, results of operations and business and, as a result, a material adverse effect on flydubai's ability to perform its obligations under the Transaction Documents to which it is a party.

In addition, certain material contracts with third parties, including airport operators and maintenance providers, will need to be renewed from time to time. These contracts may not be able to be renewed in all cases or, if renewed, may not be on terms that are as favourable to flydubai. All aircraft in flydubai's fleet require periodic maintenance work. In addition, the need may arise at any time for unscheduled maintenance and repair work which may cause operational disruption to flydubai. Incidents could occur which may or may not relate to maintenance or modification programmes for the aircraft fleet which could adversely impact flydubai's operations and its financial performance.

In addition, the infrastructure that provides jet fuel to DIA and the other airports from which flydubai operates is critical to its operations. Any breakdown in this infrastructure and/or contamination of the fuel supply would have a significant impact on operations and could have a material adverse effect on flydubai's financial condition, results of operations and business and, as a result, a material adverse effect on flydubai's ability to perform its obligations under the Transaction Documents to which it is a party.

Interruptions in technological systems, such as those relating to ticket sales and network management, could adversely impact flydubai's business.

flydubai's ability to manage its ticket sales, receive and process reservations, manage its traffic network and perform other critical business operations is dependent on the efficient and uninterrupted operation of the computer and communication systems used by them as well as the systems used by third parties in the course of their cooperation with flydubai. As with any computer and communication systems, those on which flydubai relies are vulnerable to disruptions, power outages, acts of sabotage, computer viruses, fires and other events. While flydubai continues to invest in initiatives related to technology, including security initiatives and disaster recovery plans, these measures may not prove to be effective in all cases. Any disruption to computer and communication systems used by flydubai or its partners, including data providers and payment services providers, could significantly impair flydubai's ability to operate its business efficiently and could have a material adverse effect on flydubai's financial condition, results of operations and business and, as a result, a material adverse effect on flydubai's ability to perform its obligations under the Transaction Documents to which it is a party.

Changes in interest rates or currency exchange rates and the risk that counterparties may default as well as a range of financial market risks could adversely impact flydubai's results

flydubai is exposed to fluctuations in the prevailing levels of interest rates on borrowings and short-term deposits. Interest rate fluctuation in the international financial markets may affect flydubai's interest costs on its long-term debt obligations and interest income on its short-term deposits. flydubai analyses its interest rate exposure on a dynamic basis. Borrowings taken on variable rate basis expose flydubai to cashflow interest rate risk and borrowings taken on fixed interest rate expose flydubai to fair value interest rate risk.

flydubai does not have a significant foreign currency exposure since the majority of its transactions are either denominated in AED or USD to which the AED is currently pegged. Liabilities in other currencies are not significant and are largely offset by a cash balance in bank accounts held by flydubai in the respective currency.

flydubai is also exposed to the risk that certain of its significant counterparties, such as the banks in which it holds surplus cash, its insurers and its major trade debtors, may default in their obligations to flydubai and cause a significant loss to flydubai.

flydubai is also subject to the risk that countries in which it may earn revenues may impose restrictions or prohibitions on the repatriation of those revenues.

Any or all of the above factors may impact flydubai's ability to operate its business profitably or efficiently and could have a material adverse effect on flydubai's financial condition, results of operations and business and, as a result, a material adverse effect on flydubai's ability to perform its obligations under the Transaction Documents to which it is a party.

flydubai is exposed to a range of employment risks, including increased employment costs, the risk of loss of one or more key individuals and the risk that it is unable to attract or retain highly qualified staff such as pilots, engineers and other licensed occupations.

Employment costs constitute one of flydubai's more significant operating cost items. There can be no assurance that flydubai will be able to maintain its employment costs at levels which do not negatively affect its financial condition, results of operations and business. There can also be no assurance that future agreements with employees or their representatives will be on terms comparable to agreements entered into by flydubai's competitors. Any future agreements or steps taken to remain competitive in attracting required talent, including in relation to wages or other employment costs or work rules, may result in increased employment costs or other charges which could have a material adverse effect on flydubai's financial condition, results of operations and business.

flydubai is dependent on the experience and industry knowledge of its executive officers and other key employees to execute its business plan, as well as access to sufficient numbers of qualified staff for specialist roles within flydubai, especially within the area of flight operations. If flydubai was to experience a substantial turnover in its leadership or other key employees or if flydubai is unable to attract or retain other highly qualified staff, such as pilots, engineers and other licensed occupations, as needed in the future, flydubai's financial condition, results of operations and business could be materially adversely affected.

Certificateholders could be prejudiced if their interests are not fully aligned with the interests of flydubai's sole owner.

The Government of Dubai is the sole owner of flydubai and flydubai is therefore subject to decisions taken by its sole owner. The interests of the Certificateholders may conflict with the interests of the Government of Dubai.

flydubai operates in a number of jurisdictions, any or all of which could change their fiscal, tax or foreign exchange laws in a way that could unfavourably affect its business, financial condition or results of operations.

flydubai operates in various jurisdictions in and outside the UAE and Middle East and is subject to tax in respect of certain overseas stations in which it operates. flydubai benefits from secured tax exemptions in most of the jurisdictions in which it operates as a result of double taxation agreements and airline reciprocal arrangements. The laws or regulatory or administrative practices relating to taxation (including the current position as to double taxation, withholding taxes and tax concessions in certain operations), foreign exchange or otherwise in these jurisdictions may change. Any such change could have a material adverse effect on flydubai's financial condition and results of operations and, as a result, a material adverse effect on flydubai's ability to perform its obligations under the Transaction Documents to which it is a party.

Risk Factors Relating to the Airline Industry and flydubai's Operations in the Middle East

The airline industry is highly competitive and flydubai may be adversely affected by changes in competition.

The airline industry is highly competitive. Competitive factors are fluid and can change quickly and profoundly due to mergers of competing carriers. flydubai faces direct competition from other low cost carriers ("**LCCs**") and hybrid carriers in the Middle East as well as full service airlines operating on the same routes which flydubai flies. flydubai may also face competition in the future from new entrants targeting its routes or from merged operators. The expansion of LCCs, along with increasing use of internet travel websites and other distribution channels, has resulted in a substantial increase in discounted and promotional fares initiated by certain of flydubai's competitors. Any decision to match competitors' fares to maintain passenger traffic could result in a material adverse effect on flydubai's financial condition, results of operations and business and, as a result, a material adverse effect on flydubai's ability to perform its obligations under the Transaction Documents to which it is a party.

Airline industry margins are subject to significant uncertainty.

The airline industry is capital intensive and is characterised by high fixed costs and by revenues that generally exhibit substantially greater elasticity than costs. Although fuel cost accounted for 39.5 per cent. of total operating expenses in the year ended 31 December 2013, management anticipates that this percentage may vary significantly in future years due to fuel price volatility (see "*flydubai's results of operations may be materially affected by changes in jet fuel prices*"). The operating costs of each flight do not vary significantly with the number of passengers flown, and therefore, a relatively small change in the number of passengers, fare pricing, or traffic mix could have a disproportionate effect on operating and financial results. Accordingly, a relatively minor shortfall from expected revenue levels could have a material adverse effect on flydubai's financial condition, results of operations and business and, as a result, a material adverse effect on flydubai's ability to perform its obligations under the Transaction Documents to which it is a party.

flydubai is exposed to certain risks by virtue of its incorporation in the United Arab Emirates and its operations in the Middle East, an emerging market.

The Middle East, and emerging markets generally, are subject to sudden changes in legislation, many of which are extremely difficult to predict. Existing laws are often applied inconsistently and new laws and regulations, including those which purport to have retrospective effect, may be introduced with little or no prior consultation. Additionally, after acquiring an investment, new requirements may be imposed that would require flydubai to make significant unanticipated expenditures, limit the ability of flydubai to obtain financing or other capital or otherwise have an adverse effect on flydubai's cash flow.

The Middle East and emerging markets generally have government policies, economies, and legal and regulatory systems, which are not as firmly established and reliable as those in Western Europe and the United States. The uncertainty and weaknesses which result can lead to a higher risk environment for persons entering into contractual arrangements with flydubai.

Additionally, the performance of flydubai may be affected by uncertainties, including: (i) unforeseen economic and political developments; (ii) social and religious instability; (iii) changes in government policies and/or government; (iv) uncertainties with respect to emerging regulatory regimes (including the aircraft sector); (v) intervention in economic activity; (vi) export or sale restrictions, international sanctions and embargoes; (vii) currency fluctuations and repatriation restrictions; (viii) invalidation of governmental orders, permits or agreements; (ix) renegotiation or nullification of existing concessions, licenses, permits and contracts; (x) recurring tax audits and delays in processing tax credits or refunds; (xi) corruption and/or demands for improper payments; (xii) outside political influences; (xiii) hostilities between neighbouring countries; and (xiv) civil unrest, war and action by extremist groups who may be hostile to foreign investment. Such uncertainties may lead to unexpected changes in the political, social, economic or other conditions in these or neighbouring countries which may have a material adverse effect on flydubai's financial condition, results of operations and business and, as a result, a material adverse effect on flydubai's ability to perform its obligations under the Transaction Documents to which it is a party.

Air traffic and the aviation industry are heavily regulated and flydubai's ability to comply with all applicable regulations is key to maintaining its operational and financial performance.

Safety, security, disability, denied boarding, privacy, licensing, competition, environmental and operational regulations (including directives and recommendations issued by aircraft manufacturers and other aviation-related vendors) impose significant requirements and compliance costs on flydubai. In order for flydubai to maintain its UAE air operator's certificate, it has to comply with the regulations of the UAE General Civil Aviation Authority. To fly to other countries, appropriate air services agreements and approvals must be in place between the governments concerned, and flydubai is required to comply with the regulations of those individual countries as well as certain internationally or regionally applicable conventions or regulations. Any changes in the air services agreements between governments, the withdrawal of any such approvals, changes in any conventions or regulations or the imposition of new regulations, directives and/or recommendations could each have an impact on flydubai's business by, among other things, restricting market access, increasing costs or impeding normal service operations.

Certain governments may also choose to impose a more punitive tax regime on air travel with the intention of reducing airline emissions by making air travel more expensive and therefore less attractive to customers. Any increase in air travel costs to passengers brought about by more stringent taxation could have a material adverse effect on flydubai's financial condition, results of operations and business and, as a result, a material adverse effect on flydubai's ability to perform its obligations under the Transaction Documents to which it is a party.

Risks Relating to the Certificates

The Certificates are unsecured obligations and the claims of the Trustee or the Delegate (on behalf of the Certificateholders) will rank behind the claims of flydubai's secured creditors

flydubai finances the majority of its aircraft using finance and operating leases. Under the terms of a finance lease, the financier is granted security interests in the aircraft in order to secure flydubai's obligations under the finance lease. As of 30 June 2014, (6 out of 36) of flydubai's aircraft were financed using finance leases. Under the terms of an operating lease, flydubai does not own the aircraft being leased and the aircraft does not appear as an asset on flydubai's balance sheet. As of 30 June 2014, (30 out of 36) of flydubai's aircraft were financed using operating leases.

Investors should be aware that if flydubai becomes insolvent, any of flydubai's assets which are the subject of a valid security arrangement (including those aircraft which are the subject of a finance lease granting such security) will not be available to satisfy the claims of any of flydubai's unsecured creditors, including the Trustee or the Delegate (on behalf of holders of the Certificates), and the claims of flydubai's secured creditors will rank ahead of the claims of such parties accordingly.

The Certificates are limited recourse obligations

The Certificates are not debt obligations of the Trustee. Instead, the Certificates represent an undivided ownership interest solely in the Trust Assets. Recourse to the Trustee in respect of the Certificates is limited to the Trust Assets and the proceeds of such Trust Assets are the sole source of payments on the Certificates. Upon receipt by the Trustee of a Dissolution Notice in accordance with the terms of Condition 12 (*Dissolution Events*), the sole rights of each of the Trustee and/or the Delegate (acting on behalf of the Certificateholders), will be (subject to Condition 13 (*Realisation of Trust Assets*)) against flydubai to perform its obligations under the Transaction Documents to which it is a party.

No Certificateholder shall be entitled to proceed directly against the Trustee or flydubai unless the Delegate, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing. Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets (other than as expressly contemplated in the Transaction Documents) and the sole right of the Delegate and the Certificateholders against the Trustee and flydubai shall be to enforce their respective obligations under the Transaction Documents to which they are a party.

Following the enforcement, realisation and ultimate distribution of the net proceeds of the Trust Assets to the Certificateholders in accordance with the Conditions and the Declaration of Trust, the Trustee shall not be liable for any further sums and, accordingly, Certificateholders may not take any action against the Trustee, the Delegate or any other person (including flydubai) to recover any such sum in respect of the Certificates or the Trust Assets.

After enforcing the Trust Assets and distributing the net proceeds of such Trust Assets in accordance with Condition 5(b), the obligations of the Trustee in respect of the Certificates shall be satisfied and no Certificateholder may take any further steps against the Trustee (or any steps against the Delegate) to recover any further sums in respect of the Certificates and the right to receive any such sums unpaid shall be extinguished. In particular, no Certificateholder shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Trustee.

Certificates which have a denomination that is not an integral multiple of U.S.$200,000 may be illiquid and difficult to trade

The denomination of the Certificates is U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. Therefore, it is possible that the Certificates may be traded in amounts in excess of U.S.$200,000 that are not integral multiples of U.S.$200,000. In such a case, a Certificateholder who, as a result of trading such amounts, holds a principal amount of less than U.S.$200,000 would need to purchase a principal amount of Certificates such that it holds an amount equal to at least U.S.$200,000 to be able to trade such Certificates. Certificateholders should be aware that Certificates which have a denomination that is not an integral multiple of U.S.$200,000 may be illiquid and difficult to trade.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Certificates are legal investments for it, (ii) Certificates can be used as collateral for various types of borrowing, and (iii) other restrictions apply to its purchase or pledge of any Certificates. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Certificates under any applicable risk-based capital or similar rules.

Absence of secondary market/limited liquidity

The Certificates may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Certificates easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of Certificates.

The Certificates are subject to modification by a majority of Certificateholders without the consent of all Certificateholders

The Conditions of the Certificates contain provisions for calling meetings of Certificateholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Certificateholders including Certificateholders who did not attend and vote at the relevant meeting or otherwise exercise their voting rights and Certificateholders who voted in a manner contrary to the majority. The Delegate may agree to modify the Conditions of the Certificates without the consent of the Certificateholders where the modifications are, in the opinion of the Delegate, of a formal, minor or technical nature or are made to correct a manifest error. For further details of such matters and the relevant majorities required at meetings of Certificateholders, see Condition 14 (*Meetings of Certificateholders, Modification, Waiver and Substitution*) and the corresponding provisions of the Declaration of Trust.

Investors may not be able to reinvest redemption proceeds of the Certificates at the same or a higher rate than the profit rate applicable to the Certificates

The Certificates may be redeemed prior to the Scheduled Dissolution Date if: (i) the Trustee becomes obliged to increase the amounts payable in respect of the Certificates due to any withholding or deduction for any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Cayman Islands or any authority therein or thereof having power to tax, and such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or (ii) flydubai becomes obliged to pay additional amounts to the Trustee under the Transaction Documents due to any withholding or deduction for any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the United Arab Emirates or the Emirate of Dubai or any authority therein or thereof having power to tax, and such obligation cannot be avoided by the Trustee or flydubai, as the case may be, taking reasonable measures available to it, in each case in accordance with Condition 8(b) (*Early Dissolution for Taxation Reasons*).

If the Certificates are redeemed as described above, an investor may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Certificates being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Exchange rate risks and exchange controls

The Trustee will make all payments on the Certificates in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of U.S. dollars or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to U.S. dollars would decrease: (i) the Investor's Currency equivalent yield on the Certificates; (ii) the Investor's Currency equivalent value of the principal payable on the Certificates; and (iii) the Investor's Currency equivalent market value of the Certificates.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less amounts under the Certificates than expected, or no such amounts.

Risks relating to enforcement

There can be no certainty as to the outcome of any application of UAE bankruptcy law

In the event of flydubai's insolvency, UAE bankruptcy laws may adversely affect flydubai's ability to perform its obligations under the Service Agency Agreement and, consequently, the Trustee's ability to make payments to Certificateholders. There is little precedent to predict how a claim on behalf of Certificateholders against flydubai upon its insolvency would be resolved.

These uncertainties and lack of precedent make it difficult to predict the exact outcome with respect to possible contractual and payment issues and may materially adversely affect Certificateholders' ability to enforce their rights with respect to the Certificates and any other contractual or performance related remedies that might otherwise be available.

A change of law may adversely affect the Certificates

The structure of the issue of the Certificates is based on English law and administrative practices in effect as at the date of this Prospectus, and the Certificates and the Transaction Documents are governed by English law. No assurance can be given as to the impact of any possible change to English law or administrative practices after the date of this Prospectus, nor can any assurance be given as to whether any such change could adversely affect the ability of the Trustee to make payments under the Certificates or of flydubai to comply with its obligations under the Transaction Documents.

Investors may experience difficulty in enforcing arbitral awards and foreign judgments in Dubai

Ultimately the payments under the Certificates are dependent upon flydubai making payments to the Trustee in the manner contemplated under the Transaction Documents. If flydubai fails to do so, it may be necessary to bring an action against flydubai to enforce its obligations which could be both time consuming and costly. flydubai has irrevocably agreed that the Transaction Documents will be governed by English law and that any dispute arising from such Transaction Documents will, unless the option to litigate is exercised, be referred to arbitration in London under the rules of the London Court of International Arbitration. In addition, under the Conditions, any dispute arising from the Conditions or any non-contractual obligations arising out of or in connection with them may be referred to arbitration in London under the rules of the London Court of International Arbitration.

The 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**") entered into force in the UAE on 19 November 2006. Any arbitration award rendered in London should therefore be enforceable in Dubai in accordance with the terms of the New York Convention. Under the New York Convention, the UAE has an obligation to recognise and enforce foreign arbitration awards, unless the party opposing enforcement can prove one of the grounds under Article V of the New York Convention to refuse enforcement, or the Dubai courts find that the subject matter of the dispute is not capable of settlement by arbitration or enforcement would be contrary to the public policy of the UAE. There have been only limited instances where the UAE courts, most notably the Fujairah Court of First Instance and the Dubai Court of Cassation, have ratified or ordered the recognition and enforcement of foreign arbitration awards under the New York Convention. It should be noted that only the Dubai Court of Cassation decision was a final decision. Notwithstanding the foregoing, it is uncertain how the UAE courts would interpret and apply the New York Convention provisions, particularly in light of the lack of a system of binding judicial precedent in the UAE and the independent existence of different Emirates within the UAE, some with their own court systems, whose rulings may have no more than persuasive force within other Emirates. There is therefore no guarantee that the Dubai courts will take the same approach taken in such other limited instances in similar proceedings in the future.

Under the Conditions and the Transaction Documents, any dispute may also be referred to the courts in England (or such other court with jurisdiction which the Delegate may elect).

Where an English judgment, or such other foreign judgment, has been obtained, there is no assurance that flydubai has or would at the relevant time have assets in the United Kingdom against which such a judgment could be enforced. flydubai is incorporated in, and under the laws of, Dubai and the UAE and has a significant proportion of its assets located in the UAE. Under current UAE federal law, the courts in the UAE are unlikely to enforce an English judgment, or such other foreign judgment, without re-examining the merits of the claim and may not observe the choice by the parties of English law as the governing law of the Transaction Documents or the Certificates. In addition, even if English law is accepted as the governing law, this will only be applied to the extent that it is compatible with the laws of Dubai and the UAE, and public policy. This may mean that the Dubai courts may seek to interpret English law governed documents as if governed by UAE law and there can therefore be no certainty that in those circumstances the Dubai courts would give effect to such documents in the same manner as the parties may intend or uphold an agreement to resolve any disputes by arbitration contained in such documents. The enforcement of a foreign judgment or arbitral award may be a lengthy process in the UAE.

As the UAE judicial system is based on a civil code, judicial precedents in the UAE have no binding effect on subsequent decisions. In addition, there is no formal system of reporting court decisions in the UAE. These factors create greater judicial uncertainty.

flydubai's waiver of sovereign immunity may not be effective and investors may experience difficulty enforcing against the assets of flydubai in Dubai

Ultimately the payments under the Certificates are dependent upon flydubai making payments to the Trustee in the manner contemplated under the Transaction Documents. If flydubai fails to do so, it may be necessary to bring an action against flydubai to enforce its obligations and/or claim damages, as appropriate, which could be both time consuming and costly. In relation to any such action brought in the Dubai courts, there is limited precedent available to determine how such courts would treat the relevant action.

Dubai Law No. 3 of 1996 on Government Lawsuits, as amended by Dubai Law No. 4 of 1997 and Dubai Law No. 10 of 2005 (the "**Dubai Lawsuit Law**") grants the Government of Dubai (which includes its corporations) immunity in respect of its assets, and provides that suits against the Government shall be lodged against the Attorney General as defendant in his capacity as representative of the Government, subject to satisfaction of certain conditions which include, amongst others, the imposition of a two-month period (commencing on the date of filing the written complaint) for the parties to reach an amicable solution. It is likely that the Dubai Lawsuit

Law applies to flydubai and, accordingly, investors may be required to obtain the permission of the Ruler of Dubai before enforcement proceedings can be brought against flydubai under the Certificates or the Transaction Documents.

In addition, Article 247 of UAE Federal Law No. 11 of 1992 regarding the Law of Civil Procedure (as amended) (the "**UAE Civil Procedures Law**") states that "*without prejudice to the provisions of any other law, the following may not be confiscated: (1) public or private assets owned by the State or any of the Emirates...*".

Although under the Transaction Documents, flydubai will irrevocably waive to the fullest extent possible in any jurisdiction any immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that such immunity (whether or not claimed) may be attributed to it or its assets or revenues, flydubai will represent and agree that it will not claim such immunity, the effectiveness of any such waiver remains untested and so no assurance can be given as to whether any such waiver of immunity would be effective against flydubai.

Accordingly, flydubai's properties and assets may be entitled to immunity in any attachment or enforcement action in Dubai.

Additional risk factors

Investors in the Certificates must rely on Euroclear and Clearstream, Luxembourg procedures

The Certificates will be represented on issue by a Global Certificate that will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive Certificates in definitive form. Each of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the ownership interests in the Global Certificate. While the Certificates are represented by the Global Certificate, investors will be able to trade their ownership interests only through Euroclear and Clearstream, Luxembourg and their respective participants.

While the Certificates are represented by the Global Certificate, the Trustee will discharge its payment obligation under the Certificates by making payments through the relevant clearing systems. A holder of an ownership interest in the Global Certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the Certificates. The Trustee has no responsibility or liability for the records relating to, or payments made in respect of, ownership interests in the Global Certificate.

Holders of ownership interests in the Global Certificate will not have a direct right to vote in respect of the Certificates so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

No assurance can be given as to Shari'a rules

The *Shari'a* Board of Crédit Agricole Corporate and Investment Bank, the Executive Committee of the Fatwa and *Shari'a* Supervisory Board of Dubai Islamic Bank P.J.S.C., Dar Al Sharia Legal & Financial Consultancy, the Executive *Shariah* Committee of HSBC Saudi Arabia Limited, the Fatwa and *Shari'a* Supervisory Board of Noor Bank P.J.S.C. and the *Shari'a* Supervisory Committee of Standard Chartered Bank have confirmed that the Transaction Documents are, in their view, *Shari'a* compliant. However, there can be no assurance that the Transaction Documents or the issue and trading of the Certificates will be deemed to be *Shari'a* compliant by any other *Shari'a* board or *Shari'a* scholars. None of the Trustee, flydubai, the Delegate or the Managers makes any representation as to the *Shari'a* compliance of the Certificates and/or any trading thereof and potential investors are reminded that, as with any *Shari'a* views, differences in opinion are possible.

In addition, prospective investors are reminded that the enforcement of any obligations of any of the parties would be, if in dispute, the subject of arbitration in London under the LCIA Rules.

flydubai has also agreed to submit to the jurisdiction of the courts of England, at the option of the Trustee. In such circumstances, the arbitrator or judge, as the case may be, will first apply the relevant law of the relevant Transaction Document rather than *Shari'a* principles in determining the obligation of the parties.

Shari'a requirements in relation to interest awarded by a court

In accordance with applicable *Shari'a* principles, each of the Trustee and the Delegate will waive all and any entitlement it may have to interest awarded in its favour by any court in connection with any dispute under any of the Transaction Documents. Should there be any delay in the enforcement of a judgment given against flydubai, judgment interest may accrue in respect of that delay and, as a result of the waiver referred to above, Certificateholders will not be entitled to receive any part of such interest.

Risk factors relating to taxation

FATCA

Payments made on or with respect to the Certificates may be subject to U.S. withholding tax. Sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") impose a new reporting regime and, potentially, a 30 per cent. withholding tax with respect to: (a) certain payments from sources within the United States; (b) "foreign passthru payments" made to certain non-U.S. financial institutions that do not comply with this new reporting regime; and (c) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution.

Whilst the Certificates are in global form and held within Euroclear and Clearstream, Luxembourg, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by Euroclear and Clearstream, Luxembourg. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Trustee's obligations under the Certificates are discharged once it has paid a common depositary for Euroclear and Clearstream, Luxembourg, and the Trustee has therefore no responsibility for any amount thereafter transmitted through Euroclear and Clearstream, Luxembourg and custodians or intermediaries.

Taxation risks on payments

Payments made by flydubai to the Trustee under the Transaction Documents or by the Trustee in respect of the Certificates could become subject to taxation. The Service Agency Agreement requires flydubai to pay additional amounts in the event that any withholding or deduction is required by UAE law to be made in respect of payments made by it to the Trustee under that document. Furthermore, Condition 10 (*Taxation*) provides that the Trustee is required to pay additional amounts in respect of any such withholdings or deductions imposed by the Cayman Islands in certain circumstances. If the Trustee fails to gross-up for any such withholding or deduction on payments due in respect of the Certificates to Certificateholders, flydubai has, pursuant to the Declaration of Trust, unconditionally and irrevocably undertaken (irrespective of the payment of any fee), as a continuing obligation, to pay to the Trustee (for the benefit of the Certificateholders) an amount equal to the liabilities of the Trustee in respect of any and all additional amounts required to be paid in respect of the Certificates pursuant to Condition 10 (*Taxation*) in respect of any withholding or deduction in respect of any tax as set out in that Condition.

The circumstances described above may entitle flydubai and the Trustee to redeem the Certificates pursuant to Condition 8(b) (*Early Dissolution for Taxation Reasons*). See "– *Investors may not be able to reinvest redemption proceeds of the Certificates at the same or a higher rate than the profit rate applicable to the Certificates*" for a description of the consequences thereof.

EU Savings Directive

EC Council Directive 2003/48/EC on the taxation of savings income (the "**Savings Directive**") requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or for the benefit of) an individual resident, or certain other types of entity established, in that other EU Member State, except that Austria and Luxembourg will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. The Luxembourg government has announced its intention to elect out of the withholding system in favour of an automatic exchange of information with effect from 1 January 2015.

The Council of the European Union has adopted a Directive (the "**Amending Directive**") which will, when implemented, amend and broaden the scope of the requirements of the Savings Directive described above. The Amending Directive will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities, and the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or for the benefit of) (i) an entity or legal arrangement effectively managed in an EU Member State that is not subject to effective taxation, or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has adopted similar measures to the Savings Directive) which indirectly benefit an individual resident in an EU Member State, may fall within the scope of the Savings Directive, as amended. The Amending Directive requires EU Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from1 January 2017.

If a payment were to be made or collected through an EU Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such Directive, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Bond as a result of the imposition of such withholding tax. Furthermore, once the Amending Directive is implemented and takes effect in EU Member States, such withholding may occur in a wider range of circumstances than at present, as explained above.

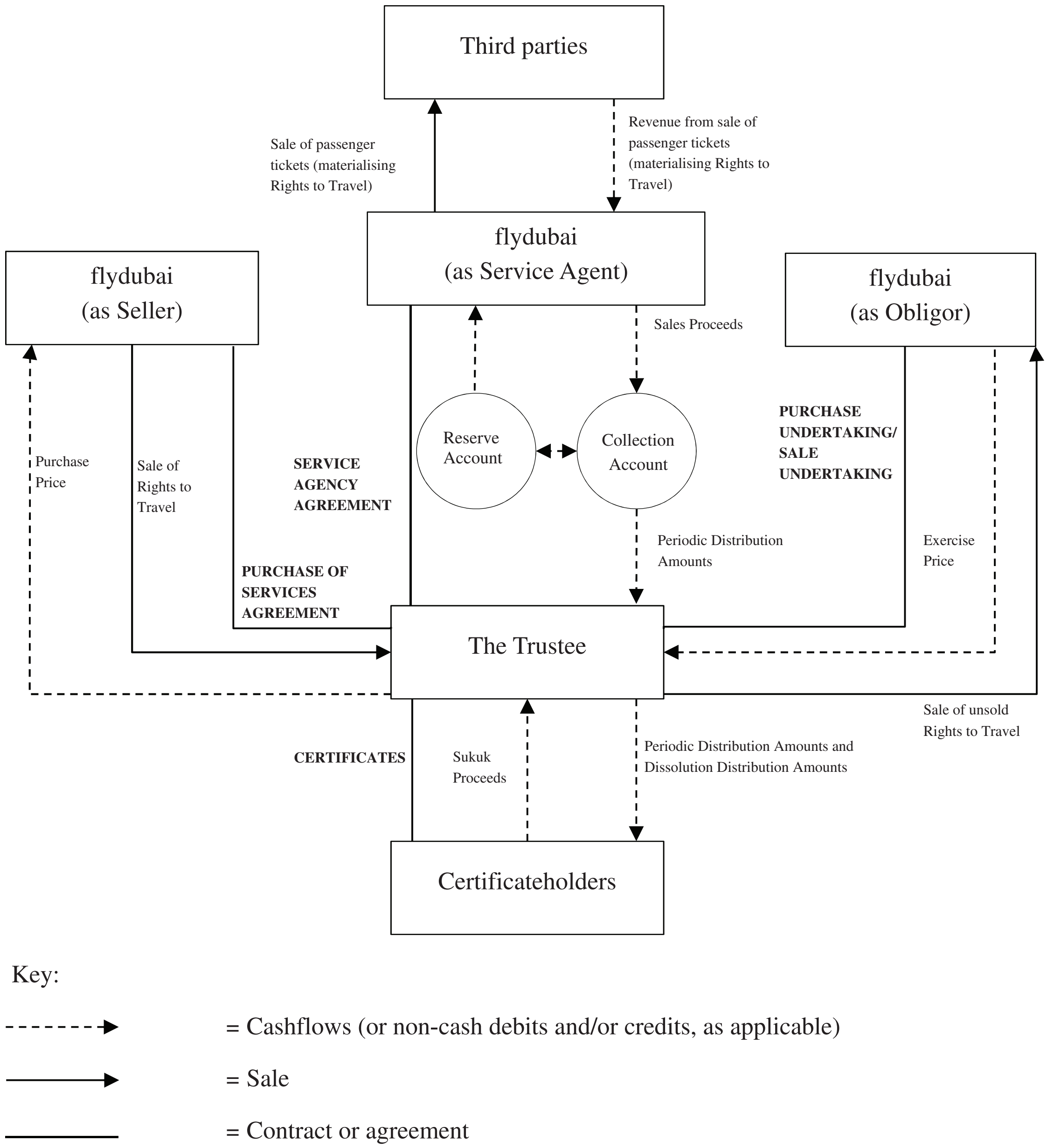
The Issuer is required to maintain a Paying Agent with a specified office in an EU Member State that is not obliged to withhold or deduct tax pursuant to any law implementing the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000. However, investors should be aware that any custodians or intermediaries through which they hold their interest in the Bonds may nonetheless be obliged to withhold or deduct tax pursuant to such laws unless the investor meets certain conditions, including providing any information that may be necessary to enable such persons to make payments free from withholding and in compliance with the Savings Directive, as amended.

Investors who are in any doubt as to their position should consult their professional advisers.

STRUCTURE DIAGRAM AND CASH FLOWS

Set out below is a simplified structure diagram and description of the principal cash flows relating to the Certificates. This does not purport to be complete and is qualified in its entirety by reference to, and must be read in conjunction with, the more detailed information appearing elsewhere in this Prospectus. Potential investors are referred to the Conditions and the detailed descriptions of the relevant Transaction Documents set out elsewhere in this Prospectus for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below. Potential investors should read this entire Prospectus carefully, especially the risks of investing in the Certificates discussed under "Risk Factors".

Structure Diagram



Principal cash flows

Payments by the Certificateholders and the Trustee

On the Issue Date, the Trustee will enter into a purchase of services agreement (the "**Purchase of Services Agreement**") with flydubai pursuant to which the Trustee will use the proceeds of the issue of the Certificates to purchase, on behalf of the Certificateholders, from flydubai certain rights and services comprising: (i) the right and entitlement to travel on any air passenger route operated from time to time by flydubai; and (ii) all services ordinarily provided by flydubai to passengers travelling on such route except for any services relating to the sale of alcohol, pork or tobacco-related products, in each case subject to and in accordance with flydubai's prevailing terms of business (such rights and services being measured in ASKMs) (the "**Rights to Travel**"). Such Rights to Travel shall be made available to the Trustee to be sold in specified periods.

For the purposes of the purchase of the Rights to Travel, each ASKM will be ascribed a value of U.S.$0.0518, representing the cost of each ASKM (less such approximate amount determined by flydubai in accordance with its operating data to be attributable to costs of any flight services that are not *Shari'a*-compliant) divided by 1.15 (the "**Base Price**"). The Rights to Travel purchased pursuant to the Purchase of Services Agreement will comprise: (i) the Allotted Rights to Travel (as defined below) in respect of each Profit Period; and (ii) certain additional Rights to Travel (the "**Additional Rights to Travel**").

Periodic Distribution Payments and Dissolution Distribution Payments

Pursuant to a service agency agreement (the "**Service Agency Agreement**") to be entered into on the Issue Date between the Trustee (as principal) and flydubai (as Service Agent) a specified portion of the Rights to Travel (measured in ASKMs) will be designated for distribution and sale at a specified minimum sale price by the Service Agent on behalf of the Trustee during the periods from (and including) a Periodic Distribution Date (or the Issue Date, as applicable) to (but excluding) the next succeeding Periodic Distribution Date (or the Scheduled Dissolution Date, as applicable) (each such period, a "**Profit Period**") (the "**Allotted Rights to Travel**").

The Service Agent shall credit an amount equal to the proceeds of the distribution and sale of the Allotted Rights to Travel into a collection account (the "**Collection Account**"). If at any time the amount credited to the Collection Account exceeds the amount of the Periodic Distribution Amount payable on the immediately following Periodic Distribution Date or in the case of the final Profit Period, the Dissolution Distribution Amount payable on the Scheduled Dissolution Date, then provided that no Dissolution Event has occurred and is continuing the Service Agent shall be entitled to debit such excess from the Collection Account and credit it to a reserve account (the "**Reserve Account**").

Amounts standing to the credit of the Reserve Account may be used by the Service Agent for its own account, subject to re-crediting relevant amounts to the Collection Account if there is a shortfall in any amount payable to the Trustee on any Periodic Distribution Date or on the Scheduled Dissolution Date, as the case may be.

The Collection Account and the Reserve Account are internal records maintained by the Service Agent.

On the Business Day prior to each Periodic Distribution Date and the Scheduled Dissolution Date, the Service Agent will procure the payment to the Trustee (by way of a payment into the transaction account (the "**Transaction Account**") established for the Certificates (and as described further in the Conditions)) of the Periodic Distribution Amounts payable by the Trustee under the Certificates for that Profit Period or in the case of the final Profit Period, the Dissolution Distribution Amount payable on the Scheduled Dissolution Date, and such amounts will be applied by the Trustee for that purpose on the immediately following Periodic Distribution Date or the Scheduled Dissolution Date, as the case may be. Such amounts are expected to be funded by the proceeds from the sale of the Allotted Rights to Travel (measured in ASKMs) for that Profit Period, save as described below.

The Service Agent shall not be entitled, during any Profit Period, to sell Rights to Travel: (i) in excess of the portion of Rights to Travel (measured in ASKMs) stipulated in the Service Agency Agreement as being available for sale in respect of that Profit Period; or (ii) at a price which is less than a specified minimum sale price.

If:

(a) less than the specified number of Allotted Rights to Travel set out in the Service Agency Agreement are sold during a Profit Period, then flydubai will purchase the unsold Allotted Rights to Travel from the Trustee for a specified minimum sale price pursuant to a purchase undertaking granted by flydubai on the Issue Date in favour of the Trustee and the Delegate (the "**Purchase Undertaking**"); and/or

(b) any Rights to Travel are sold for less than the specified minimum sale price, then the Service Agent will pay out of the Reserve Account and (if the amounts standing to the credit of the Reserve Account are not sufficient after re-crediting any amounts previously deducted by the Service Agent in accordance with the Service Agency Agreement) the Service Agent will indemnify the Principal for the shortfall in relation to the sale of the relevant Allotted Rights to Travel,

such that the proceeds of the sale of Rights to Travel during each Profit Period (together with any such payments in the case of (b) above) will always be sufficient to pay the relevant Periodic Distribution Amounts and, in respect of the final Profit Period only, the relevant Dissolution Distribution Amounts due in respect of the Certificates.

Termination Payments by flydubai

Following the occurrence of a Dissolution Event, the Trustee and the Delegate will have the right to require flydubai to purchase and accept the transfer of the aggregate unsold Allotted Rights to Travel held by the Trustee or by flydubai on its behalf (the "**Outstanding Rights to Travel**") and the Additional Rights to Travel (measured in ASKMs) from the Trustee pursuant to the Purchase Undertaking. The price payable by flydubai upon such exercise of the Purchase Undertaking shall be calculated as the product of: (i) all Outstanding Rights to Travel and Additional Rights to Travel (measured in ASKMs); multiplied by (ii) the minimum sale price (collectively, the "**Exercise Price**"), which shall be credited to the Collection Account for immediate payment to the Transaction Account of an amount in cash sufficient to pay the outstanding face amount of the Certificates plus all due but unpaid Periodic Distribution Amounts.

Following the occurrence of a Change of Control (as defined in the Conditions) and the request by one or more Certificateholders to exercise a "put" right in respect of the Certificates held by it, the Trustee shall be entitled to exercise its rights under the Purchase Undertaking to require flydubai to purchase and accept from the Trustee the transfer of a specified number of the Outstanding Rights to Travel. The price payable by flydubai in relation to the Certificates being redeemed at a particular time (the "**Redeemed Certificates**") shall be an amount in U.S. dollars equal to the sum of: (i) an amount equal to the aggregate outstanding face amount of the Redeemed Certificates; and (ii) all due but unpaid Periodic Distribution Amounts relating to such Redeemed Certificates.

If certain tax gross-ups are required, or if flydubai wishes to cancel any Certificates held by or on behalf of the Trustee or flydubai, pursuant to a sale undertaking granted by the Trustee in favour of flydubai on the Issue Date, flydubai will have the right to require the Trustee to sell, transfer and convey all or part of the Outstanding Rights to Travel to flydubai. The price payable by flydubai in relation to redemption on the requirement of tax gross-ups shall be an amount in U.S. dollars equal to the sum of: (i) the aggregate outstanding face amount of the Certificates; and (ii) all due but unpaid Periodic Distribution Amounts relating to such Certificates. The consideration to be provided by flydubai upon the cancellation of Certificates held by or on behalf of the Trustee or flydubai shall be the cancellation of such Certificates.

OVERVIEW OF THE OFFERING

The following overview should be read as an introduction, and is qualified in its entirety by reference, to the more detailed information appearing elsewhere in this Prospectus. This overview does not contain all of the information that an investor should consider before investing in the Certificates. Each investor should read the entire Prospectus carefully, especially the risks of investing in the Certificates discussed under "Risk Factors".

Words and expressions defined in the Conditions shall have the same meanings in this overview.

Certificates:	U.S.$500,000,000 Trust Certificates.
Trustee:	Al Shindagha Sukuk Limited, an exempted company incorporated on 14 October 2014 under the laws of the Cayman Islands and formed and registered in the Cayman Islands with registered number 292668 with its registered office at Boundary Hall, Cricket Square, 171 Elgin Avenue, PO Box 1984, Grand Cayman KY1-1104, Cayman Islands.
Ownership of the Trustee:	The authorised share capital of the Trustee is U.S.$50,000 consisting of 50,000 ordinary shares of U.S.$1.00 each, of which 250 shares are fully-paid and issued at the date of this Prospectus. The Trustee's entire issued share capital is held on trust for charitable purposes by Deutsche Bank (Cayman) Limited as share trustee under the terms of a declaration of trust.
Administration of the Trustee:	The affairs of the Trustee are managed by Deutsche Bank (Cayman) Limited, who has agreed to perform certain management functions and provide certain clerical, administrative and other services pursuant to a management agreement dated on or before the Issue Date between Deutsche Bank (Cayman) Limited and the Trustee (the "**Management Agreement**"). The Trustee Administrator's registered office is Boundary Hall, Cricket Square, 171 Elgin Avenue, PO Box 1984, Grand Cayman KY1-1104, Cayman Islands.
Obligor, Seller and Service Agent:	Dubai Aviation Corporation (trading as "**flydubai**").
Risk Factors:	Certain factors may affect the Trustee's ability to fulfil its obligations under the Certificates and flydubai's ability to fulfil its obligations under the Transaction Documents to which it is a party. In addition, certain factors are material for the purpose of assessing the market risks associated with the Certificates. These are set out under "*Risk Factors*".
Joint Lead Managers:	Crédit Agricole Corporate and Investment Bank, Dubai Islamic Bank P.J.S.C., Emirates NBD Capital Limited, HSBC Bank plc, National Bank of Abu Dhabi P.J.S.C., Noor Bank P.J.S.C. and Standard Chartered Bank.
Co-Managers:	Arab Banking Corporation (B.S.C.), Sharjah Islamic Bank P.J.S.C. and Union National Bank P.J.S.C.

Delegate:	Deutsche Trustee Company Limited. Pursuant to the Declaration of Trust, the Trustee shall delegate to the Delegate certain of the present and future duties, powers, authorities and discretions vested in the Trustee by certain provisions of the Declaration of Trust. In particular, the Delegate shall, subject to its being indemnified and/or secured and/or pre-funded to its satisfaction, take enforcement action against the Obligor and/or flydubai following a Dissolution Event.
Principal Paying Agent, Paying Agent and Transfer Agent:	Deutsche Bank AG, London Branch.
Registrar, Paying Agent and Transfer Agent:	Deutsche Bank Luxembourg S.A.
Summary of the transaction structure and Transaction Documents:	An overview of the structure of the transaction and the principal cashflows is set out under "*Structure Diagram and Cashflows*" and a description of the principal terms of certain of the Transaction Documents is set out under "*Summary of the Principal Transaction Documents*".
Issue Date:	26 November 2014.
Issue Price:	100.0 per cent.
Scheduled Dissolution Date:	Unless previously purchased and cancelled, or otherwise redeemed, the Certificates will be redeemed on 26 November 2019.
Periodic Distribution Dates:	26 May and 26 November every year, commencing on 26 May 2015.
Periodic Distributions:	Periodic Distribution Amounts shall be payable in arrear in respect of the Certificates on each Periodic Distribution Date, in respect of the Return Accumulation Period ending on such date and shall accrue at the rate of 3.776 per cent. per annum.
Optional Redemption by the Trustee:	The Conditions will contain a provision for optional redemption by the Trustee, at any time, in whole but not in part, if: (i) (A) the Trustee has or will become obliged to pay additional amounts as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or any political subdivision or, in each case, any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 24 November 2014, and (B) such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or (ii) (A) flydubai has or will become obliged to pay additional amounts pursuant to the terms of any Transaction Document as a result of any change in, or amendment to, the laws or regulations of the United Arab Emirates or the Emirate of Dubai or

	any political subdivision or, in each case, any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 24 November 2014, and (B) such obligation cannot be avoided by flydubai taking reasonable measures available to it. The terms of exercise are further described in Condition 8(b) (*Early Dissolution for Taxation Reasons*).
Optional Redemption by Certificateholders upon a Change of Control:	The Conditions will contain a provision for optional redemption by any Certificateholder upon the occurrence of a Change of Control. A Change of Control shall occur if (i) the Government of Dubai ceases to be the ultimate owner (either directly or indirectly) of more than 50 per cent. of flydubai or (ii) flydubai undertakes or undergoes a merger which results in the Government of Dubai ceasing to be the ultimate owner (directly or indirectly) of more than 50 per cent. of the combined entity post-merger. The terms of exercise are further described in Condition 8(c) (*Dissolution at the Option of the Certificateholders (Change of Control Put Right)*).
Form of Certificates:	The Certificates will be issued in registered form as described in "*Global Certificate*". The Certificates will be represented on issue by ownership interests in a Global Certificate which will be deposited with, and registered in the name of a nominee of, a common depositary for Euroclear and Clearstream, Luxembourg. Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by each relevant clearing system and its participants. Definitive Certificates evidencing holdings of Certificates will be issued in exchange for interests in the Global Certificate only in limited circumstances.
Clearance and Settlement:	Certificateholders must hold their interest in the Global Certificate in book-entry form through Euroclear or Clearstream, Luxembourg. Transfers within and between Euroclear and Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearing systems.
Denomination of the Certificates:	The Certificates will be issued in registered form in face amounts of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Status of the Certificates:	Each Certificate will represent an undivided ownership interest in the Trust Assets, will be a limited recourse obligation of the Trustee and will rank *pari passu* without any preference or priority with all other Certificates; see Condition 4 (*Status*).

The payment obligations of flydubai under the Transaction Documents to which it is a party shall, save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 6(b) (*Obligor Negative Pledge*), at all times, rank at least equally with all other unsecured and unsubordinated obligations of the Obligor, present and future.

Trust Assets:

The Trust Assets comprise:

(i) the cash proceeds of the issue of Certificates, pending application thereof in accordance with the terms of the Transaction Documents;

(ii) the interest, rights, benefits and entitlements, present and future, of the Trustee in and to the Rights to Travel which are purchased by the Trustee pursuant to the Purchase of Services Agreement and which remain to be sold pursuant to the Service Agency Agreement, the Purchase Undertaking or the Sale Undertaking (as the case may be);

(iii) the interest, rights, benefits and entitlements, present and future, of the Trustee in, to and under the Transaction Documents (excluding any representations given by the Obligor to the Trustee and/or the Delegate pursuant to any of the Transaction Documents); and

(iv) all moneys standing to the credit of the Transaction Account from time to time,

and all proceeds of the foregoing, upon trust for the Certificateholders *pro rata* according to the face amount of Certificates held by each holder in accordance with the Declaration of Trust and the Conditions.

Dissolution Events:

Subject to Condition 12 (*Dissolution Events*) and Condition 13 (*Realisation of Trust Assets*), upon the occurrence of a Dissolution Event, the Trustee and/or the Delegate shall take the actions referred to in Condition 12(b) (*Enforcement and Exercise of Rights*)

Withholding Tax:

Subject to Condition 9(b) (*Payments subject to Fiscal Laws*) and Condition 10 (*Taxation*), all payments in respect of the Certificates shall be made without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Cayman Islands, the United Arab Emirates or the Emirate of Dubai or any authority thereof having power to tax, unless such withholding or deduction is required by law. In such event, the Trustee will pay such additional amounts as shall result in receipt by the

Certificateholders of such amounts as would have been received by them had no such withholding or deduction been required.

The Transaction Documents provide that payments thereunder by flydubai shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, unless such withholding or deduction is required by law and, in such case, provide for the payment by flydubai of additional amounts so that the full amount which would otherwise have been due and payable is received by the Trustee.

Trustee Covenants: The Trustee has agreed to certain restrictive covenants as set out in Condition 6(a) (*Trustee Covenants*).

Obligor Negative Pledge: flydubai has agreed to certain negative pledge provisions as set out in Condition 6(b) (*Obligor Negative Pledge*).

Ratings: The Certificates will not be rated by any rating organisation upon their issue.

Certificateholder Meetings: A summary of the provisions for convening meetings of the Certificateholders to consider matters relating to their interests as such is set out in Condition 14 (*Meetings of Certificateholders, Modification, Waiver and Substitution*).

Tax Considerations: See "*Taxation*" for a description of certain tax considerations applicable to the Certificates.

Listing and Admission to Trading: Application has been made to the Irish Stock Exchange for the Certificates to be admitted to the Official List and for such Certificates to be admitted to trading on the Main Securities Market.

Application has also been made to the DFSA for the Certificates to be admitted to the official list of securities maintained by the DFSA and to NASDAQ Dubai for such Certificates to be admitted to trading on NASDAQ Dubai.

Transaction Documents: The Declaration of Trust, the Agency Agreement, the Purchase of Services Agreement, the Service Agency Agreement, the Purchase Undertaking and the Sale Undertaking are referred to herein as the "**Transaction Documents**".

Governing Law: The Certificates and the Transaction Documents and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, English law.

Waiver of Immunity: To the extent that flydubai may, in any jurisdiction, claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of

	execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to flydubai or its assets or revenues, flydubai has agreed not to claim and irrevocably and unconditionally waives such immunity to the full extent permitted by the laws of such jurisdiction.
Limited Recourse:	The proceeds of the Trust Assets are the sole source of payments on the Certificates. Save as otherwise provided in Condition 4(b) (*Limited Recourse and Agreement of Certificateholders*), the Certificates do not represent an interest in or obligation of any of the Trustee, the Delegate, flydubai, any of the Agents or any of their respective affiliates. The proceeds of the Trust Assets are the sole source of payments on the Certificates. If the proceeds of the Trust Assets are insufficient to make all payments due in respect of the Certificates, Certificateholders will have no recourse to any assets of the Trustee (and/or its directors, officers or shareholders) (other than the Trust Assets) or of the Delegate or the Agents or any of their respective affiliates, officers, directors or employees, in each case in respect of any shortfall or otherwise. See Condition 4(b) (*Limited Recourse and Agreement of Certificateholders*) for further details.
Selling Restrictions:	There are restrictions on the distribution of this Prospectus and the offer or sale of Certificates in the United States, the United Kingdom, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Cayman Islands, the Kingdom of Saudi Arabia, the Kingdom of Bahrain, the State of Qatar, Kuwait, Hong Kong, Singapore and Malaysia. See "*Subscription and Sale*".
Use of Proceeds:	The proceeds of the issue of the Certificates will be paid by the Trustee to flydubai (as Seller) as the purchase price for the Rights to Travel as described in "*Use of Proceeds*".

TERMS AND CONDITIONS OF THE CERTIFICATES

The following is the text of the terms and conditions that, subject to amendment, shall be applicable to the Certificates in definitive form (if any) issued in exchange for the Global Certificate. These terms and conditions as so amended shall be endorsed on such definitive Certificates.

Al Shindagha Sukuk Limited (in its capacity as issuer and as trustee, the "**Trustee**") has issued trust certificates (the "**Certificates**") in an aggregate face amount of U.S.$500,000,000.

The Certificates are constituted by a declaration of trust dated 26 November 2014 (the "**Issue Date**") between the Trustee, Dubai Aviation Corporation (trading as "flydubai") (the "**Obligor**") and Deutsche Trustee Company Limited as the Trustee's delegate (the "**Delegate**", which expression shall include all persons for the time being the delegate or delegates under the Declaration of Trust) (the "**Declaration of Trust**").

An Agency Agreement (the "**Agency Agreement**") dated the Issue Date has been entered into in relation to the Certificates between the Trustee, the Obligor, the Delegate, Deutsche Bank AG, London Branch as initial principal paying agent, Deutsche Bank Luxembourg S.A. as the registrar and the other agents named in it. The principal paying agent, the other paying agents, the registrar and the transfer agents are referred to below respectively as the "**Principal Paying Agent**", the "**Paying Agents**" (which expression shall include the Principal Paying Agent), the "**Registrar**" and the "**Transfer Agents**" (which expression shall include the Registrar), and together the "**Agents**".

These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Declaration of Trust, which includes the form of Certificates referred to below, the Agency Agreement and the remaining Transaction Documents (as defined below). The Certificateholders are bound by, and are deemed to have notice of, all the provisions applicable to them in the Transaction Documents. Copies of the Transaction Documents are available for inspection and collection during usual business hours at the principal office of the Delegate and of the Principal Paying Agent.

Each initial Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed to authorise and direct the Trustee, on behalf of the Certificateholders: (a) to apply the proceeds of the issue of the Certificates towards the purchase from the Obligor of the Rights to Travel described in the Purchase of Services Agreement; and (b) to enter into each Transaction Document to which it is a party, subject to the provisions of the Declaration of Trust and these Conditions.

1 Interpretation

Unless defined herein or the context otherwise requires, capitalised words and expressions used but not defined herein shall have the meaning given to them in the Declaration of Trust and the Agency Agreement. In addition, for the purposes of these Conditions, the following expressions have the following meanings:

"**ASKMs**" has the meaning given to it in the Purchase of Services Agreement;

"**Authorised Representative**" means, in relation to the Trustee or the Obligor, any person who (i) is a director of the Trustee; or (ii) is duly authorised and in respect of whom a certificate has been provided to the Delegate signed by a director, secretary or another duly authorised person of the Trustee or the Obligor, as applicable, setting out (in each case) the name and signature of such person and confirming such person's authority to act;

"**Business Day**" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in U.S. dollars;

"**Calculation Amount**" means U.S.$1,000;

"**Certificateholder**" or "**holder**" has the meaning given to it in Condition 2;

"**Change of Control**" means:

(a) the Government of Dubai ceases to be the ultimate owner (either directly or indirectly) of more than 50 per cent. of the Obligor; or

(b) the Obligor undertakes or undergoes a merger which results in the Government of Dubai ceasing to be the ultimate owner (directly or indirectly) of more than 50 per cent. of the combined entity post-merger;

"**Change of Control Exercise Notice**" has the meaning given to it in Condition 8(c);

"**Change of Control Notice**" has the meaning given to it in Condition 8(c);

"**Change of Control Put Period**" has the meaning given to it in Condition 8(c);

"**Change of Control Put Right**" means the right exercisable by Certificateholders pursuant to Condition 8(c);

"**Change of Control Put Right Date**" shall be the tenth Business Day after the expiry of the Change of Control Put Period;

"**Day Count Fraction**" has the meaning given to it in Condition 7(b);

"**Delegation**" has the meaning given to it in Condition 15(a);

"**Dispute**" has the meaning given to it in Condition 19(b);

"**Dissolution Date**" means, as the case may be,

(a) the Scheduled Dissolution Date;

(b) any Early Tax Dissolution Date;

(c) any Change of Control Put Right Date; or

(d) any Dissolution Event Redemption Date;

"**Dissolution Distribution Amount**" means, in relation to each Certificate to be redeemed on the relevant Dissolution Date, the sum of:

(a) the outstanding face amount of such Certificate; and

(b) any due and unpaid Periodic Distribution Amounts for such Certificate;

"**Dissolution Event**" means an Obligor Event or a Trustee Event;

"**Dissolution Event Redemption Date**" has the meaning given to it in Condition 12(a);

"**Dissolution Notice**" has the meaning given to it in Condition 12(a);

"**Early Tax Dissolution Date**" has the meaning given to it in Condition 8(b);

"**Exercise Notice**" means an exercise notice given pursuant to the terms of the Purchase Undertaking or the Sale Undertaking (as the case may be);

"**Extraordinary Resolution**" has the meaning given to it in the Declaration of Trust;

"**Guarantee**" means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness, including (without limitation):

(a) any obligation to purchase such Indebtedness, as the case may be;

(b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness, as the case may be;

(c) any indemnity against the consequences of a default in the payment of such Indebtedness; and

(d) any other agreement to be responsible for such Indebtedness, as the case may be;

"**Indebtedness**" means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

(a) amounts raised by acceptance under any acceptance credit facility;

(b) obligations of such Person evidenced by bonds, notes, debentures or other similar instruments;

(c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;

(d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days;

(e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing; and

(f) (to the extent not included above) any other financing arrangement intended to comply with the principles of *Shari'a*;

"**Liability**" means any loss, damage, cost, charge, claim, demand, expense, fee, judgment, action, proceeding or other liability whatsoever (including, without limitations, in respect of taxes) and including any value added tax or similar tax charged or chargeable in respect thereof and legal or other fees and expenses on a full indemnity basis and references to "**Liabilities**" shall mean all of these;

"**Management Agreement**" means the management agreement entered into between the Trustee and the Trustee Administrator on or before the Issue Date;

"**Obligor Event**" means any of the following events:

(i) **Non-payment**: the Obligor (acting in any capacity) fails to pay an amount payable by it pursuant to any Transaction Document to which it is a party which corresponds to all or a part of a Dissolution Distribution Amount payable by the Trustee on a Dissolution Date and the failure continues for a period of seven days, or the Obligor (acting in any capacity) fails to pay an amount payable by it pursuant to any Transaction Document to which it is a party which corresponds to all or a part of a Periodic Distribution Amount payable by the Trustee on a Periodic Distribution Date and the failure continues for a period of 14 days; or

(ii) **Breach of Other Obligations**: the Obligor (acting in any capacity) does not perform or comply with any one or more of its covenants or other obligations in the Transaction Documents to which it is a party, which failure is, in the opinion of the Delegate, incapable of remedy or, if in the opinion of the Delegate is capable of remedy, is not, in the opinion of the Delegate, remedied within the period of 30 days after written notice of such failure shall have been given to the Obligor by the Trustee (or the Delegate) requiring the same to be remedied; or

(iii) **Cross-default**: (A) any Indebtedness or Sukuk Obligation of the Obligor is not paid when due or (as the case may be) within any originally applicable grace period; or (B) any Indebtedness or Sukuk Obligation of the Obligor becomes due and payable (or becomes capable of being declared due and payable) prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described); or (C) the Obligor fails to pay when due any amount payable by it under any Guarantee of any Indebtedness or Sukuk Obligation; or (D) any of the matters referred to in sub-paragraphs (A) to (C) above apply to a Principal Subsidiary (rather than the Obligor itself) and the same remain unpaid or unsatisfied for a period of 14 days thereafter, provided that the amount of Indebtedness or Sukuk Obligation referred to in sub-paragraphs (A), (B) and (D) above, and/or the amount payable under any Guarantee referred to in sub-paragraph (C) and (D) above, in the aggregate, exceeds U.S.$50,000,000 (or its equivalent in any other currency or currencies); or

(iv) **Unsatisfied Judgment**: one or more judgment(s) or order(s) for the payment of an amount which in the aggregate exceeds U.S.$50,000,000 (or its equivalent in any other currency or currencies) is rendered against the Obligor or any of its Principal Subsidiaries and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or

(v) **Insolvency, etc.**: (A) the Obligor becomes (or is declared by a court of competent jurisdiction to be) insolvent or is or is deemed unable to pay its debts (or any class of its debts) as they fall due pursuant to or for the purposes of applicable law; (B) an administrator, liquidator, bankruptcy trustee (or other similar official), is appointed in respect of the Obligor or in relation to the whole or substantially the whole of the undertaking, assets and revenues of the Obligor (or application for any such appointment is made); (C) the Obligor takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or Sukuk Obligation or any Guarantee of any Indebtedness or Sukuk Obligation given by it; (D) the Obligor ceases or threatens to cease to carry on all or substantially the whole of its business (otherwise than, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent) or the Obligor stops or threatens to stop payment of any of its debts, (each such event in such paragraphs (A) to (D) above being an "**Insolvency Event**"); or (E) any Insolvency Event happens or applies to any Principal Subsidiary and such Insolvency Event is continuing for a period of 30 days thereafter; or

(vi) **Security Enforced**: a secured party takes possession, or a receiver, manager or other similar officer is appointed in respect of the whole or a substantial part of the undertaking, assets and revenues of the Obligor or any of its Principal Subsidiaries; or

(vii) **Winding-up, etc.**: an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution of the Obligor or any of its Principal Subsidiaries (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

(viii) **Failure to take action, etc.**: any action, condition or thing at any time required to be taken, fulfilled or done in order: (A) to enable the Obligor lawfully to enter into, exercise its rights and perform and comply with its duties, obligations and undertakings under and in respect of the Transaction Documents to which it is a party; or (B) to ensure that those duties, obligations and undertakings are legal, valid, binding and enforceable is not taken, fulfilled or done; or

(ix) **Operating Rights**: loss by the Obligor or any other member of the Obligor's group which from time to time holds the air operator's certificate (currently held by the Obligor issued by the General Civil Aviation Authority of the UAE, or any successor body) of such certificate, except where such certificate is within seven days of the date of such loss issued to another member of the Obligor's group; or

(x) **Analogous events**: any event occurs which under the laws of the United Arab Emirates or any Emirate thereof or any other relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (v) and (vii) above, or any event occurs which under the laws of the jurisdiction under which the relevant Subsidiary is incorporated or constituted has an analogous effect to any of the events referred to in paragraphs (v) and (vii) above;

"**outstanding**" shall have the meaning given to it in the Declaration of Trust;

"**Periodic Distribution Amount**" has the meaning given to it in Condition 7(a);

"**Periodic Distribution Date**" means 26 May and 26 November in each year, commencing on 26 May 2015, and subject to Condition 7(c);

"**Permitted Security Interest**" means:

(a) any Security Interest securing the Relevant Indebtedness or Relevant Sukuk Obligation of a Person and/or its Subsidiaries existing at the time that such Person is merged into, or consolidated with, the Obligor or any Subsidiary, provided that such Security Interest was not created in contemplation of such merger or consolidation and does not extend to any other assets or property of the Obligor or any Subsidiary;

(b) any Security Interest existing on any property or assets prior to the acquisition thereof by the Obligor or any Subsidiary and not created in contemplation of such acquisition; or

(c) any renewal of or substitution for any Security Interest permitted by any of paragraphs (a) and (b) (inclusive) of this definition, provided that with respect to any such Security Interest the amount of Relevant Indebtedness or Relevant Sukuk Obligation secured has not increased and the Security Interest has not been extended to any additional assets (other than the proceeds of such assets);

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Potential Dissolution Event**" means any condition, event or act which, with the giving of notice, lapse of time, declaration, demand, determination or fulfilment of any other applicable condition (or any combination of the foregoing) could constitute a Dissolution Event;

"**Principal Subsidiary**" means any Subsidiary whose revenues, profits or assets from time to time represent not less than 25 per cent. of the consolidated revenues, profits or assets of the Obligor from time to time as shown or as would be shown in the accounts or other financial statements of the Obligor. A certificate signed by two Authorised Representatives of the Obligor that, in their opinion, a Subsidiary of the Obligor is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary may be relied upon by the Delegate without further enquiry or evidence (and without any liability to any person for so relying) and, if relied upon by the Delegate, shall, in the absence of manifest error, be conclusive and binding on all parties;

"**Profit Rate**" means 3.776 per cent. per annum;

"**Purchase of Services Agreement**" means the purchase of services agreement dated the Issue Date and entered into between the Obligor and the Trustee;

"**Purchase Undertaking**" means the purchase undertaking dated the Issue Date and granted by the Obligor for the benefit of the Trustee and the Delegate and includes the form of sale agreement to be entered into in accordance with the terms of the Purchase Undertaking;

"**Record Date**" has the meaning given to it in Condition 9(a);

"**Register**" has the meaning given to it in Condition 2;

"**Relevant Date**" has the meaning given to it in Condition 10;

"**Relevant Indebtedness**" means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, for the time being, quoted or listed (with the consent of the Obligor), or ordinarily dealt in on any stock exchange, over-the-counter or other securities market, save for any Indebtedness which is directly or indirectly secured only by the aircraft or aircraft equipment for which the Indebtedness is incurred, but not any other property or assets, of the Obligor or any of the Obligor's Subsidiaries (including, without limitation, by means of special purpose entities owning aircraft or aircraft equipment);

"**Relevant Powers**" has the meaning given to it in Condition 15(a);

"**Relevant Sukuk Obligation**" means any Sukuk Obligation, where the trust certificates or instruments, as the case may be, concerned are, or are intended to be, or are capable of being, quoted, listed, or ordinarily dealt in on any stock exchange, over-the-counter or other securities market, save for any Sukuk Obligation which is directly or indirectly secured only by the aircraft or aircraft equipment for which the Sukuk Obligation is incurred, but not any other property or assets, of the Obligor or any of the Obligor's Subsidiaries (including, without limitation, by means of special purpose entities owning aircraft or aircraft equipment);

"**Return Accumulation Period**" means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Periodic Distribution Date and each successive period beginning on (and including) a Periodic Distribution Date and ending on (but excluding) the next succeeding Periodic Distribution Date;

"**Rights to Travel**" means certain rights and services comprising the following:

(i) the right and entitlement of the Trustee (or any third party to whom such rights are sold by the Service Agent for and on behalf of the Trustee in accordance with the terms of the Service Agency Agreement) to travel on any airline passenger route operated from time to time by the Obligor; and

(ii) all services ordinarily provided by the Obligor to passengers travelling on such route (provided that such services are in compliance with the principles of *Shari'a*),

in each case subject to and in accordance with the Obligor's Terms of Business (such rights and services being measured in ASKMs);

"**Sale Undertaking**" means the sale undertaking dated the Issue Date and granted by the Trustee for the benefit of the Obligor and includes the form of sale/transfer agreement to be entered into in accordance with the terms of the Sale Undertaking;

"**Scheduled Dissolution Date**" means 26 November 2019;

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction (other than any mortgage, charge, lien, pledge or other security interest or anything analogous to any of the foregoing arising only by operation of law rather than arising out of or in connection with any act or omission of the Obligor or any of its Principal Subsidiaries);

"**Service Agency Agreement**" means the service agency agreement dated the Issue Date and entered into between the Obligor (in its capacity as Service Agent) and the Trustee;

"**Service Agent**" means Dubai Aviation Corporation (trading as "flydubai") in its capacity as service agent under the Service Agency Agreement;

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**") whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract or the power to appoint or remove members of the governing body of the second Person;

"**Sukuk Obligation**" means any undertaking or other obligation to pay any money given in connection with the issue of trust certificates or other instruments intended to be issued in compliance with the principles of *Shari'a*, whether or not in return for consideration of any kind;

"**Terms of Business**" means the terms of business applied by the Obligor from time to time to passenger air travel generally and in accordance with its customary operating procedures;

"**Transaction Account**" means the account in the Trustee's name held with the Principal Paying Agent, into which the Obligor will deposit all amounts due to the Trustee under the Transaction Documents;

"**Transaction Documents**" means:

(i) the Certificates;

(ii) the Declaration of Trust;

(iii) the Agency Agreement;

(iv) the Purchase of Services Agreement;

(v) the Service Agency Agreement;

(vi) the Purchase Undertaking; and

(vii) the Sale Undertaking;

"**Trust**" means the trust constituted by the Declaration of Trust;

"**Trust Assets**" has the meaning given to it in Condition 5(a); and

"**Trustee Event**" means any of the following events:

(i) **Non-Payment**: default is made for more than seven days in the payment of the Dissolution Distribution Amount (or any other amount in the nature of principal) on the date fixed for payment thereof or default is made for more than 14 days in the payment of any Periodic Distribution Amount on the due date for payment thereof; or

(ii) **Breach of Other Obligations**: the Trustee does not perform or comply with any one or more of its other duties, obligations or undertakings in the Certificates or the Transaction Documents to which it is a party, which failure is, in the opinion of the Delegate, incapable of remedy or, if in the opinion of the Delegate is capable of remedy, is not, in the opinion of the Delegate, remedied within the period of 30 days after written notice of such failure shall have been given by the Delegate to the Trustee requiring the same to be remedied; or

(iii) **Enforcement Proceedings**: any distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Trustee and is not discharged or stayed within 90 days; or

(iv) **Insolvency**: the Trustee is insolvent or bankrupt or unable to pay its debts as they fall due, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Trustee; or

(v) **Winding-up**: an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Trustee, or the Trustee shall apply or petition for a winding-up or administration order in respect of itself or cease or through an official action of its board of directors threaten to cease to carry on all or substantially all of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Delegate or by an Extraordinary Resolution; or

(vi) **Authorisation and Consents**: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order: (x) to enable the Trustee lawfully to enter into, exercise its rights and perform and comply with its duties, obligations and undertakings under the Certificates and the Transaction Documents; (y) to ensure that those duties, obligations and undertakings are legally binding and enforceable; or (z) to make the Certificates and the Transaction Documents to which it is a party admissible in evidence in the courts of the Cayman Islands is not taken, fulfilled or done; or

(vii) **Illegality**: it is or will become unlawful for the Trustee to perform or comply with any one or more of its duties, obligations and undertakings under any of the Certificates or the Transaction Documents or any duties, obligations or undertakings of the Trustee under the Transaction Documents are not or cease to be legal, valid, binding and enforceable; or

(viii) **Repudiation**: the Trustee repudiates any Transaction Document or does or causes to be done any act or thing evidencing an intention to repudiate any Transaction Document; or

(ix) **Analogous Events**: any event occurs that under the laws of the Cayman Islands has an analogous effect to any of the events referred to in paragraphs (iv) or (v) above.

For the purpose of sub-paragraph (i) above, all amounts payable in respect of the Certificates shall be considered due and payable (including any amounts expressed to be payable under Condition 7) notwithstanding that the Trustee has at the relevant time insufficient funds or Trust Assets to pay such amounts (whether as a result of the application of Condition 5(b) or otherwise).

All references to the face amount of a Certificate shall be deemed to include the Dissolution Distribution Amount, any additional amounts (other than relating to Periodic Distribution Amounts) which may be payable under Condition 10 and any other amount in the nature of face amounts payable pursuant to these Conditions.

All references to Periodic Distribution Amounts shall be deemed to include any additional amounts in respect of profit distributions which may be payable under Condition 10 and any other amount in the nature of a profit distribution payable pursuant to these Conditions.

All references to "**U.S.$**", "**U.S. dollars**" and "**$**" are to the lawful currency of the United States of America.

2 Form, Denomination and Title

The Certificates are issued in registered form in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

Certificates are represented by registered certificates and, save as provided in Condition 3(b), each Certificate shall represent the entire holding of Certificates by the same holder.

Title to the Certificates shall pass by registration in the register that the Trustee shall procure to be kept by the Registrar outside the United Kingdom in accordance with the provisions of the Agency Agreement (the "**Register**"). Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the Register. Except as ordered by a court of competent jurisdiction or as required by law, the registered holder of any Certificate shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it or its theft or loss and no person shall be liable for so treating the holder. The registered holder of a

Certificate will be recognised by the Trustee as entitled to his Certificate free from any equity, set-off or counterclaim on the part of the Trustee against the original or any intermediate holder of such Certificate.

In these Conditions, "**Certificateholder**" or "**holder**" means the person in whose name a Certificate is registered.

*Upon issue, the Certificates will be represented by a Global Certificate which will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream, Luxembourg (as applicable), and their respective participants. The Conditions are modified by certain provisions contained in the Global Certificate. Except in limited circumstances, owners of interests in the Global Certificate will not be entitled to receive definitive Certificates representing their holdings of Certificates. See "Global Certificate".*

3 Transfers

(a) **Transfer of Registered Certificates**: Subject to Condition 3(d), one or more Certificates may be transferred upon the presentation and surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Certificates to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Trustee), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Certificates represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Certificates to a person who is already a holder of Certificates, a new Certificate representing the enlarged holding shall only be issued against presentation and surrender of the Certificate representing the existing holding. All transfers of Certificates and entries on the Register will be made subject to the detailed regulations concerning transfers of Certificates scheduled to the Agency Agreement. The regulations may be changed by the Trustee, with the prior written approval of the Registrar and the Delegate, provided that any such change is not materially prejudicial to the interests of the Certificateholders. A copy of the current regulations will be made available by the Registrar to any Certificateholder upon request.

(b) **Delivery of New Certificates**: Each new Certificate to be issued pursuant to Condition 3(a) shall be available for delivery within five business days of receipt of the form of transfer and presentation and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or presentation and surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 3(b), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(c) **Transfers Free of Charge**: Transfers of Certificates on registration or transfer shall be effected without charge by or on behalf of the Trustee, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(d) **Closed Periods**: No Certificateholder may require the transfer of a Certificate to be registered (i) during the period of 15 days ending on the due date for payment of any Dissolution Distribution Amount or Periodic Distribution Amount or any other date on which any payment of the face amount or payment of any profit in respect of that Certificate falls due, (ii) after any such Certificate has been called for redemption pursuant to Condition 8(b) or (iii) during the period of seven days ending on (and including) any Record Date.

4 Status

(a) **Status of Certificates**: The Certificates represent an undivided ownership interest in the Trust Assets and are limited recourse obligations of the Trustee. Each Certificate will constitute unsecured obligations of the Trustee and shall at all times rank *pari passu* and without any preference or priority with all other Certificates. The payment obligations of the Obligor (in any capacity) under the Transaction Documents shall, save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 6(b), at all times rank at least equally with all other unsecured and unsubordinated obligations of the Obligor, present and future.

(b) **Limited Recourse and Agreement of Certificateholders**: Save as provided in this Condition 4(b), the Certificates do not represent an interest in or obligation of any of the Trustee, the Delegate, the Obligor, any of the Agents or any of their respective affiliates.

The proceeds of the Trust Assets are the sole source of payments on the Certificates. The net proceeds of the realisation of, or enforcement with respect to, the Trust Assets may not be sufficient to make all payments due in respect of the Certificates. Certificateholders, by subscribing for or acquiring the Certificates, acknowledge that notwithstanding anything to the contrary contained in these Conditions or any Transaction Document:

(i) no payment of any amount whatsoever shall be made by the Trustee or the Delegate or any of their respective directors, officers, employees or agents on their behalf except to the extent funds are available therefor from the Trust Assets and further acknowledge and agree that no recourse shall be had for the payment of any amount owing hereunder or under any Transaction Document, whether for the payment of any fee, indemnity or other amount hereunder or any other obligation or claim arising out of or based upon the Transaction Documents, against the Trustee to the extent the Trust Assets have been exhausted, following which all obligations of the Trustee shall be extinguished;

(ii) the Trustee may not sell, transfer, assign or otherwise dispose of the Rights to Travel to a third party (save as permitted pursuant to the Service Agency Agreement), and may only realise its interest, rights, benefit and entitlements, present and future in, to and under the Rights to Travel by way of use of such Rights to Travel, sale by the Obligor of such Rights to Travel or purchase by the Obligor of such Rights to Travel, in each case in the manner expressly provided in the Transaction Documents;

(iii) if the proceeds of the Trust Assets are insufficient to make all payments due in respect of the Certificates, Certificateholders will have no recourse to any assets of the Trustee (and/or its directors, officers or shareholders) (other than the Trust Assets) or of the Delegate or the Agents or any of their respective affiliates, officers, directors or employees in each case in respect of any shortfall or otherwise;

(iv) no Certificateholders will be able to petition for, institute, or join any other person in instituting proceedings for, the reorganisation, arrangement, liquidation, bankruptcy, winding-up or receivership or other proceedings under any bankruptcy or similar law against the Trustee (and/or its directors), the Delegate, the Agents or any of their respective affiliates, officers, directors or employees as a consequence of such shortfall or otherwise;

(v) no recourse (whether by institution or enforcement of any legal proceedings or assessment or otherwise) in respect of any breaches of any duty, obligation or undertaking of the Trustee or Delegate arising under or in connection with the Declaration of Trust by virtue of any customary law, statute or otherwise shall be had against any shareholder, officer, director or corporate service provider in their capacity as such. The obligations of the Trustee and the Delegate under the Transaction Documents are corporate or limited liability obligations of the Trustee and/or the Delegate, as the case may be, and no personal liability shall attach to or be incurred by the shareholders, members, officers, agents, directors or corporate service providers of the Trustee and/or the Delegate (in each of their respective capacities as such), save in the case of their wilful default or actual fraud. Reference in these Conditions to wilful default or actual fraud means, in each case, a finding to such effect by a court of competent jurisdiction in relation to the conduct of the relevant party; and

(vi) it shall not be entitled to claim or exercise any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Certificate. No collateral is or will be given for the payment obligations under the Certificates (without prejudice to the negative pledge provisions described in Condition 6(b)).

Pursuant to the terms of the Transaction Documents, the Obligor is obliged to make payments under the relevant Transaction Documents to which it is a party directly to or to the order of the Trustee. Such payment obligations form part of the Trust Assets and the Trustee and the Delegate will thereby have direct recourse against the Obligor to recover payments due to the Trustee from the Obligor pursuant to such Transaction Documents notwithstanding any other provision of this Condition 4(b). Such right of the Trustee and the Delegate shall (subject to the negative pledge provisions described in Condition 6(b)) constitute an unsecured claim against the Obligor. None of the Certificateholders, the Trustee and the Delegate shall be entitled to claim any priority right in respect of any specific assets of the Obligor in connection with the enforcement of any such claim.

5 The Trust

(a) **Trust Assets**: Pursuant to the Declaration of Trust, the Trustee holds the Trust Assets upon trust absolutely for and on behalf of the Certificateholders pro rata according to the face amount of Certificates held by each holder. The term "**Trust Assets**" means:

(i) the cash proceeds of the issue of Certificates, pending application thereof in accordance with the terms of the Transaction Documents;

(ii) the interest, rights, benefits and entitlements, present and future, of the Trustee in and to the Rights to Travel which are purchased by the Trustee pursuant to the Purchase of Services Agreement and which remain to be sold pursuant to the Service Agency Agreement, the Purchase Undertaking or the Sale Undertaking (as the case may be);

(iii) the interest, rights, benefits and entitlements, present and future, of the Trustee in, to and under the Transaction Documents (excluding any representations given by the Obligor to the Trustee and/or the Delegate pursuant to any of the Transaction Documents); and

(iv) all moneys standing to the credit of the Transaction Account from time to time,

and all proceeds of the foregoing.

See "Summary of Principal Transaction Documents" appearing elsewhere in this Prospectus for more information on the Trust Assets, the Purchase of Services Agreement and the other Transaction Documents.

(b) **Application of Proceeds from Trust Assets**: On each Periodic Distribution Date and on any Dissolution Date, the Principal Paying Agent shall apply the monies standing to the credit of the Transaction Account in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):

(i) **first**, (to the extent not previously paid) to the Delegate in respect of all amounts owing to it under the Transaction Documents in its capacity as Delegate and to any receiver, manager or administrative receiver or any other analogous officer and any agent appointed in respect of the Trust by the Delegate in accordance with the Declaration of Trust;

(ii) **second**, only if such payment is due on a Periodic Distribution Date (to the extent not previously paid) to pay pro rata and *pari passu* (i) the Trustee in respect of all amounts owing to it under the Transaction Documents in its capacity as Trustee; (ii) the Trustee Administrator in respect of all amounts owing to it under the Transaction Documents and the Management Agreement in its capacity as trustee administrator; and (iii) each Agent in respect of all amounts owing to such Agent on account of its fees, costs, charges and expenses and the payment or satisfaction of any liability incurred by such Agent pursuant to the Agency Agreement or the other Transaction Documents in its capacity as Agent;

(iii) **third**, only if such payment is due on a Periodic Distribution Date, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due but unpaid;

(iv) **fourth**, only if such payment is due on a Dissolution Date, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Dissolution Distribution Amounts; and

(v) **fifth**, only on a Dissolution Date on which all Certificates are to be redeemed in full and provided that all amounts required to be paid on the Certificates hereunder have been discharged in full, in payment of any residual amount to the Obligor in its capacity as Service Agent as an incentive fee for its performance under the Service Agency Agreement.

6 Covenants

(a) **Trustee Covenants**: The Trustee covenants that, for so long as any Certificate is outstanding, it shall not (without the prior written consent of the Delegate):

(i) incur any indebtedness in respect of borrowed money or in respect of financing raised in accordance with the principles of *Shari'a*, or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) except, in all cases, as contemplated in the Transaction Documents;

(ii) secure any of its present or future indebtedness by any lien, pledge, charge or other security interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law (if any) and other than under or pursuant to any of the Transaction Documents);

(iii) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its interest in any of the Trust Assets except pursuant to any of the Transaction Documents;

(iv) except as provided in Condition 14, amend or agree to any amendment of any Transaction Document to which it is a party (other than in accordance with the terms thereof) or its constitutional documents;

(v) except as provided in the Declaration of Trust, act as trustee in respect of any trust other than the Trust or in respect of any parties other than the Certificateholders;

(vi) have any subsidiaries or employees;

(vii) redeem any of its shares or pay any dividend or make any other distribution to its shareholders;

(viii) use the proceeds of the issue of the Certificates for any purpose other than as stated in the Transaction Documents;

(ix) put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding-up or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; or

(x) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents to which it is a party or as expressly contemplated, permitted or required thereunder or engage in any business or activity other than:

(A) as contemplated, provided for or permitted in the Transaction Documents;

(B) the ownership, management and disposal of the Trust Assets as provided in the Transaction Documents; and

(C) such other matters which are incidental thereto.

(b) **Obligor Negative Pledge**: For so long as any Certificate remains outstanding, the Obligor will not, and will procure that none of its Principal Subsidiaries will, create or permit to subsist any Security Interest, other than a Permitted Security Interest, upon the whole or any part of its present or future assets or revenues (including uncalled capital) to secure any of its Relevant Indebtedness or Relevant Sukuk Obligation, or any Guarantee of Relevant Indebtedness or Relevant Sukuk Obligation, given by it without (i) at the same time or prior thereto securing equally and rateably therewith its obligations under the Transaction Documents to which it is party (in whatever capacity) or (ii) providing such other security for those obligations (A) as the Delegate shall in its absolute discretion deem not materially less beneficial to the interests of the Certificateholders or (B) as shall be approved by an Extraordinary Resolution.

7 Periodic Distribution Amounts

(a) **Periodic Distribution Amounts**: A profit distribution shall be payable in arrear in respect of the Certificates on each Periodic Distribution Date, in respect of the Return Accumulation Period ending on such date, shall accrue at the Profit Rate and the amount of which shall be calculated as provided in Condition 7(b) (each such distribution being referred to in these Conditions as a "**Periodic Distribution Amount**"). Periodic Distribution Amounts shall be distributed to Certificateholders by the Principal Paying Agent on behalf of the Trustee, *pro rata* to their respective holdings, out of amounts transferred to the Transaction Account and subject to Condition 5(b) and Condition 9.

(b) **Calculations**: The amount of profit payable per Calculation Amount in respect of any Certificate for any period shall be equal to the product of: (i) the Profit Rate; (ii) the Calculation Amount; and (iii) the Day Count Fraction for such period, with the result being rounded to the nearest U.S.$0.01, U.S.$0.005 being rounded upwards. For these purposes, "**Day Count Fraction**" means, in respect of the calculation of an amount of profit on any Certificate for any period (whether or not constituting a Return Accumulation Period, the

"**Calculation Period**"), the number of days in the Calculation Period divided by 360 (the number of days in such period to be calculated on the basis of a year of 360 days with 12 30-day months and, in the case of an incomplete month, the number of days elapsed).

(c) **Entitlement to Profit**: Profit shall cease to accumulate in respect of each Certificate on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event profit shall, subject to the terms of the Transaction Documents, continue to accumulate (both before and after judgment) at the Profit Rate in the manner provided in this Condition 7 to the Relevant Date provided that, (i) Rights to Travel remain available for sale pursuant to the Service Agency Agreement or the Purchase Undertaking; and (ii) in respect of such redemption, no sale agreement has been executed in accordance with the terms of the Purchase Undertaking or the Sale Undertaking, as the case may be.

8 Redemption and Dissolution of the Trust

(a) **Dissolution on the Scheduled Dissolution Date**: Unless previously redeemed, or purchased and cancelled, in full, as provided below, each Certificate shall be finally redeemed on the Scheduled Dissolution Date at its Dissolution Distribution Amount and the Trust shall be dissolved by the Trustee following the payment of all such amounts in full. Upon such dissolution as aforesaid, the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

(b) **Early Dissolution for Taxation Reasons**: If:

(i) (A) the Trustee has or will become obliged to pay additional amounts as described under Condition 10 as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or any political subdivision or, in each case, any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 24 November 2014, and (B) such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or

(ii) (A) the Obligor has or will become obliged to pay additional amounts pursuant to the terms of any Transaction Document as a result of any change in, or amendment to, the laws or regulations of the United Arab Emirates or the Emirate of Dubai or any political subdivision or, in each case, any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 24 November 2014, and (B) such obligation cannot be avoided by the Obligor taking reasonable measures available to it,

(the occurrence of an event described in Condition 8(b)(i) or (ii) being a "**Tax Event**"), the Obligor may in its sole discretion deliver to the Trustee a duly completed Exercise Notice in accordance with the provisions of the Sale Undertaking. On receipt of such notice, the Trustee shall, on giving not less than 30 nor more than 60 days' notice to the Delegate and the Certificateholders (which notice shall be irrevocable) redeem the Certificates in whole but not in part at any time (such date being an "**Early Tax Dissolution Date**") at their Dissolution Distribution Amount provided that no such notice of dissolution may be given earlier than 90 days prior to the earliest date on which the Trustee or the Obligor, as the case may be, would be obliged to pay such additional amounts were a payment in respect of the Certificates (in the case of the Trustee) or pursuant to any Transaction Document (in the case of the Obligor) then due.

Prior to the publication of any notice of dissolution pursuant to this Condition 8(b), the Trustee or the Obligor, as the case may be, shall deliver to the Delegate:

(aa) a certificate signed by two Authorised Representatives of the Trustee (in the case of Condition 8(b)(i)) or the Obligor (in the case of Condition 8(b)(ii)), as the case may be, in each case stating that the obligation referred to in Condition 8(b)(i) or 8(b)(ii), as the case may be, cannot be avoided by the Trustee or the Obligor, as the case may be, taking reasonable measures available to it; and

(bb) an opinion of independent legal advisers of recognised standing to the effect that the Trustee or the Obligor, as the case may be, has or will become obliged to pay additional amounts as a result of such change or amendment,

and the Delegate shall be entitled to accept such certificate and legal opinion as sufficient evidence of the satisfaction of the condition precedent set out in Condition 8(b)(i) or, as the case may be, Condition 8(b)(ii) above, in which event it shall be conclusive and binding on Certificateholders.

Upon expiry of any such notice given in accordance with this Condition 8(b) and payment of the Dissolution Distribution Amount to Certificateholders, the Trustee shall be bound to dissolve the Trust. Upon such dissolution as aforesaid, the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

(c) **Dissolution at the Option of the Certificateholders (Change of Control Put Right)**: The Obligor has agreed in the Purchase Undertaking to notify the Trustee and the Delegate forthwith upon the occurrence of a Change of Control and to provide a description of the Change of Control. The Trustee, upon receipt of such notice from the Obligor or otherwise upon becoming aware of the occurrence of a Change of Control, shall promptly give notice (a "**Change of Control Notice**") of the occurrence of a Change of Control to the Certificateholders in accordance with these Conditions. The Change of Control Notice shall provide a description of the Change of Control and shall require Certificateholders to elect within 30 days of the date on which the Change of Control Notice is given (the "**Change of Control Put Period**") if they wish all or any of their Certificates to be redeemed.

If a Change of Control occurs, and provided that Certificateholders elect to redeem their Certificates, in whole or in part, in accordance with this Condition 8(c), the Trustee shall redeem such Certificates on the Change of Control Put Right Date at the Dissolution Distribution Amount and shall require the Obligor to purchase and accept the transfer of all of the Trustee's interest, rights, benefits and entitlements, present and future, in and to a specified number of unsold Rights to Travel as set out in the Purchase Undertaking.

To elect to redeem all or any of its Certificates in accordance with this Condition 8(c), a Certificateholder must deposit its Certificate(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed change of control right exercise notice (a "**Change of Control Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable). No Certificate so deposited and right exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Trustee.

(d) **Dissolution following a Dissolution Event**: Upon the occurrence of a Dissolution Event, the Certificates may be redeemed at the Dissolution Distribution Amount and the Trustee shall dissolve the Trust, in each case as more particularly specified in Condition 12.

(e) **Purchases**: Each of the Trustee, the Obligor and the Obligor's Subsidiaries may at any time purchase Certificates in the open market or otherwise at any price. Any Certificates held by the Trustee, the Obligor, or any of the Obligor's Subsidiaries shall not entitle the holder to exercise any voting rights and shall not be deemed to be outstanding for the purposes of calculating quorums, meetings or for passing Extraordinary Resolutions for the purposes of Condition 14(a).

(f) **Cancellation**: Certificates purchased by or on behalf of the Trustee, the Obligor or any of the Obligor's Subsidiaries may in the Trustee's and Obligor's sole discretion be surrendered for cancellation in accordance with the terms of the Declaration of Trust, the Sale

Undertaking and the Agency Agreement. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Trustee in respect of any such Certificates shall be discharged.

(g) **No other Dissolution**: The Trustee shall not be entitled to redeem the Certificates or dissolve the Trust other than as provided in this Condition 8 and Condition 12.

9 Payments

(a) **Method of Payment**: Payments of the Dissolution Distribution Amount shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided below.

Payments of Periodic Distribution Amounts and the Dissolution Distribution Amount in respect of each Certificate shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "**Record Date**").

Payments of Periodic Distribution Amounts and the Dissolution Distribution Amount in respect of each Certificate shall be made in U.S. dollars by transfer to an account in U.S. dollars maintained by the payee with a bank that processes payments in U.S. dollars notified by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date.

(b) **Payments subject to Fiscal Laws**: All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 10. No commission or expenses shall be charged to the Certificateholders in respect of such payments.

(c) **Payment Initiation**: Where payment is to be made by transfer to an account in U.S. dollars, payment instructions (for value the due date, or if that is not a Business Day, for value the first following day which is a Business Day) will be initiated on the last day on which the Principal Paying Agent is open for business preceding the due date for payment or, in the case of payments of the Dissolution Distribution Amount, where the relevant Certificate has not been presented and surrendered at the specified office of the Registrar or any Transfer Agent, on a day on which the Principal Paying Agent is open for business and on which the relevant Certificate is presented and surrendered.

(d) **Appointment of Agents**: The Principal Paying Agent, the Paying Agent, the Registrar and the Transfer Agent initially appointed by the Trustee and their respective specified offices are listed below. The Principal Paying Agent, the Paying Agent, the Registrar and the Transfer Agent act solely as agents of the Trustee and do not assume any obligation or relationship of agency or trust for or with any Certificateholder. The Trustee reserves the right at any time with the approval of the Delegate to vary or terminate the appointment of the Principal Paying Agent, any other Paying Agent, the Registrar or any Transfer Agent and to appoint additional or other Paying Agents or Transfer Agents, provided that the Trustee shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent, (iv) a Paying Agent (which may be the Principal Paying Agent) having a specified office in a major European city, (v) such other agents as may be required by any stock exchange on which the Certificates may be listed and (vi) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC (as amended from time to time) or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

Notice of any such change or any change of any specified office shall promptly be given to the Certificateholders.

(e) **Non-Business Days**: If any date for payment in respect of any Certificate is not a business day, the holder shall not be entitled to payment until the next following business day nor to any profit or other sum in respect of such postponed payment. In this paragraph, "**business**

day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the place in which the specified office of the Registrar is located and, where payment is to be made by transfer to an account maintained with a bank in U.S. dollars, on which foreign exchange transactions may be carried on in U.S. dollars in New York.

10 Taxation

All payments in respect of the Certificates shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Cayman Islands, the United Arab Emirates or the Emirate of Dubai or any authority thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Trustee shall pay such additional amounts as shall result in receipt by the Certificateholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable:

(a) **Other connection**: to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Certificate by reason of his having some connection with the Cayman Islands, the United Arab Emirates or the Emirate of Dubai, other than the mere holding of the relevant Certificate; or

(b) **Presentation and Surrender more than 30 days after the Relevant Date**: if the relevant Certificate is presented and surrendered for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting and surrendering the Certificate for payment on the last day of such period of 30 days assuming that day to have been a business day (as defined in Condition 9(e)); or

(c) **Payment to individuals**: where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC (as amended from time to time) or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

As used in these Conditions, "**Relevant Date**" in respect of any Certificate means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Certificateholders that, upon further presentation of the Certificate being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to Periodic Distribution Amounts and the Dissolution Distribution Amount shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Declaration of Trust.

The Transaction Documents each provide that payments thereunder by the Obligor shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, unless such withholding or deduction is required by law and, in such case, provide for the payment by the Obligor of additional amounts so that the full amount which would otherwise have been due and payable is received by the Trustee.

Further, the Obligor has undertaken in the Declaration of Trust to pay such additional amounts as may be necessary pursuant to this Condition 10 so that the full amount due and payable by the Trustee in respect of the Certificates to the Certificateholders is received by the Trustee for the purposes of payment to the Certificateholders in accordance with and subject to the provisions of this Condition 10.

11 Prescription

Claims against the Trustee for payment in respect of the Certificates shall be prescribed and become void unless made within 10 years (in the case of the Dissolution Distribution Amount) or five years (in the case of Periodic Distribution Amounts) from the appropriate Relevant Date in respect of them.

12 Dissolution Events

(a) **Dissolution Event**: Upon the occurrence of a Dissolution Event:

(i) the Delegate, upon receiving express notice thereof under the Declaration of Trust or otherwise upon having actual knowledge of a Dissolution Event, shall (subject to its being indemnified, secured and/or prefunded to its satisfaction, if required by the Delegate in the circumstances) promptly give notice of the occurrence of the Dissolution Event to the Certificateholders in accordance with Condition 17 with a request to the Certificateholders to indicate to the Trustee and the Delegate if they wish the Certificates to be redeemed and the Trust to be dissolved; and

(ii) the Delegate in its sole discretion may, and shall if so requested in writing by the holders of at least 25 per cent. of the then aggregate face amount of the Certificates outstanding or if so directed by an Extraordinary Resolution, subject in each case to its being indemnified, secured and/or prefunded to its satisfaction, give notice (a "**Dissolution Notice**") to the Trustee, the Obligor and the Certificateholders in accordance with Condition 17 that the Certificates are immediately due and payable at the Dissolution Distribution Amount, whereupon they shall become so due and payable. A Dissolution Notice may be given pursuant to this sub-paragraph (ii) whether or not notice has been given to Certificateholders as provided in sub-paragraph (i) above.

Upon receipt of such Dissolution Notice, the Trustee (failing which the Delegate on behalf of the Trustee) shall deliver an Exercise Notice under the Purchase Undertaking and shall use the proceeds of such exercise of the Purchase Undertaking to redeem the Certificates at the Dissolution Distribution Amount on the date specified in the relevant Dissolution Notice (the relevant "**Dissolution Event Redemption Date**") and the Trust shall be dissolved on the day after the last outstanding Certificate has been so redeemed in full.

Upon payment in full of such amounts and dissolution of the Trust as aforesaid, the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

(b) **Enforcement and Exercise of Rights**: Upon the occurrence of a Dissolution Event, to the extent that any amount payable in respect of the Certificates has not been paid in full (notwithstanding the provisions of Condition 12(a)), the Trustee or the Delegate, subject to its being indemnified and/or secured and/or prefunded to its satisfaction, shall (acting for the benefit of the Certificateholders) take one or more of the following steps:

(i) enforce the provisions of the Purchase Undertaking against the Obligor; and/or

(ii) take such other steps as the Trustee or the Delegate may consider necessary to recover amounts due to the Certificateholders.

13 Realisation of Trust Assets

(a) The Delegate shall not be bound in any circumstances to take any action to enforce or to realise the Trust Assets or take any action or steps or proceedings against the Trustee and/or the Obligor under any Transaction Document to which either of the Trustee or the Obligor is a party unless directed or requested to do so: (i) by an Extraordinary Resolution; or (ii) in writing by the holders of at least 25 per cent. of the then outstanding aggregate face amount of the Certificates and in either case then only if it shall be indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

(b) No Certificateholder shall be entitled to proceed directly against the Trustee or the Obligor unless the Delegate, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing. Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets (other than as expressly contemplated in the Transaction Documents) and the sole right of the Delegate and the Certificateholders against the Trustee and the Obligor shall be to enforce their respective obligations under the Transaction Documents to which they are a party.

(c) Following the enforcement, realisation and ultimate distribution of the net proceeds of the Trust Assets to the Certificateholders in accordance with these Conditions and the Declaration of Trust, the Trustee shall not be liable for any further sums and, accordingly, Certificateholders may not take any action against the Trustee, the Delegate or any other person (including the Obligor) to recover any such sum in respect of the Certificates or the Trust Assets.

(d) The foregoing paragraphs in this Condition 13 are subject to this paragraph. After enforcing or realising the Trust Assets and distributing the net proceeds of the Trust Assets in accordance with Condition 5(b), the obligations of the Trustee in respect of the Certificates shall be satisfied and no Certificateholder may take any further steps against the Trustee (or any steps against the Delegate) to recover any further sums in respect of the Certificates and the right to receive any such sums unpaid shall be extinguished. In particular, no Certificateholder shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Trustee.

14 Meetings of Certificateholders, Modification, Waiver and Substitution

(a) **Meetings of Certificateholders**: The Declaration of Trust contains provisions for convening meetings of Certificateholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Declaration of Trust. Such a meeting may be convened by Certificateholders holding not less than 10 per cent. in face amount of the Certificates for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in face amount of the Certificates for the time being outstanding, or at any adjourned meeting two or more persons being or representing Certificateholders whatever the face amount of the Certificates held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*: (i) to amend the Scheduled Dissolution Date or any date on which Certificates are to be redeemed or any date for payment of Periodic Distribution Amounts in respect of the Certificates; (ii) to reduce or cancel or vary the method for calculating the amount of any payment due in respect of the Certificates; (iii) to amend the covenant given by the Trustee and the Delegate in Clause 16.1 of the Declaration of Trust; (iv) to change any of the Obligor's covenants set out in the Transaction Documents to which it is a party; (v) to vary the currency of payment or denomination of the Certificates; (vi) to modify the provisions concerning the quorum required at any meeting of Certificateholders or the majority required to pass the Extraordinary Resolution; or (vii) to amend the above list, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in face amount of the Certificates for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Certificateholders (whether or not they were present at the meeting at which such resolution was passed).

The Declaration of Trust provides that (i) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in face amount of the Certificates outstanding (a "**Written Resolution**") or (ii) where the Certificates are held by or on behalf of a clearing system or clearing systems, approval of a resolution proposed by the Trustee, the Obligor or the Delegate (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent., in aggregate face amount of the Certificates then outstanding (an "**Electronic Consent**"), shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held. Such a Written Resolution may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Certificateholders. Such a Written Resolution and/or Electronic Consent will be binding on all Certificateholders whether or not they participated in such Written Resolution or Electronic Consent.

(b) **Modification of the Declaration of Trust or any Transaction Document**: The Delegate may, without the consent of the Certificateholders, (i) agree to any modification of any of the provisions of the Declaration of Trust or the Transaction Documents that is, in the opinion of the Delegate, of a formal, minor or technical nature or is made to correct a manifest error, or (ii) (A) agree to any other modification (except as mentioned in the Declaration of Trust), or to any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Declaration of Trust or the Transaction Documents or (B) determine that any Dissolution Event or Potential Dissolution Event shall not be treated as such provided that such modification, waiver, authorisation or determination is in the opinion of the Delegate not materially prejudicial to the interests of the Certificateholders and not in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least 25 per cent. of the outstanding aggregate face amount of the Certificates. Any such modification, authorisation or waiver shall be binding on the Certificateholders and such modification shall be notified to the Certificateholders in accordance with Condition 17 as soon as practicable.

(c) **Entitlement of the Delegate**: In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Delegate shall have regard to the interests of the Certificateholders as a class and shall not have regard to the consequences of such exercise for individual Certificateholders and the Delegate shall not be entitled to require, nor shall any Certificateholder be entitled to claim, from the Trustee, the Obligor or the Delegate any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders.

15 Delegate

(a) **Delegation of Powers**: The Trustee will in the Declaration of Trust irrevocably and unconditionally appoint the Delegate to be its attorney and in its name, on its behalf and as its act and deeds, to execute, deliver and perfect all documents, and to exercise all of the present and future duties, powers (including the power to sub-delegate), authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Declaration of Trust) and discretions vested in the Trustee by the Declaration of Trust, that the Delegate may consider to be necessary or desirable in order to, upon the occurrence of a Dissolution Event or Potential Dissolution Event, and subject to its being indemnified and/or secured and/or prefunded to its satisfaction, exercise all of the rights of the Trustee under the Transaction Documents and make such distributions from the Trust Assets as the Trustee is bound to make in accordance with the Declaration of Trust, provided that no obligations, duties, liabilities or covenants of the Trustee pursuant to the Declaration of Trust or any other Transaction Document shall be imposed on the Delegate by virtue of this Delegation (together the "**Delegation**" of the "**Relevant Powers**"), provided further that in no circumstances will such Delegation of the Relevant Powers result in the Delegate holding on trust the Trust Assets and provided further that such Delegation and the Relevant Powers shall not include any duty, power, trust, authority or discretion to hold any of the Trust Assets, to dissolve any of the trusts constituted by the Declaration of Trust following the occurrence of a Dissolution Event or Potential Dissolution Event or to determine the remuneration of the Delegate. The Trustee shall ratify and confirm all things done and all documents executed by the Delegate in the exercise of all or any of the Relevant Powers.

In addition to the Delegation of the Relevant Powers under the Declaration of Trust, the Delegate also has certain powers which are vested solely in it from the date of the Declaration of Trust.

The appointment of a delegate by the Trustee is intended to be in the interests of the Certificateholders and does not affect the Trustee's continuing role and obligations as sole trustee.

(b) **Indemnification**: The Declaration of Trust contains provisions for the indemnification of the Delegate in certain circumstances and for its relief from responsibility, including provisions relieving it from taking action, step or proceeding unless indemnified and/or secured and/or prefunded to its satisfaction. In particular, in connection with the exercise of any of its rights in respect of the Trust Assets or any other right it may have pursuant to the Declaration of Trust, the Delegate shall in no circumstances be bound to take any action, step or proceeding unless directed to do so in accordance with Conditions 12 or 13, and then only if it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

(c) **No Liability**: The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of the Obligor under the Transaction Documents to which it is a party and shall not under any circumstances have any liability or be obliged to account to Certificateholders in respect of any payments which should have been paid by the Obligor but are not so paid and shall not in any circumstances have any liability arising from the Trust Assets other than as expressly provided in these Conditions or in the Declaration of Trust.

(d) **Reliance on Certificates and/or Reports**: The Delegate may rely on any certificate or report of any auditors or insolvency officials (as applicable) of the Trustee, the Obligor or any other person called for by or provided to the Delegate (whether or not addressed to the Delegate) in accordance with or for the purposes of the Declaration of Trust or the other Transaction Documents and such certificate or report may be relied upon by the Delegate (without liability to any person) as sufficient evidence of the facts stated therein notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Delegate or any other person in connection therewith contains a monetary or other limit on the liability of the auditors or insolvency officials of the Trustee, the Obligor or such other person in respect thereof and notwithstanding that the scope and/or basis of such certificate or report may be limited by an engagement or similar letter or by the terms of the certificate or report itself and the Delegate shall not be bound in any such case to call for further evidence or be responsible for any liability or inconvenience that may be occasioned by its failure to do so.

(e) **Proper performance of duties**: Nothing shall, in any case in which the Trustee or the Delegate has failed to show the degree of care and diligence required of it as trustee, in the case of the Trustee (having regard to the provisions of the Declaration of Trust conferring on it any trusts, powers, authorities or discretions) or as donee and delegate, in the case of the Delegate (having regard to the powers, authorities and discretions conferred on it by the Declaration of Trust and to the Relevant Powers delegated to it), respectively exempt the Trustee or the Delegate from or indemnify either of them against any Liability for wilful default or actual fraud of which either of them may be guilty in relation to their duties under the Declaration of Trust.

(f) **Notice of events**: The Delegate shall not be responsible for monitoring or ascertaining whether or not a Dissolution Event, Potential Dissolution Event or Change of Control has occurred or exists and, unless and until it shall have received express notice or has actual knowledge to the contrary, it will be entitled to assume that no such event or circumstance exists or has occurred (without any liability to any person for so doing).

16 Replacement of Certificates

If a Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Registrar or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Trustee for the purpose and notice of whose designation is given to Certificateholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Certificate is subsequently presented for payment, there shall be paid to the Trustee on demand the amount payable by the Trustee in respect of such Certificates) and otherwise as the Trustee may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

17 Notices

Notices to the holders of Certificates shall be mailed to them by first class mail (airmail if overseas) at their respective addresses in the Register. In addition, the Trustee shall ensure that notices to the holders of Certificates are duly given or published in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system (if any) on which the Certificates are for the time being admitted to listing, trading and/or quotation. Any notices shall be deemed to have been given on the fourth day after being so mailed or on the date of publication, or if so published more than once on different dates, on the date of the first publication.

So long as the Certificates are represented by a Global Certificate and such Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg, or any other clearing system, notices to the holders of the Certificates may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for mailing as required by Condition 17. Any such notice shall be deemed to have been given to the holders of the Certificates on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system.

18 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Certificates under the Contracts (Rights of Third Parties) Act 1999 but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19 Governing Law and Arbitration

(a) **Governing Law**: The Declaration of Trust (including these Conditions), the Agency Agreement and the Certificates and any non-contractual obligations arising out of or in connection with the same are governed by, and shall be construed in accordance with, English law.

(b) **Arbitration**: The Delegate, the Trustee and the Obligor have in the Declaration of Trust agreed that, subject to Condition 19(c), any dispute, claim, difference or controversy arising from, relating to or having any connection with the Certificates (including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them) (a "**Dispute**") shall be referred to and finally resolved by arbitration under the Arbitration Rules of the London Court of International Arbitration (the "**LCIA**") (the "**Rules**"), which Rules (as amended from time to time) are deemed to be incorporated by reference into this Condition 19(b). For these purposes:

(i) the seat of arbitration shall be London, England;

(ii) there shall be three arbitrators, each of whom shall be disinterested in the arbitration and shall be an attorney experienced in international securities transactions. The parties to the Dispute shall each nominate one arbitrator and both arbitrators in turn shall appoint a further arbitrator who shall be the chairman of the tribunal. In cases where there are multiple claimants and/or multiple respondents, the class of claimants jointly, and the class of respondents jointly shall each nominate one arbitrator. If one party or both fails to nominate an arbitrator within the time limits specified by the Rules, such arbitrator(s) shall be appointed by the LCIA. If the party nominated arbitrators fail to nominate the third arbitrator within 15 days of the appointment of the second arbitrator, such arbitrator shall be appointed by the LCIA; and

(iii) the language of the arbitration shall be English.

(c) **Option to Litigate**: Notwithstanding Condition 19(b) above, the Delegate may, in the alternative, and at its sole discretion, by notice in writing to the Trustee and the Obligor in accordance with the Declaration of Trust:

(i) within 28 days of service of a Request for Arbitration (as defined in the Rules); or

(ii) if no arbitration has commenced,

require that the Dispute be heard by a court of law. If the Delegate gives such notice, the Dispute to which such notice refers shall be determined in accordance with Condition 19(e) and any arbitration commenced under Condition 19(b) in respect of that Dispute will be terminated. Each of the parties to the terminated arbitration will bear its own costs in relation thereto.

(d) **Notice to Terminate**: If any notice to terminate is given after service of any Request for Arbitration in respect of any Dispute, the Delegate must also promptly give notice to the LCIA and to any Tribunal (as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by the courts. Upon receipt of such notice by the LCIA, the arbitration and any appointment of any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be *functus officio*. The termination is without prejudice to:

(i) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;

(ii) his entitlement to be paid his proper fees and disbursements; and

(iii) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.

(e) **Effect of exercise of option to litigate**: If a notice described in Condition 19(c) is issued, the following provisions shall apply:

(i) subject to sub-paragraph (iii) below, the courts of England shall have jurisdiction to settle any Dispute and each of the Trustee and the Obligor submits to the exclusive jurisdiction of such courts;

(ii) each of the Trustee and the Obligor agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and

(iii) this Condition 19(e) is for the benefit of the Delegate for and on behalf of the Certificateholders only. As a result, and notwithstanding sub-paragraph (ii) above, the Delegate may take proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, the Delegate may take concurrent Proceedings in any number of jurisdictions.

(f) **Appointment of Process Agent**: Each of the Trustee and the Obligor irrevocably appoints Cheeswrights at its registered office at 2nd Floor, Bankside House, 107 Leadenhall Street, London EC3A 4AF, United Kingdom as its agent for service of process, and undertakes that, in the event of Cheesewrights ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings or Disputes and shall immediately notify the Delegate of such appointment. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Trustee or the Obligor, as applicable). Nothing herein shall affect the right to serve Proceedings in any other manner permitted by law.

(g) **Enforcement**: An arbitral award of judgment or order of an English or other court, in connection with a Dispute arising out of or in connection with these Conditions, shall be binding on the Delegate, the Trustee and the Obligor and may be enforced against each of them in the courts of any competent jurisdiction.

(h) **Other documents**: Each of the Trustee and the Obligor has in the Transaction Documents to which it is a party made provision for arbitration, submitted to jurisdiction and appointed an agent for service of process in terms substantially similar to those set out above.

(i) **Waiver of immunity**: The Obligor has agreed in the Transaction Documents to which it is party that, to the extent that it may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Obligor or its assets or revenues, it shall not claim, and irrevocably and unconditionally waives, such immunity to the full extent permitted by the laws of such jurisdiction. In addition, the Obligor has irrevocably and unconditionally consented to the giving of any relief or issue of any process, including, without limitation, the making, enforcement or execution against any of its assets whatsoever of any award, order or judgment made or given in connection with any Proceedings or Disputes.

(j) **Waiver of Interest**:

(i) Each of the Trustee, the Delegate and the Obligor has irrevocably agreed in the Declaration of Trust that no interest will be payable or receivable under or in connection therewith and in the event that it is determined that any interest is payable or receivable in connection therewith by a party, whether as a result of any judicial award or by operation of any applicable law or otherwise, such party has agreed to waive any rights it may have to claim or receive such interest and has agreed that if any such interest is actually received by it, it shall promptly donate the same to a registered or otherwise officially recognised charitable organisation.

(ii) For the avoidance of doubt, nothing in this Condition 19(j) shall be construed as a waiver of rights in respect of Periodic Distribution Amounts, Sales Proceeds (as defined in the Service Agency Agreement) or profit of any kind howsoever described payable by the Obligor (in any capacity) or the Trustee pursuant to the Transaction Documents and/or the Conditions, howsoever such amounts may be described or re-characterised by any court.

GLOBAL CERTIFICATE

The Global Certificate contains the following provisions which apply to the Certificates whilst they are represented by the Global Certificate, some of which modify the effect of the Conditions. Unless otherwise defined, terms defined in the Conditions have the same meaning below.

Form of the Certificates

The Certificates will be in registered form and will be issued outside the United States in reliance on Regulation S.

The Certificates will be represented by beneficial interests in a global certificate in registered form (the "**Global Certificate**"). The Global Certificate will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg, and will be registered in the name of a nominee for the common depositary. Persons holding ownership interests in the Global Certificate will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of Definitive Certificates in fully registered form.

Holders

For so long as the Certificates are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, the registered holder of the Global Certificate shall, except as ordered by a court of competent jurisdiction or as required by law, be treated as the owner thereof (the "**Registered Holder**"). Each of the persons (other than another clearing system) who is for the time being shown in the records of either such clearing system as the holder of a particular aggregate face amount of such Certificates (the "**Accountholders**") (in which regard, any certificate or other document issued by a clearing system as to the aggregate face amount of such Certificates standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be deemed to be the Certificateholder in respect of the aggregate face amount of such Certificates standing to its account in the records of Euroclear or Clearstream, Luxembourg, as the case may be, other than for the purpose of payments in respect thereof, the right to which shall be vested solely in the Registered Holder, as against the Trustee and an Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Registered Holder, and the expressions "**Certificateholder**" and "**holder of Certificates**" and related expressions shall be construed accordingly. In addition, holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the relevant Certificates. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

Cancellation

Cancellation of any Certificate represented by the Global Certificate will be effected by reduction in the aggregate face amount of the Certificates in the Register.

Payments

Payments of any amount in respect of the Global Certificate will, in the absence of any provision to the contrary, be made to the person shown on the Register as the registered holder of the Global Certificate at the close of business on the record date which shall be the Closing System Business Day immediately prior to the due date for payment (where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January).

None of the Trustee, the Delegate, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Global Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

Payments of the Dissolution Distribution Amount in respect of Certificates represented by the Global Certificate will be made upon the presentation and surrender of the Global Certificate at the specified office of the Registrar or such other office, as may be specified by the Registrar, subject to and in accordance with the Conditions and the Declaration of Trust. Distributions of amounts with respect to book-entry interests in the Certificates held through Euroclear or Clearstream, Luxembourg will be credited to the cash accounts of participants in the relevant clearing system in accordance with the relevant clearing system's rules and procedures. A record of each payment made in respect of the Certificates will be entered into the Register by or on behalf of the Registrar and shall be prima facie evidence that payment has been made.

Notices

So long as all the Certificates are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, notices may be given by delivery of the relevant notice to those clearing systems for communication to their Accountholders rather than by publication and delivery as required by the Conditions except that, so long as the Certificates are listed on any stock exchange, notices shall also be published in accordance with the rules of such stock exchange. Any such notice shall be deemed to have been given on the day on which such notice is delivered to the relevant clearing systems.

Whilst any of the Certificates held by a Certificateholder are represented by the Global Certificate, notices to be given by such Certificateholder may be given (where applicable) through Euroclear and/or Clearstream, Luxembourg, and otherwise in such manner as the Registrar and Euroclear and Clearstream, Luxembourg may approve for this purpose.

Electronic Consent and Written Resolution

Whilst any Global Certificate is registered in the name of any nominee for Euroclear or Clearstream, Luxembourg, then:

(a) approval of a resolution proposed by the Trustee, the Obligor or the Delegate (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their respective operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in principal amount of the Certificates outstanding (an "**Electronic Consent**" as defined in the Declaration of Trust) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which the special quorum (as specified in the Declaration of Trust) was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held, and shall be binding on all Certificateholders, whether or not they participated in such Electronic Consent; and

(b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Declaration of Trust) has been validly passed, the Trustee, the Obligor or the Delegate shall be entitled to rely on consent or instructions given in writing directly to the Trustee, the Obligor or the Delegate by accountholders in the relevant clearing system(s) with entitlements to such Global Certificate or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries and provided that, in each case, the Trustee, the Obligor, the Delegate, as the case may be, has obtained commercially reasonable evidence to ascertain the validity of such holding and has taken reasonable steps to ensure that such holding does not alter following the giving of such consent or instruction and prior to the effecting of such consent or instructions. Any resolution passed in such manner shall be binding on all Certificateholders, even if the relevant consent or instruction proves to be defective. As used in this paragraph, "commercially reasonable evidence" includes any certificate or other document issued by Euroclear or Clearstream, Luxembourg, or issued by an accountholder of them or an intermediary in a holding chain, in relation to the holding of interests in the Certificates. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or printout of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's Creation Online system) in accordance with its usual procedures and in which the accountholder of a particular principal amount of the Certificates is clearly identified together with the amount of such holding. None of the Trustee, the Obligor and/or the Delegate shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

Put Option

The Certificateholders' put option in Condition 8(c) (*Dissolution at the Option of the Certificateholders (Change of Control Put Right)*) of the Certificates may be exercised by the holder of the Global Certificate giving notice to the Registrar or Paying and Transfer Agent of the face amount of Certificates in respect of which the option is exercised and presenting the Global Certificate within the time limits specified in Condition 8(c) (*Dissolution at the Option of the Certificateholders (Change of Control Put Right)*).

Registration of Title

The Registrar will not register title to the Certificates in a name other than that of a nominee for the Common Depositary for a period of seven calendar days preceding the due date for any payment of any Periodic Distribution Amount or the Dissolution Distribution Amount in respect of the Certificates.

Record dates will be determined in accordance with the standard practices of Euroclear and Clearstream, Luxembourg.

Transfers

Transfers of book-entry interests in the Certificates will be effected through the records of Euroclear or Clearstream, Luxembourg and their respective direct and indirect participants in accordance with their respective rules and procedures.

Exchange for Definitive Certificates

Interests in the Global Certificate will be exchangeable (free of charge) for Definitive Certificates only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that: (i) a Dissolution Event (as defined in the Conditions) has occurred; or (ii) the Certificates represented by the Global Certificate are held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system, and any such clearing system has been closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or has announced an intention permanently to cease business or has in fact done so. In the event of the occurrence of an Exchange Event, any of the Trustee or Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in the Global Certificate) may give notice to the Registrar requesting exchange.

In such circumstances, the Global Certificate shall be exchanged in full for Definitive Certificates and the Trustee will, at the cost of the Trustee (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Certificates to be executed and delivered to the Registrar within 10 days following the request for exchange for completion and dispatch to the Certificateholders. A person having an interest in the Global Certificate must provide the Registrar with a written order containing instructions (and such other information as the Trustee and the Registrar may require) to complete, execute and deliver such Definitive Certificates.

In this Prospectus, "**Definitive Certificate**" means a trust certificate in definitive registered form issued by the Trustee in accordance with the provisions of the Declaration of Trust in exchange for the Global Certificate, such trust certificate substantially in the form set out in the Schedules to the Declaration of Trust.

USE OF PROCEEDS

The proceeds of the issue of the Certificates will be paid by the Trustee to flydubai (as Seller) as the purchase price for the Rights to Travel pursuant to the Purchase of Services Agreement. flydubai shall use the proceeds of the issue of the Certificates for general corporate purposes.

DESCRIPTION OF THE TRUSTEE

General

Al Shindagha Sukuk Limited, a Cayman Islands exempted company with limited liability, was incorporated on 14 October 2014 under the Companies Law (as amended) of the Cayman Islands with company registration number 292668. The Trustee has been established as an exempted company for the sole purpose of issuing the Certificates and entering into the transactions contemplated by the Transaction Documents. The registered office of the Trustee is at Boundary Hall, Cricket Square, 171 Elgin Avenue, PO Box 1984, Grand Cayman KY1-1104, Cayman Islands, and its telephone number is +1 345 949 8244.

The authorised share capital of the Trustee is U.S.$50,000 consisting of 50,000 ordinary shares of U.S.$1.00 each, of which 250 Shares have been issued at the date of this Prospectus. All of the issued shares (the "**Shares**") are fully-paid and are held by Deutsche Bank (Cayman) Limited as share trustee (the "**Share Trustee**") under the terms of a declaration of trust (the "**Share Declaration of Trust**") under which the Share Trustee holds the Shares in trust until the Termination Date (as defined in the Share Declaration of Trust). Prior to the Termination Date, the trust is an accumulation trust, but the Share Trustee has the power to benefit the Charity (as defined in the Share Declaration of Trust). It is not anticipated that any distribution will be made whilst any Certificate is outstanding. Following the Termination Date, the Share Trustee will wind up the trust and make a final distribution to charity. The Share Trustee has no beneficial interest in, and derives no benefit (other than its fee for acting as Share Trustee) from its holding of the Shares.

Business of the Trustee

The Trustee will not have any substantial liabilities other than in connection with the Certificates and any further certificates issued pursuant to the Conditions. The Certificates are the obligations of the Trustee alone and not the Share Trustee.

The objects for which the Trustee is established are set out in clause 3 of its Memorandum of Association as registered or adopted on 14 October 2014.

Financial Statements

Since the date of incorporation, no financial statements of the Trustee have been prepared. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements.

Directors of the Trustee

The Directors of the Trustee are as follows:

Name:	*Principal Occupation:*
Alexandra McCoy	Business person
Alan Corkish	Business person

The business address of Alex McCoy is c/o Deutsche Bank (Cayman) Limited, Boundary Hall, Cricket Square, 171 Elgin Avenue, PO Box 1984, Grand Cayman KY1-1104, Cayman Islands.

The business address of Alan Corkish is c/o Deutsche Bank (Cayman) Limited, Boundary Hall, Cricket Square, 171 Elgin Avenue, PO Box 1984, Grand Cayman KY1-1104, Cayman Islands.

There are no potential conflicts of interest between the private interests or other duties of the Directors listed above and their duties to the Trustee.

The Administrator

Deutsche Bank (Cayman) Limited also acts as the administrator of the Trustee (in such capacity, the "**Administrator**"). The office of the Administrator serves as the general business office of the Trustee. Through the office, and pursuant to the terms of a management agreement entered into between the Trustee and the Administrator (the "**Management Agreement**"), the Administrator has agreed to perform in the Cayman Islands various management functions on behalf of the Trustee and the provision of certain clerical, administrative and other services until termination of the Management Agreement. In consideration of the foregoing, the Corporate Administrator will receive various fees payable by the Trustee at rates agreed upon from time to time, plus expenses.

The terms of the Management Agreement provide that either the Trustee or the Administrator may terminate such agreements upon the occurrence of certain stated events, including any breach by the other party of its obligations under such agreements. In addition, the Management Agreement provide that either party shall be entitled to terminate such agreements by giving at least one months' notice in writing to the other party.

The Administrator will be subject to the overview of the Trustee's Board of Directors.

The Administrator's principal office is Boundary Hall, Cricket Square, 171 Elgin Avenue, PO Box 1984, Grand Cayman KY1-1104, Cayman Islands.

The Directors of the Trustee are all employees or officers of the Administrator or an affiliate thereof. The Trustee has no employees and is not expected to have any employees in the future.

The following tables represent the summary financial data and other operating data of flydubai. The following summary historical financial information as at and for the six months ended 30 June 2014 and 2013 and the two years ended 31 December 2013 and 31 December 2012 has been extracted from the Audited Annual Financial Statements and the Unaudited Interim Financial Statements included elsewhere in this Prospectus.

The following summary historical financial data should be read in conjunction with the information contained in "Presentation of Certain Financial and Other Information", "Risk Factors – Risk Factors Relating to flydubai", "Description of flydubai" and "Financial Review" and flydubai's Audited Annual Financial Statements and the Unaudited Interim Financial Statements and the notes thereto appearing elsewhere in this Prospectus.

Income Statement

The following tables show flydubai's income statements for the six months ended 30 June 2014 and 2013 and each of the two years ended 31 December 2013 and 2012 respectively.

	For the six months ended 30 June	
	2014	2013
	AED in '000, unaudited	
Revenue	1,889,590	1,629,510
Other operating income	118,756	71,960
Operating costs	(1,939,702)	(1,650,755)
Operating profit	68,644	50,715
Finance income	1,431	1,996
Finance costs	(12,232)	(9,839)
Profit before income tax for the period	57,843	42,872
Income tax expense	(4,743)	(5,836)
Profit for the period	53,100	37,036
Cash flow hedges	(1,515)	(3,895)
Total comprehensive income	51,585	33,141

	For the year ended 31 December	
	2013	2012
	AED in '000, audited	
Revenue	3,478,957	2,700,395
Other operating income	230,924	225,748
Operating costs	(3,464,442)	(2,750,760)
Operating profit	245,439	175,383
Finance income	3,488	5,398
Finance costs	(18,150)	(20,151)
Profit before income tax for the year	230,777	160,630
Income tax expense	(8,012)	(8,689)
Profit for the year	222,765	151,941
Cash flow hedges	27,788	—
Total comprehensive income for the year	250,553	151,941

Statements of Financial Position

The following table shows flydubai's statement of financial position as at 30 June 2014 and 31 December 2013 and 2012 respectively.

	As at 30 June	As at 31 December	
	2014	2013	2012
	AED in '000, unaudited	*AED in '000, audited*	
ASSETS			
Non-current assets			
Property, plant and equipment	1,985,615	1,876,081	1,167,654
Intangible assets	26,812	20,403	17,378
Other receivables	66,422	21,684	—
Derivative financial instruments	1,054	—	—
	2,079,903	1,918,168	1,185,032
Current assets			
Inventories	17,203	15,151	12,463
Trade and other receivables	732,878	627,164	474,529
Due from related parties	8,211	2,944	14,785
Derivative financial instruments	27,367	27,809	—
Cash and cash equivalents	368,667	409,384	469,874
	1,154,326	1,082,452	971,651
Total assets	3,234,229	3,000,620	2,156,683

	For the six months ended 30 June	For the year ended 31 December	
	2014	2013	2012
	AED in '000, unaudited	*AED in '000, audited*	
EQUITY			
Capital	500,000	500,000	500,000
Hedging reserve	26,273	27,788	—
Retained earnings	90,246	37,146	(185,619)
Total equity	616,519	564,934	314,381
LIABILITIES			
Non-current liabilities			
Borrowings and lease liabilities	1,618,805	1,218,247	626,945
Loan from a related party	—	47,515	237,575
Provisions	84,790	69,753	51,573
	1,703,595	1,335,515	916,093
Current liabilities			
Trade and other payables	773,122	750,193	541,422
Loan from a related party	—	190,060	95,030
Borrowings and lease liabilities	66,534	66,407	200,934
Due to related parties	72,311	93,490	88,823
Derivative financial instruments	2,148	21	—
	914,115	1,100,171	926,209
Total liabilities	2,617,710	2,435,686	1,842,302
Total equity and liabilities	3,234,229	3,000,620	2,156,683

Selected Statement of Cash Flows Data

The following table summarises flydubai's statements of cash flow for the six months ended 30 June 2014 and 2013 and each of the two years ended 31 December 2013 and 2012 respectively.

	For the six months ended 30 June	
	2014	2013
	AED in '000, unaudited	
Net cash generated from operating activities	2,177	211,758
Net cash used in investing activities	(182,933)	(171,447)
Net cash provided by/(used in) financing activities	140,039	(119,323)
Net decrease in cash and cash equivalents	(40,717)	(79,012)
Cash and cash equivalents at beginning of the period	409,384	469,874
Cash and cash equivalents at end of the period	368,667	390,862

	For the year ended 31 December	
	2013	2012
	AED in '000, audited	
Net cash generated from operating activities	435,822	243,409
Net cash used in investing activities	(405,384)	(188,856)
Net cash (used in)/provided by financing activities	(90,928)	11,655
Net (decrease)/increase in cash and cash equivalents	(60,490)	66,208
Cash and cash equivalents at beginning of the year	469,874	403,666
Cash and cash equivalents at end of the year	409,384	469,874

Other Data

The following tables show certain other financial data, ratios and airline operating statistics for flydubai as at and for the six months ended 30 June 2014 and 2013 and each of the two years ended 31 December 2013 and 2012 respectively.

	As at 30 June	As at 31 December
	2014	2013
	AED in '000 except where otherwise stated, unaudited	
Total borrowings and lease liabilities	1,685,339	1,522,229
Less: cash assets[(2)]	(368,667)	(409,384)
Net debt	1,316,672	1,112,845
Profit margin[(3)](%)	2.8	6.4
EBITDAR margin[(4)](%)	19.9	22.1
Net debt to equity ratio[(5)]	2.1	1.9
Net debt (including aircraft operating leases) to equity ratio[(6)](%)	5.1	5.4

	As at and for the six months ended 30 June	
	2014	2013
	AED in '000 except where otherwise stated, unaudited	
Airline operating statistics		
Aircraft (number)	36	30
Average fleet age (months)	32	25
Destination cities (number)	71	62
Aircraft departures (number)	28,896	27,130
Passengers carried (in thousands)	3,573	3,250
Passenger seat kilometres (RPKM million)	5,847	5,215
Cargo carried (in tonnes)	14,508	13,440
Overall capacity (ASKM million)	8,334	7,684
Overall seat factor[8] (%)	70.2	67.9
Breakeven seat factor[9] (%)	68.2	66.4
Unit costs (fils per ASKM)	21.9	20.5
Unit costs (excluding jet fuel) (fils per ASKM)	13.2	12.1
Overall yield[10] (fils per RPKM)	32.3	31.2

	As at and for the year ended 31 December	
	2013	2012
	AED in '000 except where otherwise stated, unaudited	
EBITDAR[1]	767,714	634,246
Total borrowings and lease liabilities	1,522,229	1,160,484
Less: cash assets[2]	(409,384)	(469,874)
Net debt	1,112,845	690,610
Profit margin[3] (%)	6.4	5.6
EBITDAR margin[4] (%)	22.1	23.5
Net debt to equity ratio[5]	1.9	2.2
Net debt (including aircraft operating leases) to equity ratio[6]	5.4	7.7
Revenue per employee (AED thousands)[7]	1,793	1,884
Airline operating statistics		
Aircraft (number)	35	28
Average fleet age (months)	27	21
Destination cities (number)	70	52
Aircraft departures (number)	57,128	44,877
Passengers carried (millions)	6,822	4,947
Passenger seat kilometres (RPKM million)	11,031	8,041
Cargo carried (in tonnes)	29,786	13,784
Overall capacity (ASKM million)	16,469	12,651
Overall seat factor[8] (%)	67.0	63.6
Breakeven seat factor[9] (%)	62.9	60.1
Unit costs (fils per ASKM)	19.6	20.0
Unit costs (excluding jet fuel) (fils per ASKM)	11.3	11.7
Overall yield[10] (fils per RPKM)	31.5	33.6

Notes:

(1) EBITDAR calculated as operating profit before depreciation, amortisation, aircraft operating lease costs and supplementary lease costs in the financial statements. See "*Presentation of Certain Financial and Other Information — Non GAAP measures — EBITDAR*" for further information on EBITDAR.

(2) Cash assets calculated as the sum of short-term bank deposits, and cash in hand and cash at bank.

(3) Profit margin calculated as profit for the year/period expressed as a percentage of the revenue from operations.

(4) EBITDAR margin calculated as EBITDAR expressed as a percentage of the revenue from operations.

(5) Net debt to equity ratio calculated as total borrowings and lease liabilities net of cash assets divided by total equity.

(6) Net debt (including aircraft operating leases) to equity ratio calculated as total borrowings and lease liabilities (including aircraft operating leases) net of cash assets divided by total equity.

(7) Revenue per employee calculated as revenue divided by average employee strength.

(8) Overall seat factor calculated as RPKM (revenue passenger kilometre) divided by ASKM (available seat kilometre).

(9) Breakeven seat factor calculated as the overall seat factor at which revenue will equal operating costs.

(10) Overall yield calculated as revenue earned per RPKM and expressed in fils per RPKM.

FINANCIAL REVIEW

The following review of flydubai's financial position and results of operations is based upon and should be read in conjunction with the information contained in "Risk Factors – Risk Factors Relating to flydubai", "Presentation of Certain Financial and Other Information", "Selected Financial and Operating Information" and the Audited Annual Financial Statements and the Unaudited Interim Financial Statements included elsewhere in this Prospectus.

This discussion contains forward looking statements that involve risks and uncertainties. Actual results for flydubai could differ materially from those indicated in any forward looking statements as a result of various factors, including those discussed below and in "Risk Factors".

Overview

flydubai started operations in June 2009 and had carried a total of one million passengers by July 2010 and 10 million passengers by November 2012, in a span of just over 42 months. The fleet size as at 30 June 2014 was 36 aircraft, with operations spread across 71 destinations in 42 countries. flydubai operates nearly 80 per cent. of the capacity at DIA Terminal 2 (by passengers uplifted and discharged), its current habitual base, which has recently been expanded as a result of flydubai's successful growth.

flydubai's revenue has grown at a compound annual growth rate ("**CAGR**") of 72 per cent. per annum over the last three years 2011 to 2013. In the year ended 31 December 2013, revenue (including other operating income) reached U.S.$1 billion (AED 3.7 billion) with 6.8 million passengers carried during that financial year. Ancillary revenue (other than passenger revenue) contributed 14.3 per cent. of total revenue for the year ended 31 December 2013, averaging incremental revenue of AED 78 (U.S.$21.20) per passenger.

flydubai reached break-even results in the second half of the year ended 31 December 2011. The first full year profit was posted in the year ended 31 December 2012 of AED 151.9 million (U.S.$41.4 million) and in the year ended 31 December 2013, profits grew by 46.6 per cent. to AED 222.8 million (U.S.$ 60.7 million). flydubai's profit increased by 43.4 per cent. to AED 53.1 million in the six months ended 30 June 2014, compared to the same period in the previous year and despite the impact of capacity reduction for 80 days in the second quarter of 2014 due to the runway closure at DIA. The shareholder capital injected at inception was AED 500 million as required by the original five year business plan and after recovering initial accumulated losses, the shareholders' funds have grown to AED 616.5 million as at 30 June 2014. As at the date of this Prospectus, flydubai's break-even seat factor percentage levels remain in the low 60s.

flydubai has successfully raised U.S.$1.9 billion (AED 7.0 billion) since inception to finance its fleet acquisition to date and working capital requirements, which include internal funding of pre-delivery payments. This model of aircraft related funding is well diversified with operating leases (on a sale and leaseback basis) with most of the leading operating lessors, Export Import Bank of the United States backed funding and direct syndicated bank debt with international, regional and local banks. The issuance of the Certificates is a continuation of the diversification strategy in terms of funding sources.

flydubai's entire fleet consists of the Boeing 737 800NG with an average age of 32 months as at 30 June 2014. This model of aircraft has proved to be fuel efficient and met reliability expectations in service, allowing high aircraft utilisation averaging in excess of 14 block hours per day per aircraft in the year ended 31 December 2013. Based on future replacement and growth projections and strategy to keep a young fleet, flydubai has placed firm orders for the new Boeing 737 MAX aircraft, which will start delivering in the second half of 2017. Jet fuel costs are the single largest operating cost comprising 39.5 per cent. of operating costs in the year ended 31 December 2013.

The penetration of LCC carriers in the Middle East remains low at 13.5 per cent. according to a July 2013 study by Aljazira Capital and the potential remains strong considering that mature markets in the west, where penetration ranges from 30.2 per cent. (in North America) to 38.0 per cent. (in Europe). The flydubai network is well diversified with capacity (ASKM) deployed in the year ended 31 December 2013 distributed across: GCC 27 per cent.; Indian Subcontinent 30 per cent.; CIS & Russia & Europe 22 per cent; and Middle East & Africa 21 per cent.

Significant Accounting Policies and Critical Accounting Judgements

The preparation of the Audited Annual Financial Statements and Unaudited Interim Financial Statements requires flydubai's management to make certain estimates and judgements, some of which are subjective and complex, often as a result of the need to make estimations of future events. flydubai's significant accounting policies are set out in Note 2 to the 2013 Audited Financial Statements and a summary of the critical accounting estimates and judgments that are made in preparing the financial statements is set out in Note 4 to the 2013 Audited Financial Statements.

Results of Operations for the Six Months Ended 30 June 2014 and 2013 and the Two Years Ended 31 December 2012 and 31 December 2013

Revenue

flydubai earns revenue principally from the transportation of passengers, cargo and excess baggage (together referred to as "**transportation revenue**"). In addition, flydubai earns revenue through the in-flight sale of duty free goods, food, beverages, in-flight entertainment ("**IFE**") and through the provision of a range of other services (referred to below as "**Other**") including visa and trade transaction fee, among others.

The table below shows flydubai's revenue categorised by transportation revenue and all other revenue for the six months ended 30 June 2013 and 2014 and the two years ended 31 December 2013 and 2012, respectively.

	For the six months ended 30 June			
	2014		2013	
	(unaudited)			
	AED in '000	*%*	*AED in '000*	*%*
Passenger	1,631,292	86.3	1,394,410	85.6
Baggage	61,685	3.3	64,102	3.9
Cargo	47,513	2.5	41,506	2.5
Transport revenue	1,740,490	92.1	1,500,018	92.1
Other	149,100	7.9	129,492	7.9
Total revenue	1,889,590	100.0	1,629,510	100.0

	For the year ended 31 December			
	2013		2012	
	(audited)			
	AED in '000	*%*	*AED in '000*	*%*
Passenger	2,980,310	85.7	2,305,803	85.4
Baggage	133,436	3.8	131,438	4.9
Cargo	95,089	2.7	48,021	1.8
Transport revenue	3,208,835	92.2	2,485,262	92.0
Other	270,122	7.8	215,133	8.0
Total revenue	3,478,957	100.0	2,700,395	100.0

flydubai's total revenue grew by 16.0 per cent. to AED 1,889.6 million in the six months ended 30 June 2014, from AED 1,629.5 million in the six months ended 30 June 2013. In the year ended 31 December 2013, flydubai's total revenue grew by 30.6 per cent. to AED 3,478.9 million, from AED 2,700.4 million in the year ended 31 December 2012. The growth registered in the six months ended 30 June 2014 was in spite of capacity reduction at DIA during the runway maintenance period of 80 days between 1 May 2014 and 20 July 2014.

By geographic area in terms of routes for the year ended 31 December 2013, 35 per cent. of flydubai's total revenue was earned from its flights to and from destinations within the GCC, 26 per cent. came from the Indian Subcontinent, 21 per cent. came from Middle East & Africa and 17 per cent. from Russia, CIS & Europe. In the year ended 31 December 2012, 33 per cent. of flydubai's total revenue came from its flights to and from destinations within the GCC, 25 per cent. came from the Indian Subcontinent, 26 per cent. came from the Middle East & Africa and 15 per cent. from Russia, CIS & Europe.

Passenger revenue

The table below shows flydubai's passenger revenue, the number of passengers carried, passenger capacity (expressed in ASKM) passenger traffic (expressed in RPKM) and passenger seat factor for the six months ended 30 June 2014 and 2013 and the two years ended 31 December 2013 and 2012, respectively.

	For the six months ended 30 June		For the year ended 31 December	
	2014	2013	2013	2012
	AED in '000 except where otherwise stated, unaudited			
Passenger revenue	1,631,292	1,394,410	2,980,310	2,305,803
Passengers carried (thousands)	3,573	3,251	6,822	4,947
ASKM (millions)	8,334	7,684	16,469	12,651
RPKM (millions)	5,847	5,215	11,032	8,041
Passenger seat factor (%)	70.2	67.9	67.0	63.6

Note: Passenger revenue has been extracted from the Unaudited Interim Financial Statements and the Audited Annual Financial Statements, respectively.

Passenger revenue accounted for 86.3 per cent. of flydubai's total revenue in the six months ended 30 June 2014, compared to 85.6 per cent. in the six months ended 30 June 2013. In the year ended 31 December 2013, passenger revenue accounted for 85.7 per cent. of flydubai's total revenue, compared to 85.4 per cent. in the year ended 31 December 2012.

Six months ended 30 June 2014 compared to Six months ended 30 June 2013

flydubai's capacity, in terms of ASKM, grew by 8.5 per cent. to 8,334 million in the six months ended 30 June 2014, from 7,684 million in the six months ended 30 June 2013. The actual load carried, in terms of RPKM, grew by 12.1 per cent. to 5,847 million in the six months ended 30 June 2014, from 5,215 million in the six months ended 30 June 2013. The overall seat factor improved by 2.3 percentage points in the six months ended 30 June 2014, compared to the same period in the previous year.

Passenger revenue increased by 16.9 per cent. to AED 1,631.2 million in the six months ended 30 June 2014, from AED 1,394.4 million in the six months ended 30 June 2013. The increase can be largely attributed to the increase in RPKM and improvement in yield, in terms of average sector passenger revenue, by 6.7 per cent.

Year ended 31 December 2013 compared to the year ended 31 December 2012

flydubai's capacity, in terms of ASKM, grew by 30.2 per cent. to 16,469 million in the year ended 31 December 2013, from 12,651 million in the year ended 31 December 2012. The actual load carried, in terms of RPKM, grew by 37.2 per cent. to 11,032 million in the year ended

31 December 2013, from 8,041 million in the year ended 31 December 2012. The overall seat factor improved by 3.4 percentage points in the year ended 31 December 2013, compared to the previous financial year.

Passenger revenue increased by 29.3 per cent. to AED 2,980.3 million in the year ended 31 December 2013, from AED 2,305.8 million in the year ended 31 December 2012. The increase can be largely attributed to the capacity and related traffic increase. The number of passengers carried was 7.0 million, an increase of 1.9 million passengers over the year ended 31 December 2012.

Ancillary revenue (other than passenger revenue)

Ancillary revenue from baggage, cargo, in-flight sales, and other revenues accounted for 13.7 per cent. of flydubai's total revenue in the six months ended 30 June 2014, compared to 14.4 per cent. in the six months ended 30 June 2013. In the year ended 31 December 2013, ancillary revenue accounted for 14.3 per cent. of flydubai's total revenue, compared to 14.6 per cent. in the year ended 31 December 2012.

Six months ended 30 June 2014 compared to Six months ended 30 June 2013

The ancillary revenue per passenger was AED 88 in the six months ended 30 June 2014, compared to AED 84 per passenger in the six months ended 30 June 2013.

Cargo revenue increased by 14.5 per cent. to AED 47.5 million in the six months ended 30 June 2014, from AED 41.5 million in the six months ended 30 June 2013. The increase was attributable to an increase in cargo tonnage by 8.0 per cent. to 14,508 tonnes and an increase in yield per unit of cargo carried, as compared to same period in the previous year.

Year ended 31 December 2013 compared to the year ended 31 December 2012

The ancillary revenue per passenger was AED 78 in the year ended 31 December 2013, compared to AED 71 per passenger in the year ended 31 December 2012.

Cargo revenue nearly doubled to AED 95.1 million in the year ended 31 December 2013, from AED 48.0 million in the year ended 31 December 2012. The increase can be largely attributed to tonnage carried doubling to 29,786 tonnes in the year ended 31 December 2013, compared to the previous financial year.

Other Operating Income

flydubai's other operating income principally comprises aircraft related operating credits, income from sub-leasing aircraft, gains on the sale and leaseback of aircraft, aircraft engines and parts and net foreign exchange gains, if any.

	For the six months ended 30 June		For the year ended 31 December	
	2014	2013	2013	2012
	AED in '000, unaudited		*AED in '000, audited*	
Profit on sale of property, plant and equipment ..	46,555	31,808	106,086	19,410
Proceeds from insurance claim	—	—	—	110,557
Other	72,201	40,152	124,838	95,781
	118,756	71,960	230,924	225,748

Operating Costs

The tables below show flydubai's operating costs for the six months ended 30 June 2014 and 2013 and the two years ended 31 December 2013 and 2012, respectively.

	For the six months ended 30 June			
	2014		2013	
	(unaudited)			
	AED in '000	*%*	*AED in '000*	*%*
Fuel costs	718,628	37.7	646,155	39.8
Direct operating costs	354,430	18.3	297,780	18.0
Staff costs	338,059	17.4	265,589	16.1
Aircraft operating lease costs	216,634	11.2	183,171	11.1
Corporate costs	90,497	4.7	86,849	5.3
Sales, marketing & distribution	89,298	4.5	69,302	4.2
Aircraft maintenance costs	66,539	4.6	73,937	4.5
Depreciation	61,661	3.2	24,533	1.2
Amortisation	3,956	0.2	3,439	0.2
	1,939,702	100.0	1,650,755	100.0

	For the year ended 31 December			
	2013		2012	
	(audited)			
	AED in '000	*%*	*AED in '000*	*%*
Fuel costs	1,368,594	39.5	1,043,877	37.9
Direct operating costs	622,658	18.0	467,710	17.0
Staff costs	573,575	16.6	417,938	15.2
Aircraft operating lease costs	385,918	11.1	344,904	12.5
Corporate costs	174,179	5.0	139,908	5.1
Sales, marketing & distribution	146,805	4.2	97,343	3.5
Aircraft maintenance costs	126,947	3.7	126,354	4.6
Assets write-off	—	—	85,080	3.1
Depreciation	58,667	1.7	22,736	0.8
Amortisation	7,099	0.2	4,910	0.2
	3,464,442	100.0	2,750,760	100.0

flydubai's total operating costs grew by 17.5 per cent. to AED 1,939.7 million in the six months ended 30 June 2014, from AED 1,650.8 million in the six months ended 30 June 2013. In the year ended 31 December 2013, flydubai's total operating costs grew by 25.9 per cent. to AED 3,464.4 million, from AED 2,750.8 million in the year ended 31 December 2012.

The fuel costs, staff costs and direct operating costs together comprised 74.0 per cent. in the six months ended 30 June 2014, compared to 70.1 per cent. in the six months ended 30 June 2013. The corresponding figure was 74.1 per cent. in the year ended 31 December 2013 and 70.1 per cent. in the year ended 31 December 2012. Each of these items is analysed in more detail below.

Fuel costs

Six Months Ended 30 June 2014 compared to Six Months Ended 30 June 2013

Jet fuel costs of AED 718.6 million were flydubai's single largest operating cost, comprising 37.7 per cent. of total operating costs in the six month period ended 30 June 2014, representing an increase of 11.2 per cent. compared to the same period in the previous year. The increase is linked to a capacity increase of 8.5 per cent. and an increase in fuel consumption, which is linked to the increase in seat factor and cargo carried, mitigated by fuel hedging for the period.

Overall, the fuel cost per ASKM was 8.6 fils in the six months ended 30 June 2014, compared to 8.4 fils per ASKM in the same period in the previous year.

Year ended 31 December 2013 compared to the year ended 31 December 2012

Jet fuel costs of AED 1,368.6 million were flydubai's single largest operating cost, comprising 39.5 per cent. of total operating costs in the year ended 31 December 2013, representing an increase of 31.1 per cent. compared to the same period in the previous year, where jet fuel costs were AED 1,043.9 million. The increase was largely due to increase in capacity, in terms of ASKM of 30.2 per cent. The launch of a fuel hedging programme impacted from fourth quarter 2013 onwards.

Overall, the fuel cost per ASKM for both years was circa 8.3 fils per ASKM.

Other operating costs (excluding fuel costs)

Six Months Ended 30 June 2014 compared to Six Months Ended 30 June 2013

flydubai's other operating costs, excluding fuel costs, were AED 1,221.1 million in the six months ended 30 June 2014, representing an increase of 21.5 per cent. compared to the same period in the previous year. The increase is larger than the associated capacity increase during the same period and this is attributable to the fact that the fleet size and manpower remained constant, whilst flydubai had a reduction in capacity during the runway closure period at DIA.

The other operating costs, excluding fuel costs and net of other operating income, were 13.2 fils per ASKM in the six months ended 30 June 2014.

Sales marketing and distribution costs were AED 89.3 million in the six months ended 30 June 2014, representing an increase of 28.9 per cent. compared to the same period in the previous year. The increase in sales, marketing and distribution costs was reflective of the diversification strategy adopted by the airline to maximise the market reach through the global distribution channels.

Staff costs constituted 17.4 per cent. of the total operating costs in the six month period ended 30 June 2014, as compared to 16.1 per cent. in the six month period ended 30 June 2013.

Year ended 31 December 2013 compared to the year ended 31 December 2012

The other operating costs, excluding fuel costs, were AED 2,095.8 million in the year ended 31 December 2013, representing an increase of 22.8 per cent. compared to the year ended 31 December 2012. The increase in costs was largely driven by an increase in capacity of 30.2 per cent. during the same period.

The other operating costs, excluding fuel costs and net of other operating income, was 11.3 fils per ASKM in the year ended 31 December 2013, lower by 3.3 per cent. compared to 11.7 fils in the year ended 31 December 2012.

Staff costs constituted 16.6 per cent. of the Operating costs in the year ended 31 December 2013, as compared to 15.2 per cent. in the previous year.

Staff Strength and Productivity

Six Months Ended 30 June 2014 compared to Six Months Ended 30 June 2013

The total staff increased by 163 from 30 June 2013 to 2,458 as at 30 June 2014. The cabin and flight deck crew comprised 63.8 per cent. of the total staff as compared to 63.5 per cent. in the six month period ended 30 June 2013.

Staff productivity measured in terms of revenue per average staff number, was AED 1.8 million, a slight reduction of 4.7 per cent. compared to the same period in the previous year. The reduction is largely attributable to the capacity reduction during the recent runway closure period at DIA and the time lag in revenue increase with the introduction of the business class cabin.

Average staff numbers are calculated, for any period, as the sum of the number of staff on the first day of the period and on the last day of each calendar month in the period, divided by the number of months incremented by one, in that period.

__Year ended 31 December 2013 compared to the year ended 31 December 2012__

The total staff increased by 695 from 31 December 2012 to 2,295 at 31 December 2013. The cabin and flight deck crew comprised 63.8 per cent. of the total average staff strength as compared to 61.0 per cent. in the previous year.

Staff productivity, measured in terms of revenue per average employee number, was AED 1.9 million for the year ended 31 December 2013.

Profit for the period

__Six Months Ended 30 June 2014 compared to Six Months Ended 30 June 2013__

flydubai's profit for the period grew by 43.4 per cent. to AED 53.1 million in the six months ended 30 June 2014, from AED 37.0 million in the six months ended 30 June 2013.

The profit growth registered in the six months ended 30 June 2014 was recorded despite the capacity reduction at DIA during the runway maintenance period.

__Year ended 31 December 2013 compared to the year ended 31 December 2012__

In the year ended 31 December 2013, flydubai's profit for the year grew by 46.6 per cent. to AED 222.8 million, from AED 151.9 million in the year ended 31 December 2012.

The profit margin for the year ended 31 December 2013 was 6.4 per cent. of revenue, as compared to 5.6 per cent. recorded in the year ended 31 December 2012.

Cash Flows for the Six Months Ended 30 June 2014 and 2013 and the Two Years Ended 31 December 2013 and 2012

The table below summarises flydubai's cash flows for the six months ended 30 June 2014 and 2013 and the two years ended 31 December 2013 and 2012, respectively.

	For the six months ended 30 June		For the year ended 31 December	
	2014	**2013**	**2013**	**2012**
	AED in '000, unaudited		*AED in '000, audited*	
Net cash generated from operating activities	2,177	211,758	435,822	243,409
Net cash used in investing activities	(182,933)	(171,447)	(405,384)	(188,856)
Net cash provided by/(used in) financing activities	140,039	(119,323)	(90,928)	11,655
Net (decrease)/increase in cash and cash equivalents	(40,717)	(79,012)	(60,490)	66,208
Cash and cash equivalents at beginning of the period/year	409,384	469,874	469,874	403,666
Cash and cash equivalents at the end of the period/year	368,667	390,862	409,384	469,874

__Six Months Ended 30 June 2014 compared to Six Months Ended 30 June 2013__

flydubai's net cash generated from operating activities in the six months ending 30 June 2014 was AED 2.1 million, compared to AED 211.8 million in the same period in the previous year, the variation of which is mainly due to working capital movements impacted by timing differences. The cash generated from operations, before working capital changes, increased by 78 per cent. over the same period in the previous year. The EBITDAR margin, one of the indicators used by management to evaluate the financial performance, was 19.9 per cent. for the six months ended 30 June 2014, which was consistent with the seasonal pattern of flydubai's business.

The net cash used in investing activities was AED 182.9 million in the six month period ended 30 June 2014, as compared to AED 171.5 million in the same period in the previous year.

Investing activities comprised mainly of funding aircraft, spare engines, retrofits to aircraft and pre-delivery payments net of assets acquired under finance leases of AED 498.4 million as compared to AED 522.1 million in the previous year. Net funding through sale and leaseback transactions was AED 324.0 million in the six month period ended 30 June 2014, as compared to AED 350.8 million in the six month period ended 30 June 2013.

The net cash generated from financing activities was AED 140.0 million for the six month period ended 30 June 2014, as compared to AED 119.3 million in the six month period ended 30 June 2013. This comprised net inflow from borrowings and lease liabilities net of repayments of AED 196.3 million for the six month period ended 30 June 2014, as compared to a net outflow of AED 97.1 million in the six month period ended 30 June 2013, and interest paid of AED 23.1 million in the six month period ended 30 June 2014, as compared to interest paid of AED 22.2 million in the six month period ended 30 June 2013.

Year ended 31 December 2013 compared to the year ended 31 December 2012

flydubai's net cash generated from operating activities in the year ended 31 December 2013 was AED 435.8 million, compared to AED 243.4 million in the same period in the previous year.

The net cash used in investing activities was AED 405.4 million in the year ended 31 December 2013, as compared to AED 188.9 million in the previous year. This comprised mainly of payments for funding aircraft, spare engines, retrofits to aircraft and pre-delivery payments net of assets acquired under finance lease of AED 1,106.5 million, as compared to AED 888.2 million in the previous year and net of funding through sale and leaseback transactions of AED 707.9 million, as compared to AED 702.2 million in the previous year.

The net cash used in financing activities was AED 90.9 million in the year ended 31 December 2013, as compared to inflow of AED 11.7 million in the previous year. This was comprised of net outflow from borrowings and lease liabilities net of repayments of AED 49.6 million in the year ended 31 December 2013, as compared to net outflow of AED 50.0 million in the year ended 31 December 2012 and interest paid of AED 41.3 million in the year ended 31 December 2013, as compared to interest paid of AED 38.3 million in the year ended 31 December 2012.

Statement of Financial Position

Assets

flydubai's most significant assets are its property, plant and equipment, its cash and cash equivalents (including its short-term bank deposits) and its trade and other receivables, which together comprised 95.7 per cent. of its total assets for the six months ended 30 June 2014. For the two years ended 31 December 2013 and 2012, respectively, these assets together comprised 97.1 per cent. and 97.9 per cent. of flydubai's total assets.

Property, Plant and Equipment

Information relating to flydubai's property, plant and equipment is set out in Note 8 to the Unaudited Interim Financial Statements and Note 5 to the 2013 Audited Financial Statements. As at 30 June 2014, 78.9 per cent. of flydubai's property, plant and equipment comprised aircraft, pre-delivery payments and aircraft engines and parts, while for the year ended 31 December 2013 it was 84.9 per cent. In addition, capital projects include pre-delivery payments of AED 992.5 million as at 30 June 2014, while for the year ended 31 December 2013 such pre-delivery payments amounted to AED 865.9 million. Overall, the net book value of property, plant and equipment includes AED 924.0 million as at 30 June 2014 in respect of aircraft held under finance leases, while for the year ended 31 December 2013, AED 954.1 million represented aircraft held under finance leases.

Cash and Cash Equivalents and Short-term Bank Deposits

The table below shows flydubai's cash and cash equivalents and short-term bank deposits as at 30 June 2014 and for the two years ended 31 December 2013 and 2012, respectively.

	As at 30 June	As at 31 December	
	2014	**2013**	**2012**
	AED in '000, unaudited	*AED in '000, audited*	
Cash at bank and in hand	213,440	254,384	289,874
Short-term bank deposits	155,227	155,000	180,000
Cash and cash equivalents	368,667	409,384	469,874

As at 30 June 2014, flydubai's cash and cash equivalents were AED 368.7 million, while as at 31 December 2013, they were AED 409.4 million. flydubai's cash and cash equivalents comprise cash in hand and balances held in current accounts and short-term deposits with original maturities of three months or less.

Trade and Other Receivables

flydubai's trade and other receivables amounted to AED 732.9 million as at 30 June 2014, compared to AED 627.2 million as at 31 December 2013 and AED 474.5 million as at 31 December 2012. flydubai's trade and other receivables comprise trade receivables (net of provisions), receivables from manufacturers and lessors (including operating lease deposits) as well as a range of other receivables.

Liabilities

flydubai's principal liabilities are its borrowings and lease liabilities, a loan from a related party and its trade and other payables which, together, accounted for 93.8 per cent. of flydubai's total liabilities as at 30 June 2014, 93.3 per cent. of flydubai's total liabilities as at 31 December 2013 and 92.4 per cent. of flydubai's total liabilities as at 31 December 2012.

Borrowings and Lease Liabilities

The table below summarises flydubai's borrowings and lease liabilities, including a loan from a related party, as at 30 June 2014 and as at 31 December in each of 2013 and 2012, respectively.

	As at 30 June	As at 31 December	
	2014	**2013**	**2012**
	AED in '000, unaudited	*AED in '000, audited*	
Non-current			
Term loans	930,190	496,333	250,000
Lease liabilities	688,615	721,914	376,945
Loan from related party	—	47,515	237,575
	1,618,805	1,265,762	864,520
Current			
Term loans	—	—	166,667
Lease liabilities	66,534	66,407	34,267
Loan from related party	—	190,060	95,030
	66,534	256,467	295,964
	1,685,339	1,522,229	1,160,484

flydubai's borrowings and lease liabilities, including a loan from a related party, were AED 1,685.3 million as at 30 June 2014, representing an increase of AED 68.1 million compared to 31 December 2013. This increase is mainly attributable to capital expenditure requirements, including aircraft pre-delivery payments. The ratio of flydubai's net debt to total capital at 30 June 2014 was at 68.1 per cent., while it was 66.3 per cent. as at 31 December 2013.

Six Months Ended 30 June 2014 compared to Six Months Ended 30 June 2013

flydubai's total borrowings were AED 1,685 million as at 30 June 2014, representing an increase of AED 68 million compared to the previous year, mainly due to long-term working capital loan obtained, net of repayment of the loan from related party and lease liabilities. The borrowings, excluding finance lease liabilities, increased by AED 434 million. The ratio of flydubai's net debt to total capital at 30 June 2014 was at 68.1 per cent., as compared to 65.9 per cent. as at 30 June 2013.

flydubai's net debt to equity ratio at 30 June 2014 stood at 2.14. After capitalising the aircraft operating leases, the same ratio as at 30 June 2014 was 5.1 per cent.

Year ended 31 December 2013 compared to the year ended 31 December 2012

flydubai's total borrowings, including a loan from a related party, was AED 1,522 million as at 31 December 2013, representing an increase of AED 361 million over the previous year, mainly due to an increase in finance lease liabilities. The borrowings, excluding finance lease liabilities, reduced by AED 15.4 million. The ratio of flydubai's net debt to total capital at 31 December 2013 was at 66.3 per cent., as compared to 68.7 per cent. as at 31 December 2012.

flydubai's net debt to equity ratio at 31 December 2013 stood at 1.97. After capitalising the aircraft operating leases, the same ratio as at 31 December 2013 was 5.4.

Lease Liabilities

flydubai finances its fleet through the use of both finance leases and operating leases. flydubai's lease liabilities under its finance leases are secured on the related aircraft and aircraft engines.

The table below shows the number of aircraft operated by flydubai and the split between operating leases, finance leases and ownership of those aircraft as at 30 June 2014 and 31 December in each of 2013 and 2012, respectively.

	As at 30 June	As at 31 December	
	2014	2013	2012
Aircraft fleet	36	35	28
Operating leases	30	29	25
Owned/Finance leases	6	6	3

The table below shows the present value of flydubai's finance lease liabilities and the repayment profile of that present value as at 30 June 2014 and 31 December in each of 2013 and 2012, respectively.

	As at 30 June	As at 31 December	
	2014	2013	2012
	AED in '000, unaudited	*AED in '000, audited*	
Present value of finance leases liabilities	755,150	788,321	411,212
Present value repayable:			
within one year	66,534	66,407	34,267
between 2 and 5 years	257,925	268,254	137,071
after 5 years	430,691	453,660	239,874
Present value denominated in:			
U.S. dollars	755,150	788,321	411,212

The table below shows the future lease payments under non-cancellable operating leases of aircraft and the repayment profile of those payments as at 30 June 2014 and 31 December in each of 2013 and 2012, respectively.

	As at 30 June	As at 31 December	
	2014	2013	2012
	AED in '000, unaudited	*AED in '000, audited*	
Aircraft fleet	2,174,435	2,286,480	2,254,388
Repayable:			
Within one year	459,212	463,117	409,295
Between 2 and 5 years	1,487,039	1,522,675	1,439,161
After 5 years	228,184	300,688	405,932

Trade and Other Payables

The table below shows flydubai's trade and other payables as at 30 June 2014 and 31 December in each of 2013 and 2012, respectively.

	As at 30 June	As at 31 December	
	2014	2013	2012
	AED in '000, unaudited	*AED in '000, audited*	
Trade payables	85,485	88,998	60,216
Accruals	252,080	282,144	207,142
Passenger and cargo sales in advance[1]	241,477	215,392	154,311
Other payables	194,080	163,659	119,753
	773,122	750,193	541,422

Note:

(1) This reflects payments received in respect of passenger flights and cargo transportation where the transportation has not yet been provided as the amounts received are only recognised as revenue when the transportation occurs.

Total trade and other payables as at 30 June 2014 was AED 773.1 million, while it was AED 750.2 million as at 31 December 2013. The increase in trade and other payables is principally due to an increase in passenger and cargo sales in advance offset by the decrease in other payables due to seasonality of operations.

Equity

The table below shows flydubai's equity as at 30 June 2014 and 31 December in each of 2013 and 2012, respectively.

	As at 30 June	As at 31 December	
	2014	2013	2012
	AED in '000, unaudited	*AED in '000, audited*	
Capital	500,000	500,000	500,000
Hedging reserve	26,273	27,788	—
Retained earnings	90,246	37,146	(185,169)
	616,519	564,934	341,381

Capital

flydubai is wholly owned by the Government of Dubai. Capital represents the permanent capital of flydubai.

Retained Earnings

Retained earnings principally comprises accumulated profit net of accumulated losses incurred in the initial years of operation.

Hedging Reserves

Hedging reserves represent fair value reserves in respect of hedging instruments related to fuel price contracts.

Related Parties

flydubai's related party transactions and balances are detailed in Note 9 to the 2013 Audited Financial Statements and principally comprise transactions with other companies owned directly or indirectly by the Government of Dubai, including, in particular, Emirates and dnata.

Amounts due from/to related parties are unsecured, non-interest bearing, fully performing and repayable on demand.

Off Balance Sheet Liabilities

flydubai has significant off balance sheet liabilities in the form of commitments in respect of future aircraft deliveries as well as other capital and operational commitments and in respect of performance bonds and letters of credit provided by banks in the normal course of business.

The table below shows flydubai's commitments and guarantees as at 30 June 2014 and as at 31 December 2013 and 2012, respectively.

	As at 30 June	**As at 31 December**	
	2014	**2013**	**2012**
	AED in '000, unaudited	*AED in '000, audited*	
Capital commitments			
Authorised and contracted			
Aircraft fleet	41,971,033	42,421,401	6,897,702
Non-aircraft	123,822	223,016	264,637
Guarantees			
Performance bonds and letters of credit provided by bankers in the normal course of business	171,266	142,381	112,206

As at 30 June 2014, flydubai had firm commitments for 25 Boeing 737 800NG and 75 Boeing 737 MAX aircraft, out of which 15 aircraft are to be delivered by the end of 2015 and remaining deliveries are scheduled for 2016 and beyond.

Financial Risk Management

Note 3 to the 2013 Audited Financial Statements describes the principal financial risks faced by flydubai and the principal procedures used by flydubai to manage these risks.

DESCRIPTION OF FLYDUBAI

Overview

Dubai Aviation Corporation was incorporated as a public corporation in Dubai on 7 July 2008 by Dubai law No. (11) of 2008, issued by His Royal Highness, Sheikh Mohammed bin Rashid Al-Maktoum. The Company is wholly owned by the Government of Dubai. The establishing law awarded the Company the right to operate, amongst other things, scheduled and non-scheduled commercial air services. On 26 February 2009, the Company passed an administrative resolution which resolved that the Company would operate under the name "flydubai". The registered office of flydubai is at P.O. Box 353, Dubai, United Arab Emirates and its telephone number is +971 4603 3090. flydubai is designated as a "national carrier of the UAE".

flydubai's product offering extends beyond that of a traditional low cost carrier ("**LCC**"). As such, flydubai believes that it has created its own niche within the competitive airline industry by catering to the diverse demands of its customers. flydubai's principal business is the transportation by air of both passengers and cargo on a point to point basis, as well as providing connections through Dubai. As part of its air transportation business, flydubai also generates revenue through the in-flight sale of duty free goods, beverages and in-flight entertainment ("**IFE**") and through other services, such as visa processing. flydubai is focused on providing quality service, reliability and safety for its customers at price points that make air travel more affordable and accessible to customers. In order to provide greater affordability to its customers, flydubai operates on a 'no frills' basis, whereby services such as checked luggage, onboard meals and IFE are not included within the basic economy class ticket price.

flydubai is a fast-growing airline that has one of the youngest fleets of aircraft in the world. As at 30 June 2014, flydubai operated a fleet of 36 Boeing 737-800 Next-Generation ("**737-800NG**") narrow-body aircraft, which have a range of up to 5,765km. The average age of flydubai's fleet as at 30 June 2014 was 32 months against a global industry average of approximately 137 months, according to the IATA WATS, 56th edition. As at 30 June 2014, the fleet flew to 71 destinations across 42 countries from flydubai's hub at Dubai International Airport ("**DIA**") Terminal 2, where it operates nearly 80 per cent. of the capacity, based on the number of passengers uplifted and discharged. In the six month period ended 30 June 2014, flydubai transported 3.57 million passengers.

flydubai commenced commercial operations in June 2009 and reached break-even results in the second half of the year ended 31 December 2011, in a period of 2.5 years of operations. The first full year of profit was recorded in the year ended 31 December 2012 and flydubai has since recorded a profit in the year ended 31 December 2013 and the six month period ended 30 June 2014. flydubai's operating profit for the financial year ended 31 December 2013 was AED 245.4 million on revenues of AED 3,749.0 million. flydubai's operating profit for the six months ended 30 June 2014 was AED 68.6 million on revenues of AED 1,889.6 million. Since becoming profitable in the second half of 2011, revenues and other operating income grew at a compounded annual growth rate of 47.4 per cent. over the two financial years to 31 December 2013 and profits attributable to flydubai's owner grew over the same period by an average of 162.3 per cent. per year. In the six month period ended 30 June 2014, 92.1 per cent. of flydubai's total revenue comprised transportation revenue, comprising revenue generated from passenger ticket sales (86.3 per cent.), cargo transport (2.5 per cent.) and checked luggage (3.3 per cent.). The remaining 7.9 per cent. of flydubai's total revenue was derived from the sale of in-flight duty free goods, food, beverages, IFE and visa transaction fees (among others).

In the year ended 31 December 2013, flydubai transported 6.8 million passengers to 70 destinations and carried 29,786 tonnes of cargo. flydubai's overall seat factor was 67.0 per cent. in the year ended 31 December 2013 (compared to 63.6 per cent. in the year ended 31 December 2012) and its breakeven seat factor was 62.9 per cent. in the year ended 31 December 2013 and 60.1 per cent. in the year ended 31 December 2012. flydubai's RPKMs and ASKMs increased by 37.2 per cent. and 30.2 per cent., to 11.0 billion and 16.5 billion, respectively, in the year ended

31 December 2013 compared to the year ended 31 December 2012. Scheduled passenger revenues increased 29.3 per cent. from AED 2,305.8 million in the year ended 31 December 2012 to AED 2,980.3 million in the year ended 31 December 2013.

History

Following its incorporation in July 2008, flydubai placed its first order with Boeing for 50 737-800NGs at the 2008 Farnborough Air Show. flydubai took delivery of its first aeroplane in 2009 and made its maiden flight to Beirut, taking off on 1 June 2009. The airline has expanded rapidly, flying to 11 destinations by 31 December 2009, 28 destinations by 31 December 2010, 44 destinations by 31 December 2011, 52 destinations by 31 December 2012, 71 destinations by 30 June 2014 and 83 destinations (including announced destinations) as at 28 September 2014. In the year ended 31 December 2013, flydubai operated an average of 1,099 weekly flights and carried 6.8 million passengers, representing an increase of 255.7 per cent. and 288.9 per cent. respectively, against its first full calendar year of operations in 2010.

In April 2011, flydubai invested U.S.$20 million in developing its own in-house maintenance and engineering operations, thereby improving operational efficiencies. Demonstrating its commitment to expansion and investment in new technology, on 19 November 2013 at the Dubai Airshow, flydubai announced its commitment to acquire up to 100 Boeing 737 MAX 8 ("**737 Max 8**") airplanes (the successor to the 737-800NG) and 11 737-800NGs. On 31 December 2013, flydubai formalised this commitment and placed an order for 75 737 MAX 8s and 11 737-800NGs, representing an order value of U.S.$8.8 billion (at list price). As part of this order, flydubai retains purchase rights over 25 further 737 MAX 8s. This order was the largest ever Boeing single-aisle airplane purchase in the Middle East.

In October 2010, flydubai became the first airline to debut the Boeing Sky Interior, which offers passengers greater storage and an enhanced onboard experience. In January 2012, flydubai launched its cargo operations, flydubai Cargo. In June 2013, based on feedback from its customers, flydubai announced the phased launch of its business class cabin, and its dedicated business class lounge was opened at DIA Terminal 2 in July 2014. The flydubai business class cabin seats 12 passengers and the service for business class passengers includes dedicated check-in services, priority boarding, access to airport lounges at selected airports, a premium seat, as well as checked baggage, in-flight entertainment and on-board food and drinks at no additional cost.

Since its incorporation in 2009, flydubai has won numerous awards, including: the award for the Middle East's Leading Low-Cost Airline in 2012 and 2013 at the World Travel Awards; the Best Low Cost Airline at the Business Traveller Middle East Awards 2011, 2012 and 2013; and the Outstanding Contribution to Aviation trophy at the Aviation Business Awards in 2012.

Vision

flydubai was incorporated to fulfil the need for a more affordable option for travellers in the GCC region by offering them the "lowest fare possible" by a continuous focus on reducing costs. flydubai commenced operations with the objective of supporting the commercial and tourism sectors in Dubai, by catering to a new group of travellers, offering affordable air-connections to high-demand destinations. Initially, flydubai focused on regional flights within the GCC and neighbouring countries within 5.5 hours from Dubai.

Since operations commenced in 2009, flydubai's product offering has expanded beyond what is typically provided by a LCC. In particular, the introduction of IFE, the launch of cargo operations, passenger connections within its own network and through interline agreements with other airlines, ticket sales through global distribution systems, and the business class cabin are products and services that differentiate flydubai from a traditional LCC.

The core values at flydubai are:

- safety;
- simplicity;

- efficiency;
- affordable fares for the passenger; and
- a continuous focus on lowering costs.

Strategy and competitive strengths

flydubai's strategy is centered around delivering a safe, simple and efficient product for an affordable fare, which is designed to create demand by catering to a new group of travellers, while at the same time contributing to the growth of commercial and tourism sectors in Dubai. This strategy is closely aligned with the strategic development objectives of its owner, the Government of Dubai, as set out in the Dubai Strategic Plan 2015 ("**DSP 2015**") which envisages that economic growth in Dubai will be based, among other things, on travel and tourism, trade and transport and logistics, for all of which flydubai acts as a facilitator. See "— *Relationship with the Government*".

Dubai is located within a 5.5 hour flying radius that is home to several billion people. The countries within this flying radius include India and Russia, which have large and emerging economies, as well as other rapidly developing nations that offer a strong market opportunity for carriers that offer affordable fares across economy and business class cabins. The pillars of flydubai's strategy are to:

- stimulate demand in underserved regional and international destinations in the 5.5 hour flight radius from Dubai;
- offer consumers an affordable fare option based out of Dubai, which is one of the fastest growing hubs in the world;
- serve a new set of travellers and create a network in the expanding Middle East market to complement the services of other established network carriers;
- offer passengers a simple yet flexible travel experience catered to their individual needs and budgets;
- organically grow and expand flydubai and its network in such a manner as to realise economies of scale advantages and sustain the low cost business model, build a strong brand and encourage passenger loyalty;
- operate a simple and flexible business model to ensure efficiency of operations; and
- capitalise on Dubai as flydubai's hub, a key destination for trade, commerce and tourism.

The map below provides an indicator of the scope of flydubai's potential market:

According to a study by Aljazira Capital, as of July 2013, the LCC penetration within the GCC region was approximately 13.5 per cent., as compared to a penetration of up to 38 per cent. in the more mature European market. Whilst flydubai's product offering now extends beyond that offered by traditional LCCs, flydubai believes that the relative lack of penetration of LCCs within the market in which it operates will provide it with a good opportunity to grow.

Customer Service

flydubai seeks to provide a high level of service across its economy and new business class cabins. A modern fleet and a commitment to passenger experience (see "— *History*") are an important part of flydubai's strategy of continuing to develop its business model.

Modern Fleet

flydubai has one of the youngest fleets of any airline, with an average aircraft age of just over 32 months as at 30 June 2014 against a global industry average of approximately 137 months, according to the IATA WATS, 56th edition. flydubai also believes that a young fleet appeals to passengers, especially those who are environmentally or safety conscious or who want to experience travel on the most modern aircraft. flydubai's modern fleet is exclusively comprised of one of the industry's most fuel efficient aircraft.

Simple and efficient business model

Safety, efficiency and simplicity are the three pillars of flydubai's business model which, together with low cost operations, are intended to enable flydubai to offer more affordable travel to passengers. In order to maintain simplicity and low operational costs, flydubai does not issue tickets to its passengers. Instead, the passenger is given a boarding pass at the time of booking. Furthermore, the published flydubai fares include all taxes and expenses. Unlike some other carriers, there are no hidden charges or supplements.

Through streamlined and efficient ground operations, flydubai is able to improve aircraft turn-around times, which enables flydubai to achieve higher levels of aircraft utilisation than some of its competitors. In the year ended 31 December 2013, flydubai achieved an average aircraft utilisation level of around 14 hours per day and achieved an on-time performance of 85 per cent.

flydubai's simple and efficient business model has also enabled it to generate breakeven seat factors that are among the best in the industry. As at 31 December 2013, flydubai's breakeven seat factor was 62.9 per cent.

Enhanced passenger experience

flydubai's entire fleet is equipped with the Boeing Sky Interior and a state-of-the-art IFE service that provides touch screen functionality to passengers at an affordable cost. The advanced IFE systems are lighter than typical systems, thereby generating additional cost savings to flydubai through reduced fuel costs. The Boeing Sky Interior provides passengers with an enhanced on-board experience through the use of light emitting diode ("**LED**") lighting to simulate a soft blue sky on the cabin ceiling. In addition, the interior provides passengers with larger stowage bins and improved windows. flydubai believes that these cabin features will help build passenger loyalty and enable it to differentiate itself from other LCCs by providing a high-end product at a more affordable price.

Commitment to Safety and Quality Maintenance

Safety is the primary priority of flydubai and its management. This commitment begins with the hiring and training of flydubai's pilots, flight attendants, and maintenance personnel and includes a policy of maintaining its aircraft in accordance with the highest international airline industry standards. See "*Safety*" below.

Experienced management team

Nearly every member of flydubai's senior management team has been with flydubai since its incorporation. flydubai's Chairman, His Highness Sheikh Ahmed bin Saeed Al-Maktoum, is the younger brother of the late Ruler of Dubai, Sheikh Rashid bin Saeed Al-Maktoum, and is on the boards of a number of influential bodies in the UAE, including the Dubai Executive Council, which is responsible for formulating the policies and strategies of Dubai, the Dubai Civil Aviation Authority and the General Civil Aviation Authority of the UAE, Dubai Airports, Emirates and Dubai Aerospace Enterprise, an aircraft leasing, maintenance, repair and overhaul provider. See "*Management and Employees*" below.

Corporate Structure

flydubai is wholly owned by the Government of Dubai. It has no subsidiaries and is not a party to any joint ventures.

flydubai's Business

flydubai's principal business is the transportation by air of both passengers and cargo. This business accounted for more than 90 per cent. of flydubai's total revenue in each of the two financial years ended 31 December 2013 and 2012 and in the six months ended 30 June 2014. Other revenue derived from services including IFE and onboard food and beverage sales accounted for 7.8 per cent. of flydubai's total revenue in the year ended 31 December 2013 and 7.9 per cent. of flydubai's total revenue in the six months ended 30 June 2014.

As of 30 June 2014, flydubai flew to 71 destinations in 42 countries within the MENA region, Indian Subcontinent, Europe and CIS regions. During the year ended 31 December 2013, flydubai carried 6.8 million passengers and 29,786 tonnes of cargo. In the six months ended 30 June 2014, flydubai carried 3.3 million passengers and 14,508 tonnes of cargo.

The table below shows the development of flydubai's air transportation business for the years ended 31 December 2013, 31 December 2012 and the six month period ended 30 June 2014, measured by the number of destinations, the number of passengers carried, the number of aircraft, the average age of the fleet, the overall capacity, the overall load carried, the overall seat factor, the breakeven seat factor and the number of aircraft departures:

	Year ended 31 December		Six months ended 30 June
	2012	2013	2014
Destination cities(1)	52	70	71
Passengers carried (in thousands)	4,947	6,822	3,573
Aircraft(2)	28	35	36
Average fleet age (months)(3)	21	27	32
Overall capacity(4)	12,651	16,469	8,334
Overall load carried(5)	8,041	11,031	5,847
Seat factor (%)	63.6	67.0	70.2
Breakeven seat factor (%)	60.1	62.9	68.2
Aircraft departures(6)	44,877	57,128	28,896

Notes:

(1) In numbers as of 31 December (passenger and cargo traffic)/30 June in respect of the 2014 column.

(2) In numbers as of 31 December/30 June in respect of the 2014 column.

(3) In numbers as of 31 December/30 June in respect of the 2014 column.

(4) ASKM million for the year ended 31 December/six month period ended 30 June in respect of the 2014 column.

(5) RPKM million for the year ended 31 December/six month period ended 30 June in respect of the 2014 column.

(6) In numbers for the year ended 31 December/six month period ended 30 June in respect of the 2014 column.

The table below shows the geographical distribution of flydubai's revenue for the years ended 31 December 2013 and 2012. For the purposes of this table, revenue from flight operations is attributed to the geographical areas in which the relevant flight originates and ends whilst other revenue is attributed to the area in which the sale is made or service rendered.

	Year ended 31 December		Six months ended 30 June
	2012	**2013**	**2014**
		(%)	
GCC	34	35	36
Middle East (excluding GCC) and Africa	25	21	19
Indian Subcontinent	25	26	25
CIS, Russia and Europe	16	18	20
Total	100	100	100

Passenger Transportation

flydubai's air transportation business model is based on the concept of "pay as you go", whereby IFE, checked baggage, seat selection and onboard food and beverages are not included in the economy class ticket price. flydubai believes that this approach has empowered its customers by providing additional choice that is not always available in the market. In the year ended 31 December 2013, 11.0 per cent. of passengers paid to select their seat and 15.9 per cent. paid for excess baggage in addition to their normal baggage allowance. The remaining passengers who travelled with only hand luggage or normal baggage allowance benefitted from flydubai's lowest fares.

flydubai offers its passengers three different fare categories, which provide varying degrees of flexibility at different price points:

- "no change fare" (this is the cheapest fare available);
- "pay to change fare"; and
- "free to change fare".

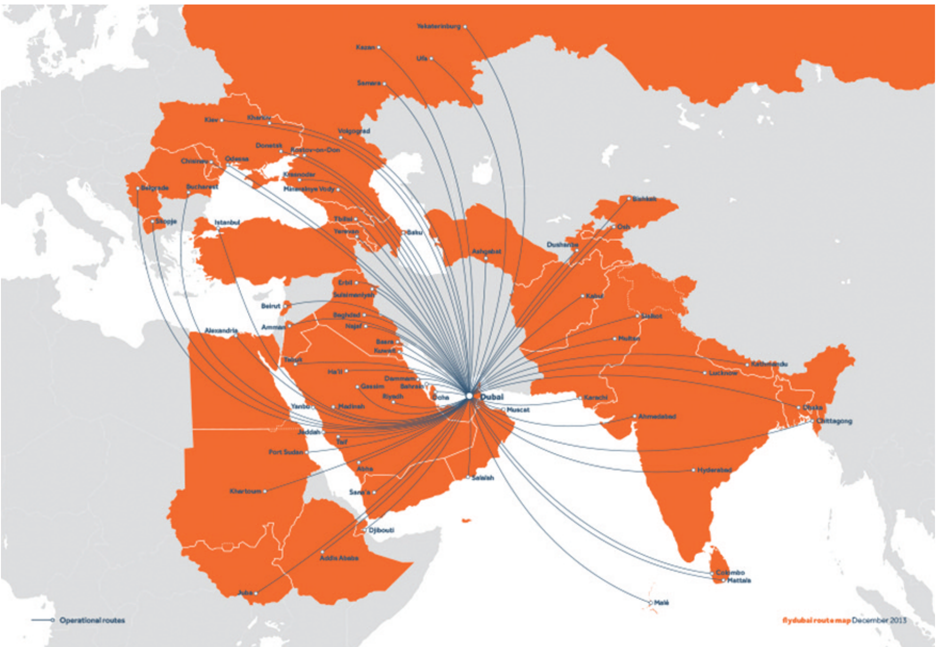
In economy class, the following services are chargeable at additional cost:

- food and beverages;
- checked baggage allowances;
- seats with extra leg-room;
- additional carry-on baggage allowances; and
- a tiered IFE offering.

In the business class cabin, all of the above services are included within the ticket price. As at the date of this Prospectus, the business class cabin has been introduced by way of phased retrofit across all of flydubai's aircraft that also feature IFE. flydubai will continue to operate seven aircraft which do not feature IFE in a single cabin layout to service its high density routes. flydubai operates from DIA Terminal 2, where it operates approximately 80 per cent. of the capacity based on the number of passengers uplifted and discharged. DIA Terminal 2 includes amenities such as economy class and business class check-in desks, as well as a dedicated flydubai business class lounge. Business class passengers also benefit from business class lounge access at selected destination airports on flydubai's route network.

As of 30 June 2014, flydubai flew passengers to 71 destinations in 42 countries through a range of short- and medium-haul services. Between January and June 2014, flydubai operated approximately 1,118 flights per week from and to its hub at DIA Terminal 2. flydubai flew passengers to 16 destinations in the GCC, 19 destinations in the Indian Subcontinent, 18 destinations in CIS & Russia, nine destinations in the Middle East (excluding the GCC), five destinations in Africa and four destinations in Europe. Between 30 June 2014 and 30 September 2014, flydubai added 12 destinations to its flight network.

The map below shows flydubai's routes as at 31 December 2013:



Cargo Transportation

flydubai operates its cargo business under the brand "flydubai Cargo". flydubai does not operate any dedicated cargo aircraft. Instead, flydubai uses the bellyhold capacity in its passenger aircraft and interlining with other airlines and freighter operators, which allows it to offer a cargo service to its customers beyond its scheduled route network. In the year ended 31 December 2013, cargo represented 2.7 per cent. of flydubai's total revenue, as compared to 1.8 per cent. in the year ended 31 December 2012.

flydubai Cargo offers the following products and services:

- General Cargo, which is the most economical cargo distribution product offered by flydubai. This product is available to customers based on availability only. As such, customers are not provided with a guarantee that their cargo will travel on a specific flight;
- Priority Cargo, which is guaranteed to travel on the flight booked. If for any reason, the cargo does not travel on that flight, customers receive a refund for the difference between the General and Priority Cargo rate;
- Perishable Cargo, which is temperature controlled throughout the journey. Like General Cargo, this product is available to customers based on availability only;
- Valuable Cargo, which allows customers to transport valuable items within unopened, specially provided boxes. This service provides customers with a specific flight guarantee;
- Courier Cargo, which caters exclusively for airport-to-airport transportation of documents and packaged boxes. This service provides courier services with a specific flight guarantee; and
- Mail, which caters for the transportation of postal bags from one flydubai airport to another.

Depending on the product chosen, flydubai cargo is processed at different freight gates within the Dubai Airport Freezone.

The table below shows the development of flydubai's air transportation business between the year ended 31 December 2012 and 30 June 2014, measured by the amount of cargo carried:

	Year ended 31 December		Six months ended 30 June
	2012	2013	2014
Cargo carried[(1)]	13,784	29,786	14,508

Note:

(1) In tonnes.

Aircraft Fleet

As at 30 June 2014, flydubai operated a total of 36 narrow-body Boeing 737-800NG aircraft compared to 35 as at 31 December 2013 and 28 as at 31 December 2012. Of these 36 aircraft in operation as at 30 June 2014, 30 were leased under operating leases and six were leased under finance leases, including under Export-Import Bank of the United States guaranteed financing. Between 30 June 2014 and 30 September 2014, flydubai has taken delivery of a further four Boeing 737-800NGs, of which half are leased under operating leases and half are leased under finance leases. The majority of flydubai's operating leases are entered into for eight year terms.

The table below shows flydubai's aircraft which were in service as of 30 June 2014 (together with details of how those aircraft were owned or leased by flydubai on that date) and flydubai's aircraft which were in service as of 31 December in each of 2013 and 2012:

	As of 30 June 2014			As of 31 December	
Aircraft type	**Number of aircraft**	***Of which:* Operating Lease (export credit agency) (guaranteed)**	***Of which:* Finance Lease (commercial debt)**	**2013**	**2012**
Boeing					
B737-800NG	36	30	6	35	28

Brief details on the Boeing 737-800NG aircraft that exclusively comprise flydubai's fleet are set out below:

Boeing 737-800NG

The Boeing 737 is the world's most widely used commercial aircraft and exists in a number of generations, the 737-800NG being the most recent. The 737-800NG is a twin engine, single aisled aircraft with a maximum range of up to 5,765 kilometres. The 737-800NGs are fitted with CFM 56-7BE engines and have advanced CAT III Autoland capability, advanced traffic collision avoidance systems and enhanced ground-proximity warning systems. flydubai's entire fleet is equipped with blended winglets which enhance range, fuel efficiency and take-off performance while lowering carbon emissions, engine maintenance costs and noise. The 737-800NG aircraft operated by flydubai have the capacity to seat up to 189 passengers in an all economy configuration and 174 passengers in a two class configuration, comprising 162 economy class and 12 business class seats.

The average age of flydubai's fleet of aircraft was 32 months as of 30 June 2014. This is significantly younger than the industry average which, according to the IATA WATS, 56th edition, was approximately 137 months, based on available data.

Fleet Expansion and Replacement Programme

flydubai is scheduled to take delivery of seven 737-800NGs between July 2014 and 31 December 2014 and another seven 737-800NGs during the year ending 31 December 2015. These deliveries will represent the final instalment of the order placed in July 2008.

In December 2013, flydubai placed an order for 75 737 MAX 8s and 11 737-800NGs, as well as retaining purchase rights over 25 further 737 MAX 8s. flydubai expects to take delivery of its first 737 MAX 8 in the second half of 2017, with the 11 737-800NGs scheduled for delivery between 2016 and 2017 to support anticipated growth. It is expected that the 737 MAX 8 order will serve both replacement and expansion purposes.

The 737 MAX represents the next variant of the Boeing 737, which is expected to deliver greater fuel efficiency and reduced CO2 emissions. In addition to the fuel efficiency benefits and environmental improvements, the 737 MAX will maintain the same pilot type rating, same ground handling, same maintenance programme and the same flight simulators as the 737-800NG. These common characteristics will enable flydubai to integrate the more modern aircraft into its existing fleet without incurring the costs of retraining its pilots and establishing new maintenance programmes.

Safety

Safety is one of flydubai's core values and flydubai is committed to providing the highest levels of safety for its passengers and staff. flydubai's commitment to safety is promulgated by the senior management and staff throughout the organisation. flydubai's safety policies and procedures are based on international, national and industry best practice. These policies and procedures are applied consistently throughout all aspects of flydubai's business, both on the ground and in the air.

The flydubai Safety Policy is the key component of its safety management system, which is based on the Safety Management System ("**SMS**") model, as defined in International Civil Aviation Organisation Annex 19 as well as the UAE Civil Aviation Regulation ("**CAR**") Part X Regulation. In addition, flydubai has established a just and non-punitive culture where all employees are encouraged to report potential safety issues without the fear of recrimination.

flydubai integrates industry best practices in health and safety and environment and fire prevention strategies to ensure a safe working environment for its staff, customers and assets.

Route Planning Process

flydubai's route planning process covers the identification of new routes, options analysis for change of frequency, timings and days of operation of existing routes, as well as the development of flydubai's long term route plans. New potential routes are identified and proposed, based on the incremental benefit to flydubai's existing network as well as new opportunities in the market, following which flydubai undertakes a viability assessment with input from a wide range of sources across the business, including flight operations aircraft performance data, status of traffic rights and risk assessment, from a safety and security standpoint.

Once flydubai has ascertained that a route is viable in terms of both aircraft performance and safety, a route analysis is produced to determine profitability. This route analysis consists of a projection of market shares and revenues and the production of a profit and loss estimation for the new route. Based on the results of the route analysis, a management decision is taken as to whether or not to make the change to the network. This decision is based on the consideration of the incremental benefits of the change, versus any associated risks and any variability in the forecast assumptions.

All route performances are monitored on a daily, weekly and monthly basis using a number of key performance indicators ("**KPIs**"). These KPIs include traffic, market share, point of sale data, break even data, network impact and forward bookings. In addition, the route performances are discussed with senior management on a quarterly basis, whereupon any corrective actions such as frequency changes and timing changes are considered.

Aircraft Financing Arrangements

flydubai generally aims to have financing commitments in place to finance its aircraft acquisitions 9-12 months ahead of taking delivery of the relevant aircraft. flydubai has successfully raised a total of U.S.$1.9 billion since its incorporation up to 30 June 2014 for financing aircraft, spare engines and for general corporate purposes. This amount includes amounts raised through traditional aircraft financing sources such as operating sale and leaseback arrangements, United States export credit agencies guaranteed debt and commercial asset-backed debt as well as through other sources such as Islamic funding. flydubai intends to continue using diversified funding sources for its fleet expansion programme.

All of flydubai's aircraft are financed either under operating or finance leases. Under operating leases, the aircraft remains in the ownership of the lessor. Under finance leases, the aircraft is secured in favour of the lessor.

flydubai operates on a wholly commercial basis and receives no funding or support for its aircraft orders from its ultimate owner, the Government of Dubai.

Procurement and Outsourcing

flydubai's principal cost is jet fuel. In Dubai, flydubai enters into annual fuel contracts with international suppliers who service DIA based on competitive tenders. For overseas stations, flydubai sources jet fuel from international or local operators based on a competitive tender process in each destination. In the six months ended 30 June 2014, flydubai's fuel costs were AED 718.6 million, of which nearly 59 per cent. was acquired at its base in Dubai. This is in line with flydubai's policy of fuelling its aircraft at Dubai where possible, enabling it to support the local economy and control costs.

Ground handling services at all of flydubai's destinations are managed through regional agreements with ground handling companies and flydubai negotiates long-term contracts with price escalation mitigation clauses as a means of managing its operating expenses.

In relation to aircraft maintenance, in-flight catering and certain other specialist services, flydubai's strategy is to provide these itself or through third parties. flydubai has entered into long-term maintenance arrangements in respect of major aircraft equipment such as engines and auxiliary power units ("**APUs**"). These arrangements are designed to provide price certainty and timely services to avoid the unnecessary grounding of aircraft.

Dedicated procurement teams are responsible for procuring all other supplies required by flydubai to conduct its businesses in an efficient and uninterrupted manner.

Airline Competition

The UAE operates an open skies policy and currently more than 150 airlines use DIA. flydubai competes with LCCs in the region such as Air Arabia, Jazeera Airways, Bahrain Air and Flynas. In addition, since flydubai leverages its network and its hub in Dubai for connection traffic, it also competes with other hub carriers in each market, such as Qatar Airways, Gulf Air, Turkish Airlines, Emirates and Etihad. On each of the routes that flydubai operates, flydubai also faces competition from one or more national carriers from the relevant country, as well as the privately operated airlines.

Despite its product offering now extending beyond that of a LCC, flydubai continuously benchmarks its operations and cost structure against the leading LCCs of the world. This enables flydubai to respond to competitive threats from regional competitors and also allows it to position itself against large full-service network carriers using its low cost advantage to offer competitive fares within its key markets.

Of flydubai's 83 destinations (including announced destinations) as at 28 September 2014, flydubai serves 16 which are not served by any other carrier to any airport in the UAE and flydubai serves

29 which are not served by any other carrier to Dubai. This demonstrates that flydubai is bringing in incremental passengers to DIA and contributing to the overall development of Dubai and the UAE economy, which is in line with its strategic objectives.

Aircraft Maintenance

As at 30 June 2014, flydubai had a dedicated engineering team of more than 200 personnel. This team provides line maintenance of aircraft up to "A check" (which is conducted in respect of each aircraft at regular intervals as per the manufacturer's planning document) and continuously monitors the airworthiness of the fleet. For heavier maintenance operations, such as "B checks" and "C checks", flydubai has entered into outsourcing agreements with third parties. Off-wing engine and APUs maintenance, as well as wheel and brake maintenance is contracted with the original equipment manufacturer under standard maintenance cost agreements.

flydubai operates in accordance with the UAE General Civil Aviation Authority ("**GCAA**") (UAE CAR 145) regulations for aircraft maintenance and all of flydubai's certifying engineers are approved by the GCAA (UAE GCAA CAR 66) with type licenses on the Boeing 737-800 aircraft. The GCAA virtually mirrors the European Aviation Safety Authority ("**EASA**") with their regulation so flydubai engineers' licenses are similar to EASA Part 66 B1 or B2. Furthermore, most of flydubai's engineers already hold EASA licenses before conversion to GCAA licenses.

Arrangements with Other Airlines

flydubai is not a member of any global airline alliance, although it has entered into a cooperation agreement with Emirates.

Cooperation with Emirates

flydubai has entered into a cooperation agreement with Emirates, relating to the coordination of some of their international passenger and cargo operations. This cooperation has been granted regulatory approval by relevant competition law authorities.

Interline

Interline agreements allow travel agents and others with access to the global distribution system or a related system to book a journey comprising of more than one airline's flights as a single fare. In contrast to codeshare arrangements, the passenger is aware that he is flying separate flights with separate airlines, but still pays only a single price. The interline agreement, alongside any special prorate agreement governs the revenue sharing between airlines of the price paid by the passenger for the overall journey. flydubai currently has interline agreements in place with various airlines.

Airline Sales and Distribution

flydubai's seat inventory is sold through various channels including call centres, flydubai sales offices, global distribution systems, interline agreements, travel agents and the flydubai website. The diversification of distribution channels is symptomatic of flydubai's development as a carrier, which now offers services beyond that of a traditional LCC. As such, flydubai's distribution channels are representative of both LCCs and full service carriers.

Global distribution systems are computerised systems used by the travel industry to store and retrieve information, and conduct transactions, relating to airline travel. flydubai added a global distribution system to its distribution channels in 2012.

Pilot and Crew Training

flydubai's Crew Check & Training department provides training to pilots and cabin crew at flydubai's ground school. The ground school pilot training seeks to build a positive attitude and confidence in operating the aircraft by providing complete aircraft operation training. Aircraft operations ground training includes classroom lectures in respect of the technical performance of aircraft as well as training on specific operational scenarios. All training is documented and supervised to meet GCAA requirements. After ground school, pilots undergo practical training by flydubai appointed type rated instructors and examiners.

All pilot training is conducted by highly experienced and professional trainers who themselves are checked periodically by GCAA inspectors to ensure that operations are conducted in accordance with the flydubai policy.

Cabin crew training is conducted by experienced cabin crew staff and is focused on safety and security.

Regulation

International Regulation

The airline industry is subject to a high degree of regulation covering most aspects of airline operations. These regulations govern commercial activity (for example, route flying rights, fare setting and access to airport slots) as well as operational standards (relating to areas such as safety, security, aircraft noise, immigration and passenger rights).

The basis for international regulation of airline operations derives from the Chicago Convention of 1944 (the "**Chicago Convention**"), to which nearly all countries (including the UAE) are a party. The Chicago Convention established the International Civil Aviation Organisation under whose auspices rules establishing minimum operational and safety standards are normally agreed on a multinational basis. The Chicago Convention confirms the principle that each state has sovereignty over the airspace above its territory, with the consequence that a state's permission is needed for air services to be operated to, from, over or in its territory. Airlines' rights to fly over, or make stops in, foreign countries for technical reasons in operating their international scheduled services are generally derived from the International Air Services Transit Agreement of 1944 to which most countries are a party. However, rights to carry traffic between countries and the regulation of fares are normally agreed on a bilateral basis between governments pursuant to an Air Service Agreement (an "**ASA**"). An exception to this is the multilateral single market arrangements which apply within the EU. In addition, two countries may also enter into a non-binding memorandum of understanding which accompanies an ASA and sets out detailed rights which are likely to be updated frequently (and therefore cannot be set out in a treaty). As of 31 December 2013, the Governments of Dubai and the UAE had entered into 158 ASAs or memoranda of understanding with other countries.

Each ASA specifies the conditions under which the proposed services may operate in terms of the privileges granted by either signatory country to the airline or airlines of the other country. Accordingly, ASAs cover matters such as: (i) traffic rights or "freedoms of the air" (in particular, rights to overfly a territory of a country without landing, rights to carry passengers or cargo to a particular country and rights to carry traffic to a third country as an extension of a service between the two countries which are signatories to the ASA); (ii) conditions as to capacity (for example, the number of flights or seats that may be operated between the two countries); and (iii) the method for setting fares on the route (if any). Certain ASAs place foreign ownership and control restrictions on the airlines operating the route.

The UAE, amongst many other countries, is also a party to the Convention for the Unification of Certain Rules for International Carriage (the "**Montreal Convention**"). The Montreal Convention establishes a standard of airline liability with respect to the carriage of passengers, baggage and cargo.

UAE and Dubai Regulation

UAE airlines are also affected by wider UAE policies, laws and regulations, particularly in relation to airports and air traffic control. The GCAA was created in 1996 by Federal Cabinet Decree (Law 4) to regulate civil aviation and provide designated aviation services to strengthen the aviation industry within the UAE and its air space.

The Chicago Convention requires every aircraft to be registered on the national register of a contracting state, with the state of the registry being responsible for regulating the safety of the aircraft and its operation, the competence of its crew and those who maintain the aircraft. The GCAA is required to register UAE aircraft for the purposes of the Chicago Convention. All of flydubai's aircraft are registered with the GCAA.

In recent years, the UAE has pursued liberal open skies agreements with other countries although despite this liberal approach, a number of the ASAs to which the UAE is signatory remain restrictive in nature, having limits on capacity, designated airports and, in some cases, approved airlines and pricing. Non-UAE ownership and control of airlines in the UAE is restricted to a 49.0 per cent. equity stake.

The GCAA also issues operational certificates and licences, including air operator certificates (certifying that the airline is technically competent to operate the aircraft of the type specified) as well as flight and cabin crew licences and engineer crew licences. flydubai and its employees hold all applicable operational certificates and licences as may be required from the GCAA.

Dubai Civil Aviation Authority (the "**DCAA**") is the governing body that undertakes the development of the air transport industry in Dubai and oversees all aviation related activities, including management of the DIA as well as the Al Maktoum International Airport in Jebel Ali. The DCAA oversees the administration and coordination of all matters relating to civilian airport operations in Dubai, including traffic rights, operating permissions, flight training, duty free shops and cargo, including the Dubai Cargo Village, Dubai Duty Free, Dubai International Hotel and Dubai Aviation Club.

Environmental Regulation

In common with other airlines, flydubai is subject to environmental laws and regulations in the jurisdictions in which it operates, including those governing discharges to air and water, safe drinking water and the management, storage and disposal of hazardous substances and wastes. flydubai could incur significant costs, including clean-up costs, fines and other sanctions, as well as third-party claims, as a result of violations of applicable environmental laws and regulations.

flydubai takes its responsibilities in sustainability and environmental stewardship seriously. The age of its fleet, which is one of the youngest in the world and therefore one of the most environmentally friendly in the industry, makes it a leader in airline environmental best practice. flydubai focuses on maximising its fuel efficiency and attendant emissions as well as increasing the efficient use of airspace to shorten flying times and cut fuel consumption. As at the date of this Prospectus, the EU Emissions Trading Scheme is not applicable to flydubai.

Safety

Airline regulation focuses heavily on safety and operates at the following levels:

- the operator, whose fitness to operate is attested by an Air Operator's Certificate issued by the GCAA;
- the aircraft, whose fitness to fly is attested by a certificate of airworthiness issued by the GCAA and, on a continuing basis, by maintenance in accordance with maintenance requirements performed by an authorised maintenance provider;
- the flight and cabin crew, whose fitness to operate aircraft is attested by an appropriate licence issued by the GCAA; and
- operations, for which various flight rules are laid down.

Information Technology

flydubai makes extensive use of information technology ("**IT**") for both its commercial and operational needs, including infrastructure, back office functions (such as revenue accounting) and reservations systems. flydubai's IT team is based at its headquarters at DIA Terminal 2.

Some of the key software applications and tools that are used by flydubai include:

- RAPID, a revenue accounting application used for both passenger and cargo operations;
- AMOS, to manage maintenance, engineering and logistics requirements;
- MACS, the Mercator Airport Control System, used for the airline's check-in and aircraft departure control processes;
- Skychain, an air cargo management solution;
- Sabre FPM, for flight planning and scheduling;
- Radixx Enterprise, for bookings and reservations;
- Oracle EBS, for financial accounting and human resources and procurement processes;
- EFOS, a web-based crew portal and flight operations management system; and
- ONBOS, an onboard retail solution.

Insurance

flydubai insures its aircraft fleet and associated risks with a UAE licensed insurance company, Dubai Islamic Insurance and Reinsurance Co (AMAN), as required under UAE law. These risks are then fully reinsured with international aviation insurance markets including Lloyds of London through a reputable international insurance broker based in London. Insurance arrangements are made in a manner consistent with best international airline industry practice. flydubai has never been refused insurance coverage in any insurance market.

Intellectual Property

flydubai has taken steps to register its intellectual property in each of the markets in which it operates.

Environment

flydubai's modern fleet of Boeing 737-800NGs are installed with CFM56-7BE engines and winglets. This combination of modern engines and winglets means that flydubai is operating a "green" fleet that is as environmentally friendly as possible. Also, flydubai aircraft are fitted with carbon brakes and fibre to the touch screen IFEs which are lighter in weight than their traditional variants and help further reduce fuel burn and CO2 emissions.

Fuel Efficiency

Fuel efficiency improvements provide a substantial opportunity for flydubai to reduce its environmental impact. flydubai has invested heavily in modern and fuel efficient aircraft, placing a firm order for the new Boeing 737 MAX in December 2013. Boeing expects the 737 MAX to provide a 13 per cent. reduction in fuel and CO2 emissions compared to the current 737-800NG.

Relationship with the Government

flydubai is 100 per cent. owned by the Government of Dubai and is an independent public corporation with its own business plan, budget targets and operational autonomy. flydubai is run by an independent and experienced management team. See "*Management and Employees*". flydubai operates on a fully commercial basis.

The Government of Dubai and the management of flydubai have consistently operated on the basis that flydubai is required to be self-sustainable and profitable. The Government of Dubai has never acted as a guarantor for any of the loans or other financings raised by flydubai.

Notwithstanding that flydubai is a separate commercial enterprise that operates independently of the Government of Dubai, its interests are closely aligned with the interests of the Government of Dubai and it benefits from strong relationships with regional air transportation regulators, Dubai Airports (which operates and manages both DIA and Al Maktoum International Airport) and Dubai Aviation City Corporation (which owns both DIA and Al Maktoum International Airport), which is wholly-owned by the Government of Dubai.

Since it began operations, flydubai has established itself as an important part of Dubai's aviation economy. As at 30 June 2014, flydubai was the second largest airline operating out of DIA and operated more than an 80 per cent. share of the capacity at DIA Terminal 2. In recognition of flydubai's importance to DIA and the aviation sector in Dubai, Dubai Airports has recently upgraded DIA Terminal 2, increasing the number of gates from six to 12 and overall annual passenger capacity from 6.2 million to twelve million upon completion.

MANAGEMENT AND EMPLOYEES

Senior Management

Law No. (11) of 2008 Concerning the Establishment of Dubai Aviation Authority provides for flydubai to be represented and managed by a Chairman appointed by a decree issued by the Ruler of Dubai. HH Sheikh Ahmed bin Saeed Al-Maktoum has been Chairman of flydubai from its inception.

flydubai does not have a separately constituted board of directors. The members of its senior management team comprise:

Name	Title
His Highness Sheikh Ahmed bin Saeed Al-Maktoum	Chairman
Ghaith Saeed Khalaf Al Ghaith	Chief Executive Officer
Hamad Obaidalla	Chief Commercial Officer
Kenneth Gile	Chief Operating Officer
Mukesh Sodani	Chief Financial Officer
Mick Hills	Senior Vice President, Engineering & Maintenance
Christopher Grazel	Senior Vice President, Network Control
Arjun Singh	Senior Vice President, Planning & Scheduling
Jeyhun Afandi	Senior Vice President, Commercial Operations (UAE, Middle East, Europe, CIS)
Achipara Sudhir	Senior Vice President, Commercial Operations (GCC, Africa, Indian Subcontinent)
Pawan Borle	Senior Vice President, Human Resources
Krishan Sinnadurai	Senior Vice President, Legal Affairs

The business address of each of the members of senior management is flydubai Headquarters, P.O. Box 353, Dubai, United Arab Emirates.

Brief biographies of each of the members of senior management are set out below:

His Highness Sheikh Ahmed bin Saeed Al-Maktoum

His Highness Sheikh Ahmed bin Saeed Al-Maktoum is the Chairman of flydubai. His Highness Sheikh Ahmed bin Saeed Al-Maktoum is the younger brother of the late Ruler of Dubai, Sheikh Rashid bin Saeed Al-Maktoum.

In addition to his position at flydubai, His Highness has served as President of the Dubai Civil Aviation Authority since 1985 and is also Deputy Chairman of the Dubai Executive Council, Chairman of the Supreme Fiscal Committee of the Government of Dubai, Chairman of Dubai Airports, Chairman of Dubai Airport Free Zone Authority, Chairman of Dubai World, Chairman and chief executive officer of Emirates, Chairman of Dubai Aerospace Enterprise, a member of the board of the Dubai Council for Economic Affairs, a member of the board of the Investment Corporation of Dubai and a member of the board of the General Civil Aviation Authority of the UAE.

His Highness Sheikh Ahmed bin Saeed Al-Maktoum holds a Bachelor's degree from the University of Denver, Colorado, USA. He is a fellow of The Royal Aeronautical Society and a recipient of Commandeur de l'Ordre de la Légion d'Honneur (the Legion of Honour).

Ghaith Saeed Khalaf Al Ghaith

Mr Al Ghaith is the Chief Executive Officer of flydubai.

Prior to joining flydubai at its inception, Mr Al Ghaith was with the Emirates Group, where he held the position of Executive Vice-President, Commercial Operations Worldwide, Emirates airline, from August 1995 until March 2008. Prior to this position, he was Senior General Manager Commercial Operations Middle East, Africa and CIS from October 1994.

Mr Al Ghaith began his career with Emirates as a Management Trainee in December 1986. He was appointed Deputy Passenger Sales Manager UAE in June 1988 and Deputy Manager Overseas Development & Marketing in August 1989. He became Area Manager UK and Ireland in 1991, and General Manager Commercial Operations, Europe and North America, in 1993. Mr Al Ghaith, a UAE national, was born in 1963 and holds a Bachelor of Science degree in Business Administration from the University of Arizona, USA.

Hamad Obaidalla

Mr Obaidalla is the Chief Commercial Officer of flydubai.

Prior to joining flydubai at its inception, Mr Obaidalla enjoyed a 20 year career with Emirates, where he reached the position of Divisional Senior Vice President, Network Operations.

Mr Obaidalla began his career with Emirates as a Management Trainee in September 1991. He was appointed Commercial Officer in April 1993, Regional Manager for Saudi Arabia in 1998 and General Manager for the GCC, Yemen and Iran in November 2000. He became Vice President, Commercial Operations, GCC, Yemen and Iran in July 2003, Senior Vice President for the same region in November 2004, and Divisional Senior Vice President, Network Operations in July 2007. Mr Obaidalla, a UAE national, was born in 1965 and holds a Bachelor's Degree in Electrical Engineering from Wentworth Institute of Technology, Boston MA, USA.

Kenneth Gile

Captain Gile is the Chief Operating Officer of flydubai.

Prior to joining flydubai in July 2008, Captain Gile was President and Chief Operating Officer of the American low cost carrier, Skybus Airlines, for four years.

Captain Gile started his career in the United States Air Force and six years later, he joined Saudi Arabian Airlines as a commercial pilot. Captain Gile then returned to the United States where he enjoyed a 25-year career at Southwest Airlines, ultimately working as Chief Pilot and Director of Operations.

Mukesh Sodani

Mr Sodani is the Chief Financial Officer of flydubai.

Prior to joining flydubai in January 2011, Mr Sodani was Group Chief Financial Officer of a real estate conglomerate in Dubai. Mr Sodani commenced his finance career with one of the big four audit firms in Kuwait and Dubai before moving into the aviation industry. Mr Sodani was Vice President Aircraft Financing at Emirates. Mr Sodani qualified as a member of the Institute of Chartered Accountants, India, in 1987. He has also gained Certified Public Accountant and Certified Internal Auditor qualifications in the USA. Mr Sodani also has a diploma in Business Finance from the Institute of Chartered Financial Analysts of India.

Mick Hills

Mick Hills is Senior Vice President, Engineering & Maintenance.

Prior to joining flydubai in November 2008, Mr Hills was General Manager, Maintenance & Technical with XL Airways UK Limited. Mr Hills has 39 years' experience in the industry and has previously held senior management positions with FLS Aerospace (Stansted) UK Limited.

Mr Hills holds EASA Part 66 B1 Engineers Licence with Type ratings on Boeing 707/720, 727-100/200, 737 Classic & NG, 747-100/200/300 & Special Purpose, 757-200, BAC1-11 & Douglas DC8 aircraft and CFM56-3 &7B, RB211-535C & E4, P&W JT9-7A, F, J & Q engines.

Christopher Grazel

Mr Grazel is Senior Vice President, Network Control.

Prior to joining flydubai in July 2014, Mr Grazel served over two years with GoAir in Mumbai, India as Vice President of Flight Operations and Inflight Services. Mr Grazel commenced his aviation career in the U.S. Navy and served in numerous leadership positions including Director of Operations, Executive Officer and Commanding Officer. Following his military career, Mr Grazel spent 20 years at US Airways and was a Check Airman and Assistant Chief Pilot before being recruited to start the USA's first ultra low cost airline, Skybus, as their initial Chief Pilot. After leaving Skybus, Mr Grazel became the Vice President of Flight Operations for Spirit Airlines, following which he became the Executive Director/Chief Operating Officer of the National Aviation Hall of Fame in Dayton, Ohio USA, where he continues to serve as a member of the board of trustees. Mr Grazel has a Master of Science degree in Systems Management from the University of Southern California. He is also a Lean Six Sigma Black Belt from Villanova University.

Arjun Singh

Mr Singh is Senior Vice President, Planning & Scheduling.

Prior to joining flydubai in March 2009, Mr Singh was the Manager Route Planning & Analysis at Emirates. During his time with Emirates, Mr Singh held a number of other management positions within the Planning, International and Industry Affairs department. Mr Singh holds a Master's degree in Air Transport from Cranfield University, England.

Jeyhun Afandi

Mr Afandi is Senior Vice President, Commercial Operations (UAE, Middle East, Europe, CIS).

Prior to joining flydubai in January 2009, Mr Afandi spent 12 years with Emirates, where he held a number of management positions, including Regional Manager – Thailand and Indochina and Regional Manager – Russian Federation and CIS states. Mr Afandi holds a Bachelor of Business Administration from Western University and a Masters of Business Administration from Bradford University School of Business.

Achipara Sudhir

Mr Sudhir is Senior Vice President, Commercial Operations (GCC, Africa, Indian Subcontinent).

Prior to joining flydubai in November 2009, Mr Sudhir was the Regional Manager – West Africa for Emirates. Prior to joining Emirates, Mr Sudhir held senior leadership positions with three other major international airlines. Mr Sudhir has a management degree from Cranfield University, England and is also a commerce graduate of Delhi University, India.

Pawan Borle

Mr Borle is Senior Vice President, Human Resources.

Prior to joining flydubai in November 2008, Mr Borle was the Senior Vice President-HR of Dunia Finance which is a joint venture of Fullerton Financial Holdings (subsidiary of Temasek Holdings, Singapore) and Mubadala Development Company P.J.S.C. of Abu Dhabi. Mr Borle holds a management degree in Human Resources from XLRI-Xavier School of Management, India and is also a Science-Physics graduate of Delhi University.

Krishan Sinnadurai

Mr Sinnadurai is Senior Vice President, Legal Affairs.

Prior to joining flydubai in January 2011, Mr Sinnadurai was a Legal Adviser at Emirates. Mr Sinnadurai commenced his career in Australia, where he worked for international law firms, the Australian Federal Government and international non-governmental organisations. Mr Sinnadurai is a graduate of Macquarie University and the College of Law, Sydney and is admitted to practise law as a solicitor and barrister in Australia. He is also a member of the Law Society of New South Wales, Australia and the Australian Institute of International Affairs.

Conflicts

There are no conflicts of interest between the duties of the members of the senior management listed above to flydubai and their private interests or other duties.

Employees

flydubai believes that it has an excellent relationship with its employees as shown by the fact that its average work force attrition remains low at only 8 per cent. during the year ended 31 December 2013. flydubai operates an employee profit share scheme on an annual basis, under which all employees participate and share in certain profits of flydubai, provided the established profit target is attained.

The table below shows a breakdown of flydubai's average employee numbers for each of the years ended 31 December 2013 and 2012.

	Year ended 31 December	
	2012	**2013**
Cabin crew	614	940
Flight deck crew	337	485
Engineering	134	184
Other	484	652
Total employees (UAE)	1,569	2,261
Overseas station	26	34
Total number of employees	**1,595**	**2,295**
Average number of employees	**1,433**	**1,940**

Employee productivity, measured in terms of revenue per average employee, was AED 1.9 million in the year ended 31 December 2013 and the capacity per average employee was 8.5 million ASKM in the same period.

In accordance with UAE law, flydubai provides end of service benefits to all employees. Under UAE law, the entitlement to these benefits is based upon the employee's length of service and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Emiratisation

flydubai understands the need to have career opportunities for Emirati nationals and sees this as a priority in flydubai's future success. In 2013 and 2014, flydubai participated in several Emirati University Career Fairs in an effort to expose and bring awareness to the youth of Dubai of flydubai and to highlight exciting future career opportunities. One such programme launched is flydubai's own Emirati Cadet Pilot Program. In addition, flydubai is engaged with specialised Emiratisation recruitment companies to assist in identifying and recruiting Emirati candidates.

Introduction

The global airline industry generally follows economic cycles and, over the longer term, RPKMs have generally grown in line with world gross domestic product ("**GDP**"). Although GDP was one of the primary drivers of growth in the past, other factors, particularly affordable fares, due to the expansion of LCCs, are likely to continue to contribute increasingly to traffic growth.

The airline industry has always been, by nature, a cyclical industry. The airline industry has endured some major crises over the last 30 years, including the worst financial losses in aviation history following the terrorist attacks in New York and Washington, D.C. on 11 September 2001, as well as the effects of regional conflict, SARS, high fuel prices during 2007 and the first half of 2008 followed by the global financial crisis during late 2008 and 2009 and, to a lesser extent, the effects of more specific interruptions, such as the Icelandic volcanic ash clouds over Europe in early 2010.

In spite of the cyclical nature of the industry, the aviation sector has shown that it is resilient and annual world traffic growth has fallen only three times in modern aviation history – in 1991 around the first Gulf War, in 2001 and 2002 following the terrorist attacks in the United States and in 2009 during the financial crisis. Within these general trends, different regions have experienced different growth patterns.

Economic wealth drives air travel, but air travel also helps to drive economic wealth. However, the correlation is not perfect and levels of penetration can be affected by geographical, political, fiscal and infrastructural factors. This leads to some countries having a significantly higher or lower number of airline seats per capita than might be expected simply from their level of GDP per capita.

Historically, the airline industry has been governed by bilateral air service agreements between individual countries. These regulations limited the market size for the benefit of national carriers. However, since the early 1980s, deregulation of international air transport (sometimes referred to as an "**open skies**" policy) in some regions, including the United States and European Union, has allowed airlines to expand and develop more comprehensive route networks. New international carriers emerged to compete with the established airlines. In addition, LCCs commenced business and have increased in size and influence. These developments, and the resulting increase in competition between airlines, technological developments, such as larger and more efficient aircraft, and the removal of price controls have brought down the level of fares, except in capacity constrained or time zone constrained markets. Although economic growth still plays a major role, lower fares have increasingly played an important role in stimulating traffic growth. Lower prices have also created new traffic for the airline industry by attracting travellers using other transport modes, such as rail and ferries.

Other significant airline developments have been the formation of global airline alliances (such as Star Alliance, Skyteam and Oneworld) which have developed in importance since the 1990s. These alliances have also reportedly allowed carriers to offer passengers global networks and better manage the level of competition. More recently, as a result of the financial crisis of late 2008 and 2009, some airlines (such as United Airlines and American Airlines) have filed for bankruptcy protection. In addition, certain airlines have consolidated through corporate mergers and acquisitions (for example British Airways Iberia, Delta Northwest and United Continental). Other airlines have ceased to operate. More recently, an increasing number of airlines have also been entering into stronger and more focused bilateral partnerships, either outside or in parallel with the existing global airline alliances.

Technological Developments

Technology has also played an important role in the development of the airline industry. New technologies allow airlines to reduce costs. In the early 1970s, the introduction of the Boeing 747 revolutionised long-haul transport and, in the 1980s, computer reservation systems enabled airlines to manage their capacity better. Fuel efficiency and the reduction in noise and emissions have been significant drivers of technological development.

The manufacturers of large civil aircraft (primarily Airbus and Boeing) have developed larger aircraft (for example, the Airbus A380) and longer range aircraft variants (for example, the Airbus A340 500, Airbus A340 600, Boeing 777 200LR and Boeing 777 300ER aircraft). The new ultra long range aircraft (for example, the Airbus A340 500 and Boeing 777 200LR aircraft, have an extended range of over 8,000 nautical miles and can fly non stop for over 16 hours) provide airlines with the ability to link any two destinations on their global network with one single stop at their hub. Similarly, the Airbus A380 ultra long range is currently the largest passenger aircraft in production, with some of the lowest per seat mile costs in the industry and long-haul capability of approximately 8,300 nautical miles. These aircraft will potentially allow new markets to be developed and may relieve some airport congestion, providing a solution to slot constrained airports. Technological developments have also enabled manufacturers to develop quieter and more efficient smaller aircraft such as the forthcoming Boeing 737 MAX and the Airbus A320neo. As well as developing new aircraft, manufacturers such as Boeing have continued to improve their existing aircraft models. Between 2001 and 2011, Boeing's performance improvements (such as the introduction of advanced winglets) to the 737-800 delivered a 6 per cent. reduction in fuel burn, thereby improving CO_2 emissions and making air travel more "green". Boeing expects the new 737 MAX to deliver a further 13 per cent. reduction in fuel and CO_2 emissions, as compared to the current Boeing 737 Next Generation. Other technological developments, such as electronic commerce, have also allowed airlines to reduce operating costs, particularly those relating to ticket sales and distribution.

Recent Traffic Trends

On 2 October 2014, IATA announced a 6.7 per cent. increase in the worldwide number of passengers carried and capacity increased at the same pace during the eight months ended August 2014. IATA also announced that the passenger load factor for the same period of 2014 was 83.9 per cent. representing an increase of 0.3 per cent. compared to August 2013. Load factors are a measure of how well an airline is utilising its available capacity and are calculated by dividing the airline's RPKMs by its ASKM. IATA further reported that Middle East carriers had the strongest year on year traffic growth in August at 11.7 per cent. as airlines continue to benefit from the strength of regional economies and solid growth in business related premium travel. Capacity rose 10.3 per cent. and load factor rose 1.0 percentage point to 83.0 per cent. over the same period. On 1 October 2014, IATA announced the August 2014 data for global air freight markets showing continued robust growth in air cargo volumes. Volumes rose 5.1 per cent. in August 2014, as compared to August 2013. Capacity grew at a slower pace of 3.4 per cent. as compared to the previous year.

Traffic Forecasts

According to Boeing's Current Market Outlook 2014-2034, the international passenger traffic forecast over the 20-year period from 2014 to 2034 is for CAGR of 5.0 per cent. during the period. The same forecast, by region, shows the Middle East experiencing CAGR of 6.4 per cent. during that period, compared to the Asia/Pacific region at 6.3 per cent., Africa at 5.9 per cent., Latin America at 6.2 per cent., Europe at 3.9 per cent. and North America at 2.9 per cent.

Boeing also projects annual growth in traffic flows to, from and within the Middle East during 2013-2033 of:

- 7.3 per cent. (in respect of African traffic flows to and from the Middle East);
- 5.4 per cent. (in respect of European traffic flows to and from the Middle East);
- 5.2 per cent. (in respect of traffic flows within the Middle East);
- 6.3 per cent. (in respect of Middle Eastern traffic flows to and from North America);

- 8.0 per cent. (in respect of Middle Eastern traffic flows to and from South Asia); and
- 6.1 per cent. (in respect of Middle Eastern traffic flows to and from Southeast Asia).

In December 2013, IATA released the IATA Airline Industry Forecast 2013-2017, which shows that airlines expect to see a 31 per cent. increase in passenger numbers between 2012 and 2017. By 2017 total passenger numbers are expected to rise to 3.91 billion, an increase of 930 million passengers over the 2.98 billion carried in 2012. The IATA Airline Industry Forecast 2013-2017 is a consensus outlook for system wide passenger growth. Demand is expected to expand by an average of 5.4 per cent. compound annual growth rate ("**CAGR**") between 2013 and 2017. Global passenger growth expanded by 4.3 per cent. CAGR between 2008 and 2012, largely reflecting the negative impact of the 2008 global financial crisis and recession. Of the new passengers, approximately 292 million will be carried on international routes and 638 million on domestic routes.

Industry Statistics

DIA was ranked as the second busiest airport in the world during the year ended 31 December 2013 in terms of international passengers by Airports Council International ("**ACI**"). In addition, based on preliminary figures, DIA was ranked by ACI as the fifth busiest airport in the world for the same 12-month period in terms of international freight traffic.

Primary Industry Sensitivities

The primary sensitivities of the airline industry are to changes in jet fuel prices, insurance charges and the level of passenger demand, each of which is influenced by a number of different factors, including, but not limited to, the state of the world economy and by political events. See "*Risk Factors — flydubai's business may be significantly adversely affected by a reduction in the volume of travellers using its services, which could be caused by a range of events beyond its control*". All of these factors have shown some volatility in recent years, particularly the price of jet fuel which, according to the CAPA Yearbook 2014, accounts for nearly 40 per cent. of all airline costs and is the most significant operating cost item for most airlines. See "*Risk Factors — flydubai's results of operations may be materially affected by changes in jet fuel prices*". Environmental issues in the form of more stringent noise and emission standards, including the EU carbon emissions trading scheme, also impose higher operating costs on the airline industry. See "*Risk Factors — Air traffic and the aviation industry are heavily regulated and flydubai's ability to comply with all applicable regulations is key to maintaining its operational and financial performance*".

SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection at the offices of the Principal Paying Agent (as defined in the Conditions).

Purchase of Services Agreement

On the Issue Date, flydubai (in its capacity as Seller) and the Trustee will enter into a purchase of services agreement (the "**Purchase of Services Agreement**"), pursuant to which flydubai will sell and the Trustee will purchase certain Rights to Travel as more particularly described below. The Purchase of Services Agreement will be governed by English law.

Pursuant to the Purchase of Services Agreement, the Seller will sell to the Trustee and the Trustee will purchase from the Seller, in each case on the Issue Date: (i) certain Rights to Travel (measured in ASKMs, in the amounts set out in the Purchase of Services Agreement) (including all rights, interests, benefits and entitlements, present and future, in, to and under the Rights to Travel) which are made available to the Trustee on the first day of each period identified in the Purchase of Services Agreement (each such period a "**Distribution Period**"), out of flydubai's total available passenger capacity (measured in ASKMs) for each Distribution Period ("**Allotted Rights to Travel**"); and (ii) certain additional Rights to Travel (measured in ASKMs, in the amount set out in the Purchase of Services Agreement) (the "**Additional Rights to Travel**"), out of flydubai's total available passenger capacity (measured in ASKMs) for the last Distribution Period.

An aggregate of 8,393,486,654 Allotted Rights to Travel will be purchased by the Trustee as described in the previous paragraph, for the purposes of being sold in accordance with the Service Agency Agreement (as defined below) at the Minimum Sale Price (as described below) with the Sale Proceeds of which being intended to generate sufficient amounts to pay all Periodic Distribution Amounts and Dissolution Distribution Amounts due under the Certificates. An aggregate of 1,259,022,998 Additional Rights to Travel will be purchased by the Trustee as described in the previous paragraph, for the purpose of allowing the Trustee to satisfy its obligation to pay any further profit that accumulates pursuant to Condition 7(c).

The Seller and the Trustee will acknowledge in the Purchase of Services Agreement that, as a consequence of the sale of the Allotted Rights to Travel and the Additional Rights to Travel thereunder at the purchase price of U.S.$500,000,000, the acquisition cost per ASKM equates to U.S.$0.0518. For the purposes thereof, flydubai will represent, warrant and agree that such acquisition cost per ASKM represents the cost of each ASKM as stated under the heading "*Selected Financial Information – Other Financial Data*" (less such approximate amount determined by flydubai in accordance with its operating data to be attributable to costs of any flight services that are not *Shari'a*-compliant) divided by 1.15.

Service Agency Agreement

On the Issue Date, flydubai and the Trustee will enter into a service agency agreement (the "**Service Agency Agreement**"), pursuant to which flydubai will be appointed as servicing agent (in such capacity the "**Service Agent**") by the Trustee (as principal) to manage the aggregate Allotted Rights to Travel (measured in ASKMs) held by the Trustee or by flydubai on its behalf that have not been sold pursuant to the Service Agency Agreement (the "**Outstanding Rights to Travel**") and the Additional Rights to Travel. The Service Agency Agreement will be governed by English law.

The Service Agent will undertake to provide, or procure the provision of, certain services (the "**Services**") to the Trustee for the period commencing on the Issue Date and ending on the Scheduled Dissolution Date or, if earlier, on the date on which all the Certificates are redeemed in full in accordance with the Conditions (the "**Period**"). The Services include an undertaking from the Service Agent to sell exclusively, for and on behalf of the Trustee, in respect of each Distribution Period, the Allotted Rights to Travel (materialised in the form of passenger air transportation tickets issued by flydubai in accordance with its terms of business relating to passenger air travel as applied by it from time to time, if applicable) in such number as corresponds to the number of Allotted Rights to Travel specified for such Distribution Period in the Service Agency Agreement, at a price at least equal to the minimum sale price of U.S.$0.07082 (per ASKM) (the "**Minimum Sale Price**"), subject to the adjustment of such number as described below.

The Service Agency Agreement will provide that, following the effective transfer of Cancellation Rights to Travel following the exercise by flydubai of its rights under the Sale Undertaking (as described below) or the effective sale of Change of Control Rights to Travel following the exercise by the Trustee of its rights under the Purchase Undertaking (as described below), the Allotted Rights to Travel which the Service Agent is required to sell in the Distribution Period during which the date of effective transfer or effective sale (as the case may be) occurs and the Allotted Rights to Travel which the Service Agent is required to sell in all subsequent Distribution Periods shall be reduced *pro rata* to such number of Allotted Rights to Travel (measured in ASKMs) that, if sold at the Minimum Sale Price in accordance with the terms of the Service Agency Agreement, would be sufficient to generate amounts received by the Service Agent in connection with the sale of Allotted Rights to Travel pursuant to the terms of the relevant ticket ("**Sales Proceeds**") equal to the sum of the Periodic Distribution Amounts and (in the case of the final Distribution Period only) Dissolution Distribution Amounts payable by the Trustee for the Return Accumulation Period (determined as provided in the Conditions) corresponding to such Distribution Period (the "**Required Amount**").

The Service Agent will be obliged to notify, in respect of each Distribution Period, the Trustee of any failure to sell: (i) all of the relevant Allotted Rights to Travel (measured in ASKMs) in respect of a Distribution Period; or (ii) all or a portion of the relevant Allotted Rights to Travel (measured in ASKMs) for at least the Minimum Sale Price (in respect of each ASKM) in respect of a Distribution Period.

The Service Agent will be required to create and maintain two accounts as internal records (such accounts being referred to as the "**Collection Account**" and the "**Reserve Account**"), each of which shall be denominated in U.S. dollars. All Sales Proceeds of Allotted Rights to Travel will be recorded in the Collection Account.

The Service Agent will be required to procure the application of amounts equal to the amounts standing to the credit of the Collection Account on the Business Day prior to each Periodic Distribution Date (the "**Distribution Determination Date**") first in payment into the Transaction Account of the Required Amount payable on the immediately following Periodic Distribution Date or (in the case of the final Distribution Period only), the Scheduled Dissolution Date; and second, provided that no Dissolution Event has occurred and is continuing, for credit to the Reserve Account.

Under the terms of the Service Agency Agreement, the Service Agent will agree that if in respect of any Distribution Period any Allotted Rights to Travel (measured in ASKMs) are sold for less than the Minimum Sale Price in breach of the terms of the Service Agency Agreement (the difference between (i) the sum of: (a) the aggregate Sales Proceeds of such Allotted Rights to Travel; and (b) the amounts standing to the credit of the Collection Account (if any); and (ii) the aggregate of the Minimum Sale Price for such Allotted Rights to Travel being referred to as the "**Sales Shortfall**"), the Service Agent will pay to the Trustee out of the Reserve Account (or, if the amounts standing to the credit of the Reserve Account are not sufficient after re-crediting any amounts used by the Service Agent for its own account (as described below), the Service Agent will pay to the Trustee by way of indemnity on an after tax basis) an amount equal to the Sales Shortfall and shall ensure that an amount in cash equal to such Sales Shortfall is paid into the Transaction Account by no later than the Business Day immediately preceding the immediately following Periodic Distribution Date (each a "**Distribution Determination Date**") or by no later than the Business Day immediately preceding the Dissolution Date) to ensure that the Trustee receives on each Distribution Determination Date or the Business Day immediately preceding the relevant Dissolution Date, as the case may be, the Required Amount payable by it in accordance with the Conditions on the immediately following Periodic Distribution Date (or, as the case may be, all such amounts as are required to be paid on the relevant Dissolution Date in respect of such Certificates).

The Service Agency Agreement will provide that, if and to the extent that insufficient Outstanding Rights to Travel are available for purchase by flydubai under the Purchase Undertaking as a result of the Service Agent having previously sold Rights to Travel in an amount in excess of the Allotted Rights to Travel in contravention of the terms of the Service Agency Agreement, the Service Agent will pay to the Trustee out of the Reserve Account (or, if the amounts standing to the credit of the Reserve Account are not sufficient after re-crediting any amounts used by the Service Agent for its own account (as described below), the Service Agent will pay to the Trustee by way of indemnity on an after tax basis) an amount equal to the Exercise Price, Sale Exercise Price or Change of Control Exercise Price, as applicable and as defined in the Purchase Undertaking, as each such amount would have been payable under the Purchase Undertaking less, in each case, any amounts already paid into the Transaction Account by flydubai in connection with such exercise of the Purchase Undertaking. The Service Agent will satisfy payment of such amount due by paying such amount into the Transaction Account.

The Service Agency Agreement will provide that amounts standing to the credit of the Reserve Account shall be applied as follows:

(a) if on a Distribution Determination Date (after: (i) payment of an amount equal to the amounts standing to the credit of the Collection Account into the Transaction Account; and (ii) taking into account any other payments made or to be made into the Transaction Account pursuant to any other Transaction Document) there is a shortfall between: (a) the amounts standing to the credit of the Transaction Account; and (b) the Required Amount payable on the immediately following Periodic Distribution Date (each a "**Shortfall**")), by paying into the Transaction Account on that Distribution Determination Date an amount equal to the Shortfall (or such lesser amount as is then standing to the credit of the Reserve Account, after the re-credit to the Reserve Amount of all amounts (if any) that were previously deducted by and used by the Service Agent for its own account);

(b) the Service Agent will be entitled to deduct amounts standing to the credit of the Reserve Account at any time during the Period and use such amounts for its own account, provided that it shall re-credit all such amounts to the Reserve Account if so required to fund a Shortfall, a Sales Shortfall or any shortfall arising from insufficient Outstanding Rights to Travel being available (as described above); and

(c) following payment in full of all amounts due and payable under the Certificates on the Dissolution Date, the Service Agent shall be entitled to retain: (i) any amounts used by the Service Agent for its own account (which have not been re-credited to the Reserve Account); and (ii) any amounts that remain standing to the credit of the Reserve Account on such date for its own account as a final incentive fee for acting as Service Agent.

The Service Agent will be obliged to monitor and keep an internal record of: (i) the Outstanding Rights to Travel, and all amounts credited to the Collection Account and the Reserve Account, in each case from time to time; and (ii) all ASKMs available to flydubai and RSKMs recorded by flydubai, in each case in accordance with its standard practices and record-keeping procedures.

The Service Agency Agreement shall provide that, following redemption of the Certificates in whole but not in part on the Scheduled Dissolution Date (or, if earlier, any Change of Control Put Right Date or Early Tax Dissolution Date or any date on which all Certificates are cancelled in accordance with the Conditions), in each case as provided in the Conditions, to the extent that the Additional Rights to Travel have not been sold to flydubai pursuant to the Purchase Undertaking, such Additional Rights to Travel shall be immediately transferred to the Service Agent by the Trustee (without the need for any further formality) as a performance incentive in kind.

Purchase Undertaking

On the Issue Date, flydubai will enter into a purchase undertaking in favour of the Trustee and the Delegate (the "**Purchase Undertaking**") pursuant to which flydubai will irrevocably undertake to purchase from the Trustee all or part of the Outstanding Rights to Travel and, following a Dissolution Event, the Additional Rights to Travel. The Purchase Undertaking will be governed by English law.

Pursuant to the Purchase Undertaking, flydubai will irrevocably grant to the Trustee and, in respect of (a) below the Delegate (on behalf of the Certificateholders) the following rights:

(a) provided that a Dissolution Event has occurred and a Dissolution Notice has been delivered in accordance with the Conditions, to require flydubai, at any time prior to the Dissolution Event Redemption Date, to purchase on the Dissolution Event Redemption Date the Outstanding Rights to Travel and the Additional Rights to Travel (in each case together with all of the Trustee's rights, interests, benefits and entitlements, present and future, in, to and under them) at the Exercise Price (being an amount in U.S. dollars equal to the product of: (i) the aggregate of the Outstanding Rights to Travel and the Additional Rights to Travel (in each case measured in ASKMs) (determined as at the Dissolution Event Redemption Date); and (ii) the Minimum Sale Price;

(b) to require flydubai, on any Distribution Determination Date, to purchase any Allotted Rights to Travel which have not been sold by the Service Agent during the relevant Distribution Period as required by the provisions of the Service Agency Agreement (the "**Surplus Allotted Rights to Travel**") (together with all of the Trustee's rights, interests, benefits and entitlements, present and future, in, to and under them) at the Sale Exercise Price (being an amount in U.S. dollars equal to the product of: (i) the Surplus Allotted Rights to Travel (measured in ASKMs); and (ii) the Minimum Sale Price; and

(c) provided that a Change of Control has occurred, to require flydubai, at any time prior to the Change of Control Put Date, to purchase on the Change of Control Put Date the number of Outstanding Rights to Travel (measured in ASKMs) determined by dividing the Change of Control Exercise Price by the Minimum Sale Price (rounded down, if necessary, to the nearest Outstanding Right to Travel) (together with all of the Trustee's rights, interests, benefits and entitlements, present and future, in, to and under them) at the Change of Control Exercise Price (being the aggregate outstanding face amount of the Certificates being redeemed pursuant to the Change of Control Put Right plus all due but unpaid Periodic Distribution Amounts relating to such Certificates).

The Purchase Undertaking will provide that, pursuant to the exercise of any such rights, flydubai will purchase the Outstanding Rights to Travel and the Additional Rights to Travel, the Surplus Allotted Rights to Travel or the Change of Control Rights to Travel (as the case may be) at the Exercise Price, the Sale Exercise Price or the Change of Control Exercise Price, respectively, by (as applicable):

(i) crediting an amount equal to the Exercise Price into the Collection Account and paying a cash sum equal to the Relevant Amount (as defined in the Service Agency Agreement, being the amount required to redeem the Certificates when paid) into the Transaction Account (in U.S. dollars by wire transfer for same day value), in each case on the Dissolution Event Redemption Date;

(ii) crediting an amount equal to the Sale Exercise Price into the Collection Account and paying a cash sum equal to the Relevant Amount (as defined in the Service Agency Agreement, being the amount required to redeem the Certificates when paid) into the Transaction Account (in U.S. dollars by wire transfer for same day value), in each case on the relevant Distribution Determination Date;

(iii) paying the Change of Control Exercise Price into the Transaction Account on the Business Day immediately preceding the Change of Control Put Right Date; and following payment of the relevant amount in full, entering into a sale agreement so as to give effect to the relevant purchase.

Sale Undertaking

On the Issue Date, the Trustee will enter into a sale undertaking in favour of flydubai (the "**Sale Undertaking**") pursuant to which the Trustee will irrevocably undertake to sell to flydubai all or part of the Outstanding Rights to Travel upon flydubai exercising its rights thereunder. The Sale Undertaking will be governed by English law. flydubai shall be entitled to exercise its rights under the Sale Undertaking following: (i) certain changes to taxation laws and regulations in the Cayman Islands and/or the UAE or Dubai; or (ii) delivery by the Trustee or flydubai of any Certificates that it has purchased for cancellation pursuant to Condition 8(f).

Pursuant to the Sale Undertaking, the Trustee will irrevocably grant to flydubai the following rights:

(a) provided that a Tax Event has occurred, to require the Trustee to sell to flydubai the Outstanding Rights to Travel (measured in ASKMs) (together with all of the Trustee's rights, interests, benefits and entitlements, present and future, in, to and under them) on the Early Tax Dissolution Date specified in the Exercise Notice at the Exercise Price (being an amount in U.S. dollars equal to the sum of: (i) the aggregate outstanding face amount of the Certificates; and (ii) all due but unpaid Periodic Distribution Amounts relating to such Certificates); and

(b) to require the Trustee to transfer and convey to flydubai the Cancellation Rights to Travel (being such number of Outstanding Rights to Travel (measured in ASKMs) as is determined by dividing: (i) the aggregate face amount of the Certificates specified as being cancelled plus all due but unpaid Periodic Distribution Amounts relating thereto; by (ii) the Minimum Sale Price (rounded down, if necessary, to the nearest Outstanding Right to Travel)) (together with all of the Trustee's rights, interests, benefits and entitlements, present and future, in, to and under them).

The specific terms applicable to each such sale or transfer will be confirmed in a sale agreement or a transfer agreement (as applicable), to be executed by the Trustee and flydubai on the Early Tax Dissolution Date or the date of cancellation of the Certificates, as applicable.

Declaration of Trust

The Declaration of Trust will be entered into on the Issue Date between flydubai, the Trustee and the Delegate and will be governed by English law.

Pursuant to the Declaration of Trust, the Trustee will declare a trust for the benefit of the Certificateholders over the Trust Assets.

The Trust Assets comprise:

(i) the cash proceeds of the issue of Certificates, pending application thereof in accordance with the terms of the Transaction Documents;

(ii) the interest, rights, benefits and entitlements, present and future, of the Trustee in and to the Rights to Travel which are purchased by the Trustee pursuant to the Purchase of Services Agreement and which remain to be sold pursuant to the Service Agency Agreement, the Purchase Undertaking or the Sale Undertaking (as the case may be);

(iii) the interest, rights, benefits and entitlements, present and future, of the Trustee in, to and under the Transaction Documents (excluding any representations given by the Obligor to the Trustee and/or the Delegate pursuant to any of the Transaction Documents); and

(iv) all moneys standing to the credit of the Transaction Account from time to time,

and all proceeds of the foregoing.

The Declaration of Trust shall provide that the rights of recourse in respect of Certificates shall be limited to the amounts from time to time available therefor from the Trust Assets, subject to the priority of payments set out in the Declaration of Trust. After enforcing or realising the Trust Assets and distributing the net proceeds of the Trust Assets in accordance with the Declaration of Trust, the obligations of the Trustee in respect of the Certificates shall be satisfied and no Certificateholder may take any further steps against the Trustee (or any steps against the Delegate) or any other person to recover any further sums in respect of the Certificates and the right to receive any such sums unpaid shall be extinguished.

Pursuant to the Declaration of Trust, the Trustee will, *inter alia*:

(a) hold the Trust Assets on trust absolutely for the Certificateholders *pro rata* according to the face amount of Certificates held by each Certificateholder in accordance with the provisions of the Declaration of Trust and the Conditions; and

(b) act as trustee in respect of the Trust Assets, distribute the income from the Trust Assets and perform its duties in accordance with the provisions of the Declaration of Trust and the Conditions.

In the Declaration of Trust, the Trustee irrevocably and unconditionally appoints the Delegate to be its attorney and in its name, on its behalf and as its act and deed to (x) execute, deliver and perfect all documents; and (y) to exercise all of the present and future duties, powers (including the power to sub-delegate), rights, authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Transaction Documents) and discretions vested in the Trustee by the Conditions and the Declaration of Trust, that the Delegate may consider to be necessary or desirable in order to, upon the occurrence of a Dissolution Event or a Potential Dissolution Event, and subject to its being indemnified and/or secured and/or pre-funded to its satisfaction: (i) exercise all of the rights of the Trustee under the Purchase Undertaking and any of the other Transaction Documents; and (ii) make such distributions from the Trust Assets as the Trustee is bound to make in accordance with these presents (together the "**Delegation**" of the "**Relevant Powers**"), provided that: (a) no obligations, duties or covenants of the Trustee pursuant to the Declaration of Trust or any other Transaction Document shall be imposed on the Delegate by virtue of the Delegation; (b) in no circumstances will such Delegation of the Relevant Powers result in the Delegate holding on trust the Trust Assets; and (c) such Delegation of the Relevant Powers shall not include any duty, power, right, authority or discretion to dissolve the trusts constituted by this Declaration of Trust following the occurrence of a Dissolution Event or a Potential Dissolution Event or to determine the remuneration of the Delegate. The Trustee shall ratify and confirm all things done and all documents executed by the Delegate in the exercise of all or any of the Relevant Powers.

In addition to the Delegation of the Relevant Powers under the Declaration of Trust, the Delegate also has certain powers which are vested solely in it from the date of the Declaration of Trust. The appointment of such Delegate by the Trustee is intended to be in the interests of the Certificateholders and does not affect the Trustee's continuing role and obligations as trustee.

Pursuant to the Declaration of Trust:

(a) the Delegate, upon receiving express notice thereof under the Declaration of Trust or otherwise upon having actual knowledge of a Dissolution Event, shall (subject to its being indemnified, secured and/or prefunded to its satisfaction, if required by the Delegate in the circumstances) promptly give notice of the occurrence of the Dissolution Event to the Certificateholders in accordance with the Conditions with a request to the Certificateholders to indicate if they wish the Certificates to be redeemed and the Trust to be dissolved; and

(b) in its sole discretion may, and if so requested in writing by Certificateholders holding at least 25 per cent. of the then aggregate face amount of the Certificates outstanding or if so directed by an Extraordinary Resolution (subject in each case to its being indemnified and/or secured and/or pre-funded to its satisfaction), give notice (a "**Dissolution Notice**") to the

Trustee, the Obligor and the Certificateholders that the Certificates are immediately due and payable at the Dissolution Distribution Amount, whereupon they shall become so due and payable.

Upon receipt of a Dissolution Notice, the Trustee (failing which the Delegate on behalf of the Trustee) shall deliver an Exercise Notice under the Purchase Undertaking and shall use the proceeds of such exercise of the Purchase Undertaking to redeem the Certificates at the Dissolution Distribution Amount on the date specified in the Dissolution Notice.

Upon the occurrence of a Dissolution Event, to the extent that any amount payable in respect of the Certificates has not been paid in full, the Trustee or the Delegate, subject to its being indemnified and/or secured and/or prefunded to its satisfaction, shall (acting for the benefit of the Certificateholders) take one or more of the following steps:

(i) enforce the provisions of the Purchase Undertaking against the Obligor; and/or

(ii) take such other steps as the Trustee or the Delegate may consider necessary to recover amounts due to the Certificateholders.

A Transaction Account will be established in the name of the Trustee. Monies received in the Transaction Account will, *inter alia*, comprise payments of Periodic Distribution Amounts immediately prior to each Periodic Distribution Date. The Declaration of Trust shall provide that all monies credited to the Transaction Account from time to time will be applied in the order of priority set out in the Declaration of Trust.

Agency Agreement

The Agency Agreement will be entered into on the Issue Date between the Trustee, flydubai, the Delegate, the Principal Paying Agent, the Registrar and the Transfer Agent.

Pursuant to the Agency Agreement, the Registrar has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to authenticate and deliver the Global Certificate and, if any, each Definitive Certificate; the Principal Paying Agent has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to pay all sums received by it in cleared, identifiable funds prior to the date such sums are due under such Global Certificate; and the Transfer Agent has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to effect requests to transfer all or part of the Definitive Certificate and issue Definitive Certificates in accordance with each request.

On the Issue Date, the Registrar will: (i) authenticate the Global Certificate in accordance with the terms of the Declaration of Trust; and (ii) deliver the Global Certificate to the Common Depositary.

flydubai shall cause to be deposited into the Transaction Account opened by the Trustee with the Principal Paying Agent, in same day freely transferable, cleared funds, any payment which may be due under the Certificates in accordance with the Conditions.

The Principal Paying Agent agrees that it shall, on each Periodic Distribution Date and on the date fixed for payment of the Dissolution Distribution Amount, or any earlier date specified for the redemption of the Certificates, apply the monies standing to the credit of the Transaction Account in accordance with the order of priority set out in the Declaration of Trust.

TAXATION

The following is a general description based on the Trustee and flydubai's understanding of certain Cayman Islands, United Arab Emirates and European Union tax considerations relating to the Certificates as in effect on the date of this Prospectus and is subject to any change in law or relevant fiscal rules and practice and their interpretation that may take effect after such date (possibly with retrospective effect). It does not purport to be a complete analysis of all tax considerations relating to the Certificates and does not constitute legal or tax advice. Prospective purchasers of the Certificates should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of the Cayman Islands and of the United Arab Emirates of acquiring, holding and disposing of Certificates and receiving payments under the Certificates.

Cayman Islands

Under existing Cayman Islands laws, payments by the Trustee on the Certificates will not be subject to taxation in the Cayman Islands and no withholding will be required on the payments to any holder of the Certificates, nor will gains derived from the disposal of the Certificates be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance or gift tax.

The Trustee has applied for and expects to receive an undertaking from the Governor-in-Cabinet of the Cayman Islands, pursuant to the Tax Concessions Law (as amended) of the Cayman Islands, that for a period of 20 years from the date of the grant of that undertaking no law which is enacted in the Cayman Islands imposing any tax to be levied on profit, income, gains or appreciation shall apply to the Trustee or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable on or in respect of the shares, debentures or other obligations (which would include the Certificates) of the Trustee or by way of the withholding in whole or part of any relevant payment (as defined in the Tax Concessions Law (as amended)). No capital or stamp duties are levied in the Cayman Islands on the issue or redemption of Certificates. An instrument of transfer in respect of a Certificate will be stampable if executed in or brought into the Cayman Islands. An annual registration fee is payable by the Trustee to the Cayman Islands Registry of Companies which is calculated by reference to the nominal amount of its authorised capital. At current rates, this annual registration fee is approximately U.S.$853.66. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

United Arab Emirates

There is currently in force in Dubai legislation establishing a general corporate taxation regime (the Dubai Income Tax Decree 1969 (as amended)). The regime is, however, not enforced save in respect of companies active in the hydrocarbon industry, some related service industries and branches of foreign banks operating in the UAE. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of UAE or Dubai taxation in respect of payments made by flydubai under the Transaction Documents to which it is a party and/or the Trustee under the Certificates. If any such withholding or deduction is required to be made in respect of payments due by flydubai under the Transaction Documents to which it is a party, flydubai has undertaken in the Transaction Documents to which it is a party to gross-up the payments due by it accordingly. If any such withholding or deduction is required to be made in respect of payments due by the Trustee under the Certificates: (i) the Trustee has undertaken to gross-up the payment(s) accordingly (subject to certain limited exceptions); and (ii) flydubai has undertaken under the Transaction Documents to pay such additional amounts to the Trustee to enable the Trustee to discharge such obligation.

The Constitution of the UAE specifically reserves to the Federal Government of the UAE the right to raise taxes on a federal basis for purposes of funding its budget. It is not known whether this right will be exercised in the future. The UAE has entered into "Double Taxation Arrangements" with certain other countries.

EU Savings Directive

The Savings Directive requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or for the benefit of) an individual resident, or certain other types of entity established, in that other EU Member State, except that Austria and Luxembourg will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. The Luxembourg government has announced its intention to elect out of the withholding system in favour of an automatic exchange of information with effect from 1 January 2015.

The Council of the European Union has adopted the Amending Directive which will, when implemented, amend and broaden the scope of the requirements of the Savings Directive described above. The Amending Directive will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities, and the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or for the benefit of) (i) an entity or legal arrangement effectively managed in an EU Member State that is not subject to effective taxation, or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has adopted similar measures to the Savings Directive) which indirectly benefit an individual resident in an EU Member State, may fall within the scope of the Savings Directive, as amended. The Amending Directive requires EU Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017.

Investors who are in any doubt as to their position should consult their professional advisers.

The Proposed Financial Transactions Tax

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common financial transaction tax ("**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**").

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Certificates (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Certificates where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate. Prospective holders of the Certificates are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Pursuant to a subscription agreement (the "**Subscription Agreement**") dated 24 November 2014 between the Trustee, flydubai, Crédit Agricole Corporate and Investment Bank, Dubai Islamic Bank P.J.S.C., Emirates NBD Capital Limited, HSBC Bank plc, National Bank of Abu Dhabi P.J.S.C., Noor Bank P.J.S.C. and Standard Chartered Bank (together, the "**Joint Lead Managers**"), Arab Banking Corporation (B.S.C.), Sharjah Islamic Bank P.J.S.C. and Union National Bank P.J.S.C. (together, the "**Co-Managers**" and, together with the Joint Lead Managers, the "**Managers**"), the Trustee has agreed to issue and sell to the Managers U.S.$500,000,000 in aggregate face amount of the Certificates and, subject to certain conditions, the Managers have jointly and severally agreed to subscribe for the Certificates.

The Subscription Agreement provides that the obligations of the Managers to pay for and accept delivery of the Certificates are subject to certain conditions. The Managers will be paid certain commissions in respect of their services for managing the issue and sale of the Certificates. The Managers will also be reimbursed in respect of certain of their expenses, and each of the Trustee and flydubai has agreed to indemnify the Managers against certain liabilities incurred in connection with the issue and offering of the Certificates.

Certain of the Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to, flydubai and/or their affiliates in the ordinary course of business.

Selling Restrictions

United States

The Certificates have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except in accordance with Regulation S or pursuant to an exemption from the registration requirements of the Securities Act.

Each Manager has represented and agreed that it has not offered and sold any Certificates, and will not offer or sell any Certificates as part of its distribution at any time except in accordance with Rule 903 of Regulation S.

The foregoing restrictions apply to holders of beneficial interests in the Certificates, as well as holders of the Certificates.

Each Manager has represented and agreed that it, its affiliates or any persons acting on its or their behalf have not engaged and will not engage in any directed selling efforts with respect to any Certificates.

Until 40 days after the commencement of the offering of the Certificates, an offer or sale of the Certificates within the United States by any dealer/manager (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

United Kingdom

Each Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Certificate in circumstances in which section 21(1) of the FSMA does not apply to the Trustee or flydubai; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Certificates in, from or otherwise involving the United Kingdom.

Cayman Islands

No invitation may be made to any member of the public of the Cayman Islands to subscribe for the Certificates.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Manager has represented and agreed that the Certificates have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

Dubai International Financial Centre

Each Manager has represented and agreed that it has not offered and will not offer the Certificates to any person in the Dubai International Financial Centre unless such offer is:

(a) an "Exempt Offer" in accordance with the Markets Rules (MKT) module of the Dubai Financial Services Authority (the "**DFSA**"); and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Module.

Kingdom of Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Certificates. Any investor in the Kingdom of Saudi Arabia (a "**Saudi Investor**") who acquires Certificates pursuant to any offering should note that the offer of Certificates is being made as a private placement by way of an "offer restricted to sophisticated investors" pursuant to Article 10 of the "Offer of Securities Regulations" as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the "**KSA Regulations**"), through a person authorised by the Capital Markets Authority ("**CMA**") to carry on the securities activity of arranging and following a notification to the CMA under the KSA Regulations.

The Certificates may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "sophisticated investors" under Article 10 of the KSA Regulations. Each Manager has represented, warranted and undertaken that any offer of Certificates to a Saudi Investor will comply with the KSA Regulations.

Investors are informed that Article 17 of the KSA Regulations places restrictions on secondary market activity with respect to the Certificates, including as follows:

(a) a Saudi Investor (referred to as a "**transferor**") who has acquired Certificates pursuant to a private placement may not offer or sell Certificates to any person (referred to as a "**transferee**") unless the offer or sale is made through an authorised person where one of the following requirements is met:

    (i) the price to be paid for the Certificates in any one transaction is equal to or exceeds Saudi Riyals one million or an equivalent amount;

    (ii) the Certificates are offered or sold to a sophisticated investor; or

    (iii) the Certificates are being offered or sold in such other circumstances as the CMA may prescribe for these purposes;

(b) if the requirement of paragraph (a)(i) above cannot be fulfilled because the price of the Certificates being offered or sold to the transferee has declined since the date of the original private placement, the transferor may offer or sell the Certificates to the transferee if their purchase price during the period of the original private placement was equal to or exceeded Saudi Riyals 1 million or an equivalent amount;

(c) if the requirement in paragraph (b) above cannot be fulfilled, the transferor may offer or sell Certificates if he/she sells his/her entire holding of Certificates to one transferee; and

(d) the provisions of paragraphs (a), (b) and (c) (inclusive) above shall apply to all subsequent transferees of the Certificates.

Kingdom of Bahrain

Each Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any Certificates except on a private placement basis to persons in the Kingdom of Bahrain who are "accredited investors".

For this purpose, an "**accredited investor**" means:

(a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.$1,000,000 or more;

(b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.$1,000,000; or

(c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

State of Qatar

Each Manager has represented and agreed that it has not offered or sold, and will not offer or sell or deliver, directly or indirectly, any Certificates in the State of Qatar including the Qatar Financial Centre, except: (a) in compliance with all applicable laws and regulations of the State of Qatar including the Qatar Financial Centre; and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar.

Kuwait

Each Manager has represented and agreed that the Certificates have not been and will not be offered, sold, promoted or advertised by it in Kuwait other than in compliance with Decree Law No. 31 of 1990 and the implementing regulations thereto, as amended, and Law No. 7 of 2010 and the bylaws thereto, as amended, governing the issue, offering and sale of securities.

No private or public offering of the Certificates is being made in Kuwait, and no agreement relating to the sale of the Certificates will be concluded in Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Certificates in Kuwait.

Hong Kong

Each Manager has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each Manager has acknowledged that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"). Accordingly, each Manager has represented and agreed that it has not offered or sold any Certificates or caused such Certificates to be made the subject of an invitation for subscription or purchase, and will not offer or sell such Certificates or cause such Certificates to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Certificates, whether directly or indirectly, to persons in Singapore other than (a) to an institutional investor under Section 274 of the SFA, (b) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Certificates are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Certificates pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 32 of the Securities and Futures (Offer of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Malaysia

Each Manager has represented and agreed that:

(a) this Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia (the "**SC**") under the Capital Markets and Services Act 2007 of Malaysia (the "**CMSA**"); while a copy of the Prospectus will be deposited with the SC, the SC takes no responsibility for its content; and

(b) accordingly, the Certificates have not been and will not be offered or sold, and no invitation to subscribe for or purchase the Certificates has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons falling within any one of the categories of persons specified under Schedule 6 or Section 229(1)(b) and Schedule 7 or Section 230(1)(b) read together with Schedule 8 or Section 257(3) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Certificates. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Managers is responsible for any invitation, offer, sale or purchase of the Certificates as aforesaid without the necessary approvals being in place.

General

None of the Trustee, flydubai or any Manager has made any representation that any action will be taken in any jurisdiction by the Managers or the Trustee or flydubai that would permit a public offering of the Certificates, or possession or distribution of this Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the Certificates (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. Each Manager has agreed that it will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers any Certificates or has in its possession or distributes this Prospectus (in preliminary, proof or final form) or any such other material, in all cases at its own expense. Each Manager will also ensure that to the best of its knowledge and belief no obligations are imposed on the Trustee and flydubai in any jurisdiction as the result of any of the foregoing actions.

GENERAL INFORMATION

Approval of Prospectus, Admission to Trading and Listing of Certificates

Application has been made to the Irish Stock Exchange for the Certificates to be admitted to the Official List and to trading on the Main Securities Market. The Main Securities Market is a regulated market for the purposes of MiFID. It is expected that the listing of the Certificates on the Official List and admission of the Certificates to trading on the Main Securities Market will be granted on or around 27 November 2014. The total expenses related to the admission to trading are estimated to be €4,940.

Walkers Listing & Support Services Limited is acting solely in its capacity as listing agent for the Trustee in relation to the Certificates and is not itself seeking admission of the Certificates to the Official List or to trading on the Main Securities Market.

Application has also been made to the DFSA for the Certificates to be admitted to the official list of securities maintained by the DFSA and to NASDAQ Dubai for such Certificates to be admitted to trading on NASDAQ Dubai. The total expenses relating to the admission to trading of the Certificates on NASDAQ Dubai are estimated to be U.S.$8,500.

Authorisation

The issue of the Certificates has been duly authorised by a resolution of the Board of Directors of the Trustee dated 10 November 2014. Al Shindagha Sukuk Limited, in its capacity as Trustee, has obtained all necessary consents, approvals and authorisations in the Cayman Islands in connection with the issue and performance of the Certificates and the execution and performance of the Transaction Documents to which it is a party.

flydubai has obtained all necessary consents, approvals and authorisations in connection with the Transaction Documents.

Clearing Systems

The Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records) under common code 113796740 and ISIN XS1137967409.

The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, LI 855 Luxembourg.

Significant or Material Change

There has been no significant change in the financial or trading position of flydubai since 30 June 2014, and no material adverse change in the financial position or prospects of flydubai since 31 December 2013. There has been no significant change in the financial or trading position of the Trustee and no material adverse change in the prospects of the Trustee, in each case since the date of its incorporation.

Litigation

The Trustee is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Trustee is aware) since incorporation which may have or have in such period had a significant effect on the financial position or profitability of the Trustee.

flydubai is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which flydubai is aware) during the 12 months preceding the date of this Prospectus which may have or have in such period had a significant effect on the financial position or profitability of flydubai.

Auditors

The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements or appoint any auditors.

PricewaterhouseCoopers, Dubai Branch has audited the financial statements of flydubai for the two years ended 31 December 2013 and 2012, as stated in their reports appearing herein. PricewaterhouseCoopers, Dubai Branch has no material interest in the Trustee or flydubai. PricewaterhouseCoopers, Dubai Branch are independent auditors registered to practice as auditors with the Ministry of Economy in the UAE, as set forth in the audit reports included in this Prospectus. Their address is at Emaar Square, Building 4, Level 8, P.O. Box 11987, Dubai, UAE.

Documents Available

For so long as any Certificates remain outstanding, physical copies (and English translations, which will be accurate and direct translations, where the documents in question are not in English) of the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection by Certificateholders at the office of the Principal Paying Agent:

(a) the Memorandum and Articles of Association of the Trustee;

(b) a copy of Dubai Law No. 11 of 2008 on the Establishment of Dubai Aviation Corporation;

(c) a copy of Dubai Law No. 13 of 2010 Amending Certain Provisions of Law No. 11 of 2008 Establishing Dubai Aviation Corporation;

(d) the Transaction Documents;

(e) the Unaudited Interim Financial Statements;

(f) the Audited Annual Financial Statements; and

(g) a copy of this Prospectus together with any supplement to this Prospectus.

***Shari'a* Approvals**

The transaction structure relating to the Certificates (as described in this Prospectus) has been approved by the *Shari'a* Board of Crédit Agricole Corporate and Investment Bank, the Executive Committee of the Fatwa and *Shari'a* Supervisory Board of Dubai Islamic Bank P.J.S.C., Dar Al Sharia Legal & Financial Consultancy, the Executive *Shariah* Committee of HSBC Saudi Arabia Limited, the Fatwa and *Shari'a* Supervisory Board of Noor Bank P.J.S.C. and the *Shari'a* Supervisory Committee of Standard Chartered Bank. Prospective Certificateholders should not rely on any of the approvals referred to above in deciding whether to make an investment in the Certificates and should consult their own *Shari'a* advisers as to whether the proposed transaction is in compliance with *Shari'a* principles.

Description of the members of Shari'a Board of Crédit Agricole Corporate and Investment Bank, the Executive Committee of the Fatwa and Shari'a Supervisory Board of Dubai Islamic Bank P.J.S.C., the Executive Shariah Committee of HSBC Saudi Arabia Limited, the Fatwa and Shari'a Supervisory Board of Noor Bank P.J.S.C. and the Shari'a Supervisory Committee of Standard Chartered Bank

The Shari'a Board of Crédit Agricole Corporate and Investment Bank

Sheikh Nizam S. Yaquby

Sheikh Nizam is an internationally acclaimed scholar in the Islamic banking industry. He has been a teacher of Tafsir since 1976, and has advised a number of banks and financial institutions on matters pertaining to Islamic banking and finance, acting as an independent consultant based in Bahrain. He has a BA in Economics and Comparative Religion from McGill University (Canada).

Sheikh Nizam is currently on the *Shari'a* boards of the Central Bank of Bahrain, the Accounting & Auditing Organization for Islamic Financial Institutions, International Islamic Financial Market, the Islamic Rating Agency, the Dow Jones Islamic Index and other international financial institutions.

Dr. Mohamed Ali Elgari

Dr. Mohamed Ali Elgari holds a PhD from the University of California. Dr. Mohamed Ali Elgari is a former director of the Center for Research in Islamic Economics at King Abdulaziz University in Saudi Arabia, where he also served as a Professor of Islamic Economics. He is an expert at the Islamic Jurisprudence Academy of the OIC (Organisation of Islamic Cooperation) and the Islamic Jurisprudence Academy of the Islamic World League. He has published numerous articles and books on Islamic banking and finance and is the editor of the Review of Islamic Economics and a member of the Academic Committee of Islamic Development Bank.

Dr. Abdul Sattar Abu Ghuddah

Dr. Abdul Sattar Abu Ghuddah holds a PhD in Islamic Law from Al Azhar University Cairo, Egypt. He is a professor of Fiqh, Islamic studies and Arabic in Riyadh and an active member of the Jeddah-based Islamic Fiqh Academy and the Accounting & Auditing Standards Board of Islamic Financial Institutions. He also served in the Ministry of Awqaf, Kuwait. Dr. Abu Ghuddah has written several books on Islamic finance. He is a *Shari'a* adviser to several international and local financial institutions world-wide.

The Executive Committee of the Fatwa and Shari'a Supervisory Board of Dubai Islamic Bank P.J.S.C.

Dr. Hussain Hamed Hassan

Dr. Hussain Hamed Hassan holds a PhD and is the head of the *Shari'a* Supervisory Board of Dubai Islamic Bank P.J.S.C. and a member of Fatwa and *Shari'a* boards of numerous other leading global Islamic finance institutions including Islamic Development Bank (IDB), Jeddah.

For over 50 years, he has advised various central banks and regulators, has supervised the establishment and conversion of various Islamic financial institutions and advised presidents of various Islamic Republics. He has established Islamic universities and faculties worldwide, including in Makkah, Islamabad, Kazakhstan and Libya. He is member of the Accounting and Auditing Organisation for Islamic Financial Institutions and the Islamic Financial Services Board, the International Fiqh Academy of OIC (Organisation of Islamic Cooperation), the Fiqh Academy of Muslim World League, Saudi Arabia and is also a President of the American Muslim Jurists Association. Dr. Hussain has authored 21 books and over 400 articles, has supervised translation of the Holy Quran into Russian and of 200 Islamic books into various languages.

Dr. Mohamed Zoeir

Dr. Mohamed Zoeir holds a PhD in Islamic Economy and is a member of many Islamic Banks across the Middle East and Africa and he has many researches and studies in Islamic Finance and banking. He is a *Shari'a* inspector, Secretary General of Board of Shari'a at Dubai Islamic Bank P.J.S.C. and Chief Editor of Islamic Economics magazine.

Dr. Muhammad Qaseem

Dr. Muhammad Qaseem holds a PhD in Islamic Studies from Faculty of Usul ud Dinis, country head of *Shari'a* of Dubai Islamic Bank Pakistan Limited (DIBPL) and served as *Shari'a* Board member of many other institutions. He also has written various articles on Islamic Banking.

He has been teaching various courses in various BA and MA programmes of International Islamic University, Islamabad (IIUI). Dr. Muhammad Qaseem has many academic contributions, articles and literary and translation work.

Executive Shariah Committee of HSBC Saudi Arabia Limited

Sheikh Nizam S. Yaquby

Please see the description of Sheikh Nizam S. Yaquby set out above.

Dr. Mohamed Ali Elgari

Please see the description of Dr. Mohamed Ali Elgari set out above.

The Fatwa and Shari'a Supervisory Board of Noor Bank P.J.S.C.

Dr. Mohamed Ali Elgari

Please see the description of Dr. Mohamed Ali Elgari set out above.

Dr. Abdul Sattar Abu Ghuddah

Please see the description of Dr. Abdul Sattar Abu Ghuddah set out above.

Dr. Mohd Daud Bakar

Dr. Mohd Daud Bakar received his first degree in *Shari'a* from University of Kuwait and PhD from the University of St. Andrews. In 2002, he completed his external Bachelor of Jurisprudence at the University of Malaya. He is currently Group Chairman of Amanie Advisors, a global Islamic finance consulting firm. He is also currently the Chairman of the *Shari'a* Advisory Council at the Central Bank of Malaysia, and the Securities Commission of Malaysia and the Labuan Financial Services Authorities. He is also a member of the *Shari'a* boards of many Islamic financial institutions around the world. He was previously Deputy Vice-Chancellor at the International Islamic University Malaysia.

Dr. Mohammed Abdulrahim Sultan Al Olama

Dr. Mohammed Abdulrahim Sultan Al Olama completed his Bachelor's degree in *Shari'a* from Islamic University in Madina Al-Munawara, and his Master's and PhD in Islamic Finance from Ummul-Qura University. He is an Associate Professor at UAE University's Islamic Studies department, and participates in seminars and research activities around the world. A published author, he is a member of several *Shari'a* Boards.

Shari'a Supervisory Committee of Standard Chartered Bank

Dr. Abdul Sattar Abu Ghuddah

Please see the description of Dr. Abdul Sattar Abu Ghuddah set out above.

Dr. Mohamed Ali Elgari

Please see the description of Dr. Mohamed Ali Elgari set out above.

Sheikh Nizam S. Yaquby

Please see the description of Sheikh Nizam S. Yaquby set out above.

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Dubai Aviation Corporation (trading as 'flydubai')

Condensed interim financial statements for the six months ended 30 June 2014 (unaudited)

Dubai Aviation Corporation

Condensed interim financial statements
for the six months ended 30 June 2014 (Unaudited)

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Report on review of condensed interim financial statements to the Owner of Dubai Aviation Corporation

Introduction

We have reviewed the accompanying condensed interim financial statements of Dubai Aviation Corporation ("the company") which comprise the condensed interim statements of financial position as of 30 June 2014, and the condensed interim statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34, 'Interim Financial Reporting' ('IAS 34') as issued by the International Accounting Standard Board ('IASB'). Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting."

PricewaterhouseCoopers
30 October 2014

Paul Suddaby

Paul Suddaby
Registered Auditor Number 309
Dubai, United Arab Emirates

(1)

Dubai Aviation Corporation

Condensed interim statement of financial position as at 30 June 2014

	Note	Unaudited 30 Jun 2014 AED'000	Audited 31 Dec 2013 AED'000
Assets			
Non-current assets			
Property, plant and equipment	8	1,985,615	1,876,081
Intangible assets		26,812	20,403
Other receivables		66,422	21,684
Derivative financial instruments		1,054	-
		2,079,903	1,918,168
Current assets			
Inventories		17,203	15,151
Trade and other receivables		732,878	627,164
Due from related parties		8,211	2,944
Derivative financial instruments		27,367	27,809
Cash and cash equivalents		368,667	409,384
		1,154,326	1,082,452
Total assets		3,234,229	3,000,620
Equity			
Capital	9	500,000	500,000
Hedging reserve		26,273	27,788
Retained earnings		90,246	37,146
Total equity		616,519	564,934
Liabilities			
Non-current liabilities			
Borrowings and lease liabilities	10	1,618,805	1,218,247
Loan from a related party		-	47,515
Provisions	13	84,790	69,753
		1,703,595	1,335,515
Current liabilities			
Trade and other payables		773,122	750,193
Loan from a related party		-	190,060
Borrowings and lease liabilities	9	66,534	66,407
Due to related parties		72,311	93,490
Derivative financial instruments		2,148	21
		914,115	1,100,171
Total liabilities		2,617,710	2,435,686
Total equity and liabilities		3,234,229	3,000,620

These condensed interim financial statements were approved on 29 October 2014 and were signed by:

.... Chief Executive Officer

.... Chief Financial Officer

The notes on page 7 to 13 form an integral part of the condensed interim financial statements (2)

Condensed interim income statement
for the six months ended 30 June 2014

	Note	Unaudited Six months ended 30 June 2014 AED'000	Unaudited Six months ended 30 June 2013 AED'000
Revenue	14	1,889,590	1,629,510
Other operating income	15	118,756	71,960
Operating costs	16	(1,939,702)	(1,650,755)
Operating profit		68,644	50,715
Finance income		1,431	1,996
Finance costs		(12,232)	(9,839)
Profit before income tax		57,843	42,872
Income tax expense		(4,743)	(5,836)
Profit for the period		53,100	37,036

The notes on page 7 to 13 form an integral part of the condensed interim financial statements

Condensed interim statement of comprehensive income
for the six months ended 30 June 2014

	Unaudited Six months ended 30 June 2014 AED'000	Unaudited Six months ended 30 June 2013 AED'000
Profit for the period	53,100	37,036
<u>Other comprehensive income:</u> *Items that will be reclassified subsequently to profit or loss*		
Cash flow hedges (net)	(1,515)	(3,895)
Total comprehensive income for the period	51,585	33,141

The notes on page 7 to 13 form an integral part of the condensed interim financial statements

Dubai Aviation Corporation

Condensed interim statement of changes in equity for the six months ended 30 June 2014

	Capital AED'000	Hedging reserve AED'000	Retained earnings AED'000	Total AED'000
At 1 January 2013	500,000	-	(185,619)	314,381
Comprehensive income for the period				
Profit for the period	-	-	37,036	37,036
Other comprehensive income				
Fair value gains on cash flow hedges (net)	-	(3,895)	-	(3,895)
Total comprehensive income for the period	-	(3,895)	37,036	33,141
At 30 June 2013	500,000	(3,895)	(148,583)	347,522
At 1 January 2014	500,000	27,788	37,146	564,934
Comprehensive income for the period				
Profit for the period	-	-	53,100	53,100
Other comprehensive income				
Fair value gains on cash flow hedges (net)	-	(1,515)	-	(1,515)
Total comprehensive income for the period	-	(1,515)	53,100	51,585
At 30 June 2014	500,000	26,273	90,246	616,519

The notes on page 7 to 13 form an integral part of the condensed interim financial statements (5)

Condensed interim statement of cash flows
for the six months ended 30 June 2014

	Notes	Unaudited Six months ended 30 Jun 2014 AED'000	Unaudited Six months ended 30 Jun 2013 AED'000
Operating activities			
Profit before tax for the period		57,843	42,872
Adjustments for:			
Depreciation	16	61,662	24,533
Amortisation	16	3,956	3,439
Provision for employees' end of service benefits		9,927	7,855
Profit on sale of property, plant and equipment		(46,555)	(31,808)
Finance income		(1,431)	(1,996)
Finance costs		12,232	9,839
Operating profit before changes in working capital and payment of employees' end of service benefits		97,634	54,734
Payment of employees' end of service benefits		(1,323)	(674)
Income taxes paid		(4,738)	(5,523)
Changes in working capital:			
Inventories		(2,052)	(1,030)
Trade and other receivables		(90,990)	30,103
Due from related parties		(5,268)	7,871
Trade and other payables		30,093	139,888
Due to related parties		(21,179)	(13,611)
Net cash generated from operating activities		2,177	211,758
Investing activities			
Purchase of property, plant and equipment (net of capitalised interest and assets acquired under finance lease)		(498,397)	(522,050)
Purchase of intangible asset		(10,364)	(1,489)
Proceeds from sale of property, plant and equipment (net of transfer)		324,004	350,824
Interest received		1,824	1,269
Net cash used in investing activities		(182,933)	(171,446)
Financing activities			
Proceeds from borrowings		592,190	-
Repayment of borrowings		(158,333)	(80,000)
Repayment of loan from a related party		(237,575)	-
Repayment of lease liabilities		(33,172)	(17,134)
Interest paid		(23,071)	(22,190)
Net cash generated from /(used in) financing activities		140,039	(119,324)
Net decrease in cash and cash equivalents		(40,717)	(79,012)
Cash and cash equivalents at the beginning of the period		409,384	469,874
Cash and cash equivalents at the end of the period		368,667	390,862

The notes on page 7 to 13 form an integral part of the condensed interim financial statements (6)

1 Establishment and operations

Dubai Aviation Corporation ("the company") was incorporated, with limited liability, by an Emiri Decree issued by H.H. Sheikh Mohammed bin Rashid Al-Maktoum on 7 July 2008 and is wholly owned by the Government of Dubai. The company commenced commercial operations on 1 June 2009 and is designated as a 'National Carrier of the United Arab Emirates ("UAE")'. The company trades under the name of 'flydubai'. The principal activity of the company is to provide commercial air transportation services.

The registered address of the company is PO Box 353, Dubai, United Arab Emirates.

2 Basis of preparation

These condensed interim financial statements for the six months ended 30 June 2014 have been prepared in accordance with IAS 34, Interim Financial Reporting. The condensed interim financial statements should be read in conjunction with the financial statements for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). These financial statements have been prepared under the historical cost convention, unless otherwise stated.

All amounts are stated in thousands of UAE Dirhams ("AED").

3 Accounting policies

The accounting policies and significant judgements made are consistent with those of the financial statements for the year ended 31 December 2013, except as stated below.

At the date of preparation of the condensed interim financial statements, certain new amendments to the existing standards have been published that are mandatory for accounting periods commencing 1 January 2014. The following amendments have been adopted but they do not have a material impact on the condensed interim financial statements:

- IAS 32 (amendment), 'Financial instruments: Presentation' (effective from 1 January 2014);
- IAS 36 (amendment), 'Impairment of assets' (effective from 1 January 2014); and
- IAS 39 (amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2014).

4 Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

As there has been no change in the risk management policies, the condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013.

4 Financial risk management (continued)

4.1 Fair value estimation

The levels of fair value hierarchy are defined as follows:

Level 1: Measurement is made by using quoted prices (unadjusted) from active market.
Level 2: Measurement is made by means of valuation with parameters derived directly or indirectly from observable market data.
Level 3: Measurement is made by means of valuation methods with parameters not based exclusively on observable market data.

Derivatives are the only financial instruments which are carried at fair value and fall under Level 2 of the fair value hierarchy.

5 Segment information

The airline business unit, which provides commercial air transportation including passenger and cargo services, is the only operating segment. Resource allocation decisions are made for the benefit of the airline business unit as a whole, rather than for individual routes or revenue streams within the business unit. Performance of the business unit is assessed based on the net profit or loss and is measured consistently with profit or loss for the full year.

6 Seasonality

Whilst the airline industry is subject to seasonal demand patterns, the seasonal impact on the company's business between six month interim periods is reflective of the seasonal pattern. However, due to the volatility in jet fuel prices and changing global economic conditions, interim results for the six months ended 30 June 2014 may not necessarily be indicative of the annual results for the year ending 31 December 2014.

7 Critical accounting estimates and judgements

In the preparation of the condensed interim financial statements, a number of estimates and associated assumptions have been made relating to the application of accounting policies and reported amount of assets, liabilities, incomes and expenses.

The estimates and associated assumptions are assessed on an on-going basis and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The key sources of estimates and associated assumptions are same as those applied to the financial statements for the year ended 31 December 2013.

8 Property, plant and equipment (unaudited)

	Aircraft AED'000	Aircraft engines and other parts AED'000	Leasehold Improvements AED'000	Furniture, fixtures and other equipment AED'000	Motor vehicles AED'000	Capital projects AED'000	Total AED'000
Cost							
At 1 January 2014	990,888	161,492	14,536	14,833	2,196	774,169	1,958,114
Additions	-	9,904	1,480	1,971	846	434,444	448,645
Transfers	140,873	191,179	-	-	-	(332,052)	-
Disposals	(141,332)	(136,864)	-	-	(79)	-	(278,275)
At 30 June 2014	990,429	225,711	16,016	16,804	2,963	876,561	2,128,484
Depreciation							
At 1 January 2014	36,753	32,388	5,186	6,661	1,045	-	82,033
Charge for the period (Note 16)	29,635	28,443	1,575	1,707	302	-	61,662
Disposals	-	(747)	-	-	(79)	-	(826)
At 30 June 2014	66,388	60,084	6,761	8,368	1,268	-	142,869
Net book amount							
At 30 June 2014	924,041	165,627	9,255	8,436	1,695	876,561	1,985,615

a. Capital projects include pre-delivery payments of AED 992.5 million (2013: AED 865.9 million) in respect of aircraft due for delivery between 2014 and 2023, of which AED 395.7 million (2013: AED 335.8 million) are classified as 'other receivables'.

b. The net book amount of property, plant and equipment includes AED 924.0 million (2013: AED 954.1 million) in respect of six aircraft (2013: six) held under finance leases.

9 Capital (unaudited)

Capital represents the permanent capital of the company.

10 Borrowings and lease liabilities

	Unaudited 30 June 2014 AED'000	Audited 31 Dec 2013 AED'000
Non-current		
Term loans (Note 11)	930,190	496,333
Lease liabilities	688,615	721,914
	1,618,805	1,218,247
Current		
Term loans (Note 11)	-	-
Lease liabilities (Note 12)	66,534	66,407
	1,685,339	1,284,654

All borrowings and lease liabilities are denominated in AED or US Dollar, which is pegged to AED.

11 Term loans

	Unaudited 30 June 2014 AED'000	Audited 31 Dec 2013 AED'000
Secured loan	155,000	155,000
Unsecured loans	775,190	341,333
Less: current portion	-	-
Non-current portion	930,190	496,333
Loans are repayable as follows:		
Within one year (Note 10)	-	-
After one year (Note 10)	930,190	496,333
	930,190	496,333

12 Lease liabilities

Finance leases

	Unaudited 30 June 2014 AED'000	Audited 31 Dec 2013 AED'000
Gross lease liabilities:		
Within one year	84,427	84,386
Between 2 and 5 years	334,591	344,509
After 5 years	496,744	524,528
	915,762	953,423
Less: Future interest	(160,613)	(165,102)
Present value of finance lease liabilities	755,149	788,321
The present value of finance lease liabilities is repayable as follows:		
Within one year (Note 10)	66,534	66,407
Between 2 and 5 years	257,924	268,254
After 5 years	430,691	453,660
	755,149	788,321

Operating leases

The future lease payments under non-cancellable operating leases of aircraft are:

	Unaudited 30 Jun 2014 AED'000	Audited 31 Dec 2013 AED'000
Within one year	459,212	463,117
Between 2 and 5 years	1,487,039	1,522,675
After 5 years	228,184	300,688
	2,174,435	2,286,480

13 Provisions

	Unaudited 30 Jun 2014 AED'000	Audited 31 Dec 2013 AED'000
Provision comprises of:		
Provision for employees' end of service benefits	45,292	36,688
Provision for maintenance costs	39,498	33,065
	84,790	69,753

14 Revenue (unaudited)

	Six months ended 30 Jun 2014 AED'000	Six months ended 30 Jun 2013 AED'000
Passenger	1,631,292	1,394,410
Baggage	61,685	64,102
Cargo	47,513	41,506
In-flight sales	38,871	36,298
Others	110,229	93,194
	1,889,590	1,629,510

15 Other operating income (unaudited)

Profit on sale of property, plant and equipment	46,555	31,808
Others	72,201	40,152
	118,756	71,960

Others includes sublease income, aircraft related operating credits, writeback of provisions no longer required and income from ancillary services and activities incidental to the operations of the company.

16 Operating costs (unaudited)

	Six months ended 30 Jun 2014 AED'000	Six months ended 30 June 2013 AED'000
Fuel costs	718,628	646,155
Direct operating costs	354,430	297,780
Staff costs	338,059	265,589
Aircraft operating lease costs	216,634	183,171
Corporate costs	90,496	86,849
Sales, marketing & distribution	89,298	69,302
Aircraft maintenance costs	66,539	73,937
Depreciation (Note 8)	61,662	24,533
Amortisation	3,956	3,439
	1,939,702	1,650,755

17 Contingencies and commitments

	Unaudited 30 Jun 2014 AED'000	Audited 31 Dec 2013 AED'000
(a) Capital commitments		
Capital commitments		
Authorised and contracted:		
Aircraft fleet	41,971,033	42,421,401
Non-aircraft	123,822	223,016
	42,094,855	42,644,417
(b) Guarantees		
Performance bonds and letters of credit provided by bankers in the normal course of business	171,266	142,381

(13)

Dubai Aviation Corporation (trading as 'flydubai')

Financial statements
for the year ended 31 December 2013

Dubai Aviation Corporation

Financial statements
for the year ended 31 December 2013

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Independent auditor's report to the Owner of Dubai Aviation Corporation

Report on the financial statements

We have audited the accompanying financial statements of Dubai Aviation Corporation ("the company") which comprise the statement of financial position as of 31 December 2013, and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independent auditor's report to the Owner of Dubai Aviation Corporation (continued)

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the company as of 31 December 2013, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers
27 January 2014

Amin H Nasser
Registered Auditor Number 307
Dubai, United Arab Emirates

Dubai Aviation Corporation

Statement of financial position

	Note	As at 31 December 2013 AED'000	2012 AED'000
Assets			
Non-current assets			
Property, plant and equipment	5	1,876,081	1,167,654
Intangible assets	6	20,403	17,378
Other receivables	8	21,684	-
		1,918,168	1,185,032
Current assets			
Inventories	7	15,151	12,463
Trade and other receivables	8	627,164	474,529
Due from related parties	9	2,944	14,785
Derivative financial instruments	17	27,809	-
Cash and cash equivalents	10	409,384	469,874
		1,082,452	971,651
Total assets		3,000,620	2,156,683
Equity			
Capital	11	500,000	500,000
Hedging reserve		27,788	-
Retained earnings		37,146	(185,619)
Total equity		564,934	314,381
Liabilities			
Non-current liabilities			
Borrowings and lease liabilities	12	1,218,247	626,945
Loan from a related party	9	47,515	237,575
Provisions	15	69,753	51,573
		1,335,515	916,093
Current liabilities			
Trade and other payables	16	750,193	541,422
Loan from a related party	9	190,060	95,030
Borrowings and lease liabilities	12	66,407	200,934
Due to related parties	9	93,490	88,823
Derivative financial instruments	17	21	-
		1,100,171	926,209
Total liabilities		2,435,686	1,842,302
Total equity and liabilities		3,000,620	2,156,683

These financial statements were approved on 21 January 2014 and were signed by:

.... Chief Executive Officer

.... Chief Financial Officer

Income statement

	Note	Year ended 31 December 2013 AED'000	2012 AED'000
Revenue	18	3,478,957	2,700,395
Other operating income	19	230,924	225,748
Operating costs	20	(3,464,442)	(2,750,760)
Operating profit		245,439	175,383
Finance income	22	3,488	5,398
Finance costs	23	(18,150)	(20,151)
Profit before income tax		230,777	160,630
Income tax expense	24	(8,012)	(8,689)
Profit for the year		222,765	151,941

The notes on page 8 to 31 are an integral part of these financial statements

Statement of comprehensive income

	Note	Year ended 31 December 2013 AED'000	2012 AED'000
Profit for the year		222,765	151,941
Cash flow hedges	17	27,788	-
Total comprehensive income for the year		250,553	151,941

Dubai Aviation Corporation

Statement of changes in equity

	Capital AED'000	Hedging reserve AED'000	Retained earnings AED'000	Total AED'000
At 1 January 2012	500,000	-	(337,560)	162,440
Comprehensive income for the year				
Profit for the year	-	-	151,941	151,941
Other comprehensive income				
Fair value gains on cash flow hedges	-	-	-	-
Total comprehensive income for the year	-	-	151,941	151,941
At 31 December 2012	500,000	-	(185,619)	314,381
Comprehensive income for the year				
Profit for the year	-	-	222,765	222,765
Other comprehensive income				
Fair value gains on cash flow hedges	-	27,788	-	27,788
Total comprehensive income for the year	-	27,788	222,765	250,553
At 31 December 2013	500,000	27,788	37,146	564,934

The notes on page 8 to 31 are an integral part of these financial statements

Dubai Aviation Corporation

Statement of cash flows

	Notes	Year ended 31 December 2013 AED'000	2012 AED'000
Operating activities			
Profit before income tax		230,777	160,630
Adjustments for:			
Depreciation	5	58,667	22,736
Amortisation	6	7,099	4,910
Provision for employees' end of service benefits	15	16,317	10,290
Profit on sale of property, plant and equipment	19	(106,086)	(19,410)
Loss on write-down of asset		-	85,080
Finance income	22	(3,488)	(5,398)
Finance costs	23	18,150	20,151
Operating profit before changes in working capital and payment of employees' end of service benefits		221,436	278,989
Payment of employees' end of service benefits	15	(1,508)	(1,156)
Income taxes paid		(9,182)	(7,910)
Changes in working capital:			
Inventories		(2,688)	(1,988)
Trade and other receivables (net of interest accrued)		(4,555)	(212,224)
Due from related parties		11,841	419
Trade and other payables (net of interest accrued)		215,811	163,005
Due to related parties		4,667	24,274
Net cash generated from operating activities		435,822	243,409
Investing activities			
Purchase of property, plant and equipment (net of capitalised interest and assets acquired under finance lease)		(1,106,528)	(888,208)
Purchase of intangible asset	6	(10,124)	(8,238)
Proceeds from sale of property, plant and equipment		707,857	702,219
Interest received		3,411	5,371
Net cash used in investing activities		(405,384)	(188,856)
Financing activities			
(Repayment of) / proceeds from loans		(15,364)	50,000
Repayment of lease liabilities		(34,267)	-
Interest paid		(41,297)	(38,345)
Net cash (used in) / provided by financing activities		(90,928)	11,655
Net (decrease) / increase in cash and cash equivalents		(60,490)	66,208
Cash and cash equivalents at the beginning of the year		469,874	403,666
Cash and cash equivalents at the end of the year	10	409,384	469,874

1 Establishment and operations

Dubai Aviation Corporation ("the company") was incorporated, with limited liability, by an Emiri Decree issued by H.H. Sheikh Mohammed bin Rashid Al-Maktoum on 7 July 2008 and is wholly owned by the Government of Dubai. The company commenced commercial operations on 1 June 2009 and is designated as a 'National Carrier of the United Arab Emirates ("UAE")'. The company trades under the name of 'flydubai'. The principal activity of the company is to provide commercial air transportation services.

The registered address of the company is PO Box 353, Dubai, United Arab Emirates.

2 Summary of significant accounting policies

The significant accounting policies adopted by the company in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). These financial statements have been prepared under the historical cost convention, unless otherwise stated.

The preparation of the financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

(a) New and amended standards adopted by the company

Certain new standards and amendments have been issued and are effective from period beginning 1 January 2013:

- IFRS 7 (amendment), 'Financial instruments: Disclosures' (effective from 1 January 2013);
- IFRS 13, 'Fair value measurement' (effective from 1 January 2013);
- IAS 1 (amendment), 'Presentation of financial statements' (effective from 1 July 2012); and
- IAS 19 (amendment), 'Employee benefits' (effective from 1 January 2013).

There are no other IFRSs, amendments or IFRIC interpretations that are effective that would be expected to have a material impact on the company's financial statements.

(b) New and amended standards issued but not effective for the financial year beginning 1 January 2013 and not early adopted

Certain new standards and amendments to existing standards have been published and are mandatory for the company's accounting periods beginning after 1 January 2013 or later periods but have not been early adopted by the company. Management is currently assessing the following standards and amendments which are likely to have an impact on the company's financial statements:

2 Summary of significant accounting policies (continued)

(b) New and amended standards issued but not effective for the financial year beginning 1 January 2013 and not early adopted (continued)

- IFRS 9, 'Financial instruments' (effective date deferred by IASB);
- IAS 32 (amendment), 'Financial instruments: Presentation' (effective from 1 January 2014);
- IAS 36 (amendment), 'Impairment of assets' (effective from 1 January 2014); and
- IAS 39 (amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2014).

2.2 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Historical cost consists of purchase cost, together with any incidental expenses on acquisition. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be reliably measured. Repairs and maintenance are charged to the income statement during the period in which they are incurred. However, repairs and maintenance of a significant nature, such as overhaul and heavy maintenance expenditure, which help to increase the useful life of the asset, are depreciated over the period starting from the incurrence of the initial cost to the next such maintenance activity.

Depreciation is calculated on property, plant and equipment so as to write-off its cost, less estimated residual value, on a straight line basis over the estimated useful life of the assets concerned. The estimated useful lives and residual values are as follows:

Aircraft, engines and other parts	Upto 15 years (residual value 10%)
Leasehold improvements	5 years or over the lease term, if shorter
Furniture, fixtures and other equipment	3-5 years
Motor vehicles	4 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period. When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its estimated recoverable amount and is reviewed at each reporting date for possible reversal of the impairment loss.

Capital projects are stated at cost. When the asset is ready for its intended use, it is transferred from capital projects to the appropriate category under property, plant and equipment and depreciated in accordance with the company's policies.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

2 Summary of significant accounting policies (continued)

2.3 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets are added to the cost of the assets, until such time the assets are substantially ready for their intended use. Where funds are specifically borrowed for the purpose of obtaining a qualifying asset, any investment income earned on temporary surplus funds is deducted from borrowing costs eligible for capitalisation. In the case of general borrowings, a capitalisation rate, which is the weighted average rate of general borrowing costs, is applied to the expenditure on qualifying assets and included in the cost of the asset. All other borrowing costs are charged to the income statement in the period in which they are incurred.

2.4 Manufacturers' credits

As per the contractual terms and conditions with the manufacturers, the company receives credits from them in connection with the acquisition of certain aircraft and engines. Depending on their nature, these credits are either recorded as a reduction in the cost of the related aircraft and / or engine, or reduced from the ongoing operating expenses.

2.5 Leases

Leases where a significant portion of risks and rewards of ownership are transferred to the company are classified as finance leases. Finance leases are capitalised at the commencement of the lease at the lower of the present value of minimum lease payments and the fair value of the leased asset. The corresponding lease obligations are included under liabilities. Lease payments are treated as comprising of principal and interest elements. The interest element is charged to the income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases are depreciated in accordance with the company's policies.

Leases where a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rental charges, including advance rentals, if any, on such leases, are charged to the income statement on a straight-line basis over the period of the lease.

Profits arising on sale and leaseback transactions resulting in operating leases are recognised in the income statement to the extent that the sale proceeds do not exceed the fair value of the assets concerned. Any excess of sale proceeds over the fair value is deferred and amortised over the lease term.

2.6 Intangible assets

Intangible assets are capitalised at cost only when future economic benefits are probable and can be estimated reliably. Cost includes purchase price together with any directly attributable expenditure.

When the carrying amount of an intangible asset is greater than its estimated recoverable amount, it is written down immediately to its estimated recoverable amount and is reviewed at each reporting date for possible reversal of the impairment loss.

2 Summary of significant accounting policies (continued)

2.6 Intangible assets (continued)

Intangible assets are amortised on a straight-line basis over their estimated useful lives which are:

Computer software and licences	3-5 years

2.7 Impairment of non-financial assets

Assets that are subject to depreciation/amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Derivative are designated either as a hedge of the fair value of a recognised asset or liability or of a firm commitment (fair value hedge) or a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge). Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The company also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transaction are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that are highly effective, are recorded in the statement of comprehensive income, along with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The accounting treatment is discontinued when the fair value hedging instrument expires or sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting.

Summary of significant accounting policies (continued)

2.8 Derivative financial instruments (continued)

(b) Cash flow hedge

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that prove to be highly effective in relation to the hedged risk are recognised in statement of comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. For forecasted transaction results, amounts accumulated in equity are reclassified to statement of comprehensive statement in the periods when the hedged item affects the profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

2.9 Financial assets

(a) Classification

The company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The company's loans and receivables comprise 'trade and other receivables' (Note 8), 'due from related parties' (Note 9) and 'cash and cash equivalents' (Note 10) in the statement of financial position.

(b) Recognition and measurement

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The company assesses, at each reporting date, whether there is objective evidence that financial assets are impaired (refer note 2.11 for a detailed note on impairment of financial assets).

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2 Summary of significant accounting policies (continued)

2.11 Impairment of financial assets

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Significant difficulties of the issuer of the financial asset, probability that the issuer will enter bankruptcy or financial reorganisation and default in payments are considered indicators that the financial assets are impaired. The amount of the provision is the difference between the assets' carrying amount and the present value of estimated cash flows, discounted at the original effective interest rate. The amount of the provision is charged to the income statement.

2.12 Inventories

Inventories are stated at the lower of cost and estimated net realisable value. Cost is determined on the weighted average cost basis.

2.13 Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash-in-hand and balances in current accounts and term deposits with original maturity of three months or less.

2.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 Summary of significant accounting policies (continued)

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of borrowing using the effective interest method. Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

2.17 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.18 Provision for staff benefits

A provision is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by the employees up to the reporting date. Provision is also made, using actuarial techniques, for the end of service benefits due to employees in accordance with the UAE labour law for their periods of service up to the reporting date. Contributions for eligible UAE national employees are made to the Pension Authority in accordance with the provisions of the Federal Law No. 7 of 1999 relating to Pension and Social Security and are charged to the income statement.

The provision relating to annual leave and leave passage is disclosed as a current liability and included in trade and other payables, while that relating to end of service benefits is disclosed as a non-current liability.

2.19 Revenue

Revenue comprises the invoiced value of airline services, net of discounts and airport taxes, plus ancillary revenue.

Passenger revenue arises from the sale of flight seats and is recognised when the transportation is provided. Unearned revenue represents flight seats sold but not yet flown and is included under 'trade and other payables' as 'passenger and baggage sales in advance'. Unused flight documents are recognised as revenue based on their terms and conditions and historical trends.

Ancillary revenue is recognised when the flight to which it relates departs. Certain types of ancillary revenue, which are non-refundable, are recognised at the time of sale. Amounts paid by 'no-show' customers are recognised as revenue when the booked service is provided as such customers are generally not entitled to change flights or seek refunds within 24 hours of departure of the flight.

2 Summary of significant accounting policies (continued)

2.20 Taxation

The tax expense for the year comprise of current tax imposed on the revenue generated from sale of tickets in certain jurisdictions. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted as at the reporting date in the countries where the company operates. Management provides for tax as and when the liability arises except where management is of the firm opinion that exemption from such taxation will ultimately be granted by the relevant authorities in the countries concerned.

2.21 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ("the functional currency"). The financial statements are presented in United Arab Emirates Dirhams ("AED"), which is the company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into AED, the functional currency, using the exchange rates prevailing at the date of the transaction, or a rate that approximates the actual rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the exchange rates prevailing on the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

3 Financial risk management

3.1 Financial risk factors

The company's activities expose it to a variety of financial risks which involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Major types of risks are market risk, credit risk and liquidity risk.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises four types of risk – currency risk, interest rate risk, fuel price risk and fair value risk.

(i) Currency risk

The company does not have a significant foreign currency exposure since the majority of its transactions are either denominated in AED or US Dollar to which the AED is currently pegged. Liabilities in other currencies are not significant and are largely offset by the balance in bank accounts in the respective currency. Senior management monitors currency positions on a regular basis.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(ii) Interest rate risk

The company is exposed to the effects of fluctuations in the prevailing levels of interest rates on borrowings and short-term deposits. Exposure arises from interest rate fluctuations in the international financial market with respect to interest cost on its long-term debt obligations and interest income on its short-term deposits. The key reference rates affecting the interest costs are EIBOR. The company analyses its interest rate exposure on a dynamic basis. Borrowings taken at variable interest rates expose the company to cash flow interest rate risk and borrowings taken at fixed rates expose the company to fair value interest rate risk.

At 31 December 2013, if interest rate on borrowings taken at variable rates had been 1% higher or lower with all other variables held constant, the profit for the year would have been lower or higher by AED 11.4 million (2012: AED 3.6 million), respectively.

(iii) Fuel price risk

The company is exposed to volatility in the price of jet fuel. However, management monitors the trend on a regular basis and the fuel upliftment is done in a manner that optimises the fuel cost. In addition, flydubai manages the price risk utilising commodity future contracts. The hedging activity for the year was not very significant.

(iv) Fair value risk

There is no significant fair value risk on the liabilities of the company as at the reporting date.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The company is exposed to credit risk in relation to its monetary assets, mainly trade receivables and bank balances. The company has policies in place to minimise its exposure to credit risk. Banking transactions are limited to branches of local and international banks.

The company has a formal procedure for monitoring and follow-up of trade receivables. For passenger tickets sold through internet and call centres, payments are collected in advance through credit cards and collection partners.

The company also sells passenger tickets through travel agents, who are required to give a deposit equivalent to the amount of passenger tickets they wish to book. Management also assesses the credit standing of the travel agents by taking into account their financial position, reputation and other factors.

A portion of the sale of passenger transportation is achieved through International Air Transport Association (IATA) accredited sales agents. All IATA agents have to meet a minimum financial criteria applicable to their country of operation to remain accredited. Adherence to the financial criteria is monitored on an ongoing basis by IATA through their Agency Programme. The credit risk associated with such sales agents is relatively small owing to a broad diversification.

3 Financial risk management (continued)

3.2 Financial risk factors (continued)

(b) Credit risk (continued)

The table below represents an analysis of the cash and bank balances by rating agency designation at the reporting date.

Moody's credit rating	2013 AED'000	2012 AED'000
'BBB' or above	234,499	212,159
Not rated	172,864	255,453

Management views that the balance maintained with the banks with no formal rating to be high credit qualified financial institutions.

The maximum exposure to credit risk is represented by the carrying amount of the financial assets in the statement of financial position.

(c) Liquidity risk

Liquidity risk is the risk that the company is unable to meet its payment obligations associated with financial liabilities when they fall due and to replace funds when they are withdrawn.

Summarised below in the table is the maturity profile of financial liabilities based on the remaining period at the reporting date to the contract maturity period. The amount disclosed is the contractual undiscounted cash flows.

	Less than 1 year AED'000	2 – 5 years AED'000	Over 5 Years AED'000	Total AED'000
At 31 December 2013				
Borrowings and lease liabilities	98,750	846,573	524,528	1,469,851
Trade and other payables (excluding passenger and cargo sales in advance and advances from agents)	482,905	-	-	482,905
Loan from a related party	198,446	48,107	-	246,553
Due to related parties	93,490	-	-	93,490
	873,591	894,680	524,528	2,292,799
At 31 December 2012				
Borrowings and lease liabilities	227,348	414,510	257,421	899,279
Trade and other payables (excluding passenger and cargo sales in advance and advances from agents)	336,630	-	-	336,630
Loan from a related party	113,146	247,607	-	360,753
Due to related parties	88,823	-	-	88,823
	765,947	662,117	257,421	1,685,485

3 Financial risk management (continued)

3.3 Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide adequate returns to its owners and to maintain an optimal capital structure to reduce the cost of capital.

The company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The net debt to total capital at the reporting date was as follows:

	2013 AED'000	2012 AED'000
Borrowings and lease liabilities (Note 12)	1,284,654	827,879
Loan from a related party (Note 9)	237,575	332,605
Less: Cash and cash equivalents (Note 10)	(409,384)	(469,874)
Net debt	1,112,845	690,610
Total equity	564,934	314,381
Total capital	1,677,779	1,004,991

Net debt to total capital ratio is 66.3% (2012: 68.7%).

3.4 Fair value estimation

The fair values of the company's financial assets and liabilities at the end of the reporting period approximate their carrying value as at the reporting date.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

In the preparation of the financial statements, a number of estimates and associated assumptions have been made relating to the application of accounting policies and reported amount of assets, liabilities, incomes and expenses. The estimates and associated assumptions are assessed on an on-going basis and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The following discussion addresses the accounting policies that require subjective and complex judgements, often as a result of the need to make estimates.

4. Critical accounting estimates and judgements (continued)

4.1 Critical accounting estimates and assumptions (continued)

Useful life of assets and residual value

Management assigns useful lives and residual values to property, plant and equipment based on the intended use of assets and the economic lives of those assets. Subsequent changes in circumstances such as technological advances and prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates. Where management determines that the useful life of an asset group or residual value of the asset requires amendment, the net book amount in excess of the residual value is depreciated over the revised remaining useful life.

Maintenance costs

Management has made estimates for the costs to be incurred and charged to the income statement, under its contractual obligations to maintain aircraft as per operating lease arrangements with lessors. These cost estimates are based on the estimated future costs of major airframe checks, engine shop visits and planned utilisation of the aircraft.

Notes to the financial statements for the year ended 31 December 2013 (continued)

5 Property, plant and equipment

	Aircraft AED'000	Aircraft engines and other parts AED'000	Leasehold Improvements AED'000	Furniture, fixtures and other equipment AED'000	Motor vehicles AED'000	Capital projects AED'000	Total AED'000
Cost							
At 1 January 2012	136,384	47,221	2,711	5,354	869	551,414	743,953
Additions	-	5,125	6,976	5,440	632	1,228,355	1,246,528
Transfers	982,202	61,777	-	-	-	(1,181,001)	(137,022)
Disposals	(621,422)	(40,947)	-	-	(70)	-	(662,439)
At 31 December 2012	497,164	73,176	9,687	10,794	1,431	598,768	1,191,020
Additions	-	28,772	4,849	4,039	765	1,330,440	1,368,865
Transfers	1,053,200	101,839	-	-	-	(1,155,039)	-
Disposals	(559,476)	(42,295)	-	-	-	-	(601,771)
At 31 December 2013	990,888	161,492	14,536	14,833	2,196	774,169	1,958,114
Depreciation							
At 1 January 2012	23,396	5,882	827	1,937	334	-	32,376
Charge for the year (Note 20)	11,972	6,706	1,798	1,958	302	-	22,736
Assets written off	85,080	-	-	-	-	-	85,080
Transfers	(116,504)	(315)	-	-	-	-	(116,819)
Disposals during the year	-	-	-	-	(7)	-	(7)
At 31 December 2012	3,944	12,273	2,625	3,895	629	-	23,366
Charge for the year (Note 20)	32,809	20,115	2,561	2,766	416	-	58,667
At 31 December 2013	36,753	32,388	5,186	6,661	1,045	-	82,033
Net book value							
At 31 December 2013	954,135	129,104	9,350	8,172	1,151	774,169	1,876,081
At 31 December 2012	493,220	60,903	7,062	6,899	802	598,768	1,167,654

5 Property, plant and equipment (continued)

a. Capital projects include pre-delivery payments of AED 865.9 million (2012: AED 626.8 million) in respect of aircraft due for delivery between 2014 and 2023 (Note 25), of which AED 335.8 million (2012: AED 166.2 million) is classified as 'other receivables' (Note 8).

b. Additions to property, plant and equipment include capitalised interest amounting to AED 20.6 million (2012: AED 18.5 million) using a weighted average capitalisation rate of 4.3% (2012: 5.4%).

c. The net book amount of property, plant and equipment includes AED 954.1 million (2012: AED 493.2 million) in respect of six aircraft (2012: three) held under finance leases.

d. Transfers from capital projects amounting to AED 601.7 million (2012: AED 662.4 million) during the period pertain to aircraft and spare engines which were subsequently sold and leased back on operating leases.

6 Intangible assets

	Computer Software and licences AED'000
Cost	
At 1 January 2012	18,614
Additions	8,238
Disposals	(812)
At 31 December 2012	26,040
Additions	10,124
At 31 December 2013	36,164
Amortisation	
At 1 January 2012	4,388
Charge for the year (Note 20)	4,910
Disposal during the year	(636)
At 31 December 2012	8,662
Charge for the year (Note 20)	7,099
At 31 December 2013	15,761
Net book value	
31 December 2013	20,403
31 December 2012	17,378

7 Inventories

	2013 AED'000	2012 AED'000
Engineering	10,841	8,742
In-flight consumables	3,874	3,256
Others	436	465
	15,151	12,463

The cost of inventories recognised as an expense and included in 'operating costs' amounted to AED 42.3 million (2012: AED 24.9 million).

8 Trade and other receivables

	2013 AED'000	2012 AED'000
Trade receivables	90,937	65,926
Insurance receivable	-	110,557
Advances to suppliers	13,443	9,516
Prepayments and other deposits	32,724	37,916
Operating lease deposits	5,452	4,022
Other receivables	506,292	246,592
	648,848	474,529
Less: Non-current portion	(21,684)	-
	627,164	474,529

As of 31 December 2013, trade receivables amounting to AED 1.0 million (2012: 0.8 million) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2013 AED'000	2012 AED'000
3 – 6 months	660	812
Beyond 6 months	319	10
	979	822

The other classes within trade and other receivables do not contain impaired assets. The company holds guarantees and other collaterals for a part of the trade receivables as at the reporting date.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The carrying amount of the company's trade and other receivables are primarily denominated in United Arab Emirates Dirhams ("AED") and US Dollar, to which the AED is pegged.

9 Transactions and balances with related parties

Related parties include companies under common control and ownership, shareholder and key management personnel of the company and companies over which they exercise significant management influence.

During the year, the company entered into the following significant transactions with related parties at agreed rates.

	2013 AED'000	2012 AED'000
(a) Transactions with companies under common control		
Revenue	161,594	181,055
Purchase of goods and services	164,435	113,433
Finance costs (includes expensed and capitalised)	17,135	18,800
(b) Compensation to key management personnel		
- Salaries	9,569	9,193
- End of service benefits	133	128
- Other short term benefits	1,483	257
	11,185	9,578
(c) Balances with related parties		
Amounts due from companies under common control	2,944	14,785
Amounts due to companies under common control	93,490	88,823

The amounts due from / to related parties are unsecured, non-interest bearing, fully performing and repayable on demand.

	2013 AED'000	2012 AED'000
(d) Loan from a related party		
Loan amount	237,575	332,605
Less: current portion	(190,060)	(95,030)
Non-current portion	47,515	237,575

Loan from a related party represents a loan from Investment Corporation of Dubai, a company under common control. The loan bears interest linked to EIBOR plus an adjustment for credit spread. The principal amount is repayable in seven quarterly instalments which commenced from 30 September 2013.

10 Cash and cash equivalents

	2013 AED'000	2012 AED'000
Cash in hand	2,021	2,262
Cash at bank	252,363	287,612
Short-term deposits	155,000	180,000
Cash and cash equivalents	409,384	469,874

Short-term deposits of AED 155 million (2012: AED 180 million) have an original maturity period of less than 3 months.

11 Capital

Capital represents the permanent capital of the company.

12 Borrowings and lease liabilities

	2013 AED'000	2012 AED'000
Non-current		
Term loans (Note 13)	496,333	250,000
Lease liabilities	721,914	376,945
	1,218,247	626,945
Current		
Term loans (Note 13)	-	166,667
Lease liabilities (Note 14)	66,407	34,267
	66,407	200,934
	1,284,654	827,879

All borrowings and lease liabilities are denominated in United Arab Emirates Dirhams ("AED") or US Dollar, which is pegged to AED.

The carrying amounts of borrowings and lease liabilities approximate to their fair values.

13 Term loans

	2013 AED'000	2012 AED'000
Secured loan	155,000	166,667
Unsecured loans	341,333	250,000
Less: current portion	-	(166,667)
Non-current portion	496,333	250,000
Loans are repayable as follows:		
Within one year (Note 12)	-	166,667
After one year (Note 12)	496,333	250,000
	496,333	416,667

Interest rates on the above term loans are linked to EIBOR plus an adjustment for credit spread. Contractual repricing dates are set at the option of the company on the basis of applicable EIBOR. Secured loan is against the collateral of short term deposits.

14 Lease liabilities

Finance leases

	2013 AED'000	2012 AED'000
Gross lease liabilities:		
Within one year	84,386	42,302
Between 2 and 5 years	344,509	162,320
After 5 years	524,528	257,422
	953,423	462,044
Less: Future interest	(165,102)	(50,832)
Present value of finance lease liabilities	788,321	411,212

	2013 AED'000	2012 AED'000

14 Lease liabilities (continued)

	2013 AED'000	2012 AED'000
The present value of finance leases liabilities is repayable as follows:		
Within one year (Note 12)	66,407	34,267
Between 2 and 5 years	268,254	137,071
After 5 years	453,660	239,874
	788,321	411,212

The lease liabilities are secured on the related aircraft (Note 5).

Operating leases

The future lease payments under non-cancellable operating leases of aircraft are:

	2013 AED'000	2012 AED'000
Within one year	463,117	409,295
Between 2 and 5 years	1,522,675	1,439,161
After 5 years	300,688	405,932
	2,286,480	2,254,388

15 Provisions

	2013 AED'000	2012 AED'000
Provision comprises of:		
Provision for employees' end of service benefits	36,688	21,879
Provision for maintenance costs	33,065	29,694
	69,753	51,573

Movement in provision for employees' end of service benefits is as follows:

	2013 AED'000	2012 AED'000
At 1 January	21,879	12,745
Charge for the year (Note 21)	16,317	10,290
Payments during the year	(1,508)	(1,156)
At 31 December	36,688	21,879

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations as at 31 December 2013 and 2012 in respect of employees' end of service benefits payable under the UAE labour law. Under this method, an assessment has been made of the employee's expected service life with the company and the expected basic salary at the date of leaving the service. Management has assumed average increment/promotion costs of 3.0% (2012: 3.0%). The expected liability at the date of leaving the service has been discounted to its net present value using a discount rate of 4.5% (2012: 2.5%).

15 Provisions (continued)

	2013 AED'000	2012 AED'000
Movement in provision for maintenance costs is as follows:		
At 1 January	29,694	20,350
Charge for the year	3,371	9,344
At 31 December	33,065	29,694

16 Trade and other payables

	2013 AED'000	2012 AED'000
Trade payables	88,998	60,216
Accruals	282,144	207,142
Passenger and cargo sales in advance	215,392	154,311
Advances and deposits	67,914	58,445
Income tax payable	1,805	2,975
Other payables	93,940	58,333
	750,193	541,422

17 Derivative financial instruments

	2013 AED'000	2012 AED'000
Cash flow hedge:		
Fuel price contracts		
Assets		
- Current	27,809	-
- Non- current	-	-
Liabilities		
- Current	(21)	-
- Non- current	-	-
	27,788	-

The full fair value of the derivative instrument is classified as non-current if the remaining maturity of the hedged item is more than 12 months as at the end of the reporting period. The notional principal amounts of the outstanding commodity contracts at 31 December 2013 were AED 345.3 million (2012: Nil).

The maximum exposure to credit risk at the reporting date is the fair value of the derivative instruments in the statement of financial position.

	2013 AED'000	2012 AED'000

18 Revenue

	2013 AED'000	2012 AED'000
Passenger	2,980,310	2,305,803
Baggage	133,436	131,438
Cargo	95,089	48,021
In-flight sales	76,022	55,573
Others	194,100	159,560
	3,478,957	2,700,395

19 Other operating income

	2013 AED'000	2012 AED'000
Profit on sale of property, plant and equipment	106,086	19,410
Proceeds from insurance claim	-	110,557
Others	124,838	95,781
	230,924	225,748

Others includes an amount of AED 38.3 million (2012: 11.9 million) from aircraft-related operating credits and income from ancillary services and activities incidental to the operations is AED 86.5 million (2012: AED 83.9 million).

20 Operating costs

	2013 AED'000	2012 AED'000
Fuel costs	1,368,594	1,043,877
Direct operating costs	622,658	467,710
Staff costs (Note 21)	573,575	417,938
Aircraft operating lease costs	385,918	344,904
Corporate costs	174,179	139,908
Sales, marketing & distribution	146,805	97,343
Aircraft maintenance costs	126,947	126,354
Assets write-off	-	85,080
Depreciation (Note 5)	58,667	22,736
Amortisation (Note 6)	7,099	4,910
	3,464,442	2,750,760

21 Staff costs

	2013 AED'000	2012 AED'000
Salaries	521,295	383,865
End of service benefits (Note 15)	16,317	10,290
Other benefits	35,963	23,783
	573,575	417,938

22 Finance income

	2013 AED'000	2012 AED'000
Interest income	3,488	5,398

23 Finance costs

	2013 AED'000	2012 AED'000
Aircraft financing costs	9,268	1,113
Others	8,882	19,038
	18,150	20,151

Finance costs are net of capitalised interest amounting to AED 20.6 million (2012: AED 18.5 million).

24 Income tax expense

	2013 AED'000	2012 AED'000
Current tax	8,012	8,689

Income tax expense relates only to certain countries where the company is subject to income tax. Hence providing information on effective tax rates is not meaningful.

25 Contingencies and commitments

(a) Capital commitments

	2013 AED'000	2012 AED'000
Capital commitments		
Authorised and contracted:		
Aircraft fleet	42,421,401	6,897,702
Non-aircraft	223,016	264,637
	42,644,417	7,162,339

25 Contingencies and commitments (continued)

(b) *Capital commitments* (continued)

Commitments have been entered into for delivery of Boeing 737-800 & Boeing 737 MAX aircraft as follows:

Financial period	**Aircraft**
2014	8
2015	8
2016 and beyond	86

	2013 AED'000	2012 AED'000
(b) *Guarantees*		
Performance bonds and letters of credit provided by bankers in the normal course of business	142,381	112,206

26 Financial instruments

The accounting policies for financial instruments have been applied to the line items below:

	2013 AED'000	2012 AED'000
Financial assets		
Loans and receivables		
Trade and other receivables (excluding prepayments and advance to suppliers)	588,258	442,948
Due from related parties	2,944	14,785
Cash and cash equivalents	409,384	469,874
Derivative financial instruments		
Derivative financial instruments	27,809	-
	1,028,393	927,607
Financial liabilities		
Other financial liabilities		
Trade and other payables (excluding passenger and cargo sales in advance and advances from agents)	484,710	339,606
Borrowings and lease liabilities	1,284,654	827,879
Provision for maintenance costs	33,065	29,694
Loan from a related party	237,575	332,605
Due to related parties	93,490	88,823
Derivative financial instruments		
Derivative financial instruments	21	-
	2,133,515	1,618,607

26 Financial instruments (continued)

Financial instruments held at fair value by level of hierarchy

The levels of fair value hierarchy are defined as follows:

Level 1: Measurement is made by using quoted prices (unadjusted) from active market.
Level 2: Measurement is made by means of valuation with parameters derived directly or indirectly from observable market data
Level 3: Measurement is made by means of valuation methods with parameters not based exclusively on observable market data.

Derivative financial instruments fall into Level 2 of the fair value hierarchy.

As at 31 December 2013, the company holds share warrants issued by an equipment supplier. The company has recognised these at nil value (2012: Nil) in these financial statements because management does not foresee any present value based on their best estimate.

27 Corresponding figures

Prior period figures have been regrouped and reclassified wherever applicable to conform to the current period presentation.

Dubai Aviation Corporation (trading as 'flydubai')

Financial statements
for the year ended 31 December 2012

Dubai Aviation Corporation

Financial statements
for the year ended 31 December 2012

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Independent auditor's report to the Owner of Dubai Aviation Corporation

Report on the financial statements

We have audited the accompanying financial statements of Dubai Aviation Corporation ("the company") which comprise the statement of financial position as of 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independent auditor's report to the Owner of Dubai Aviation Corporation (continued)

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the company as of 31 December 2012 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers
6 February 2013

Paul Suddaby

Paul Suddaby
Registered Auditor Number 309
Dubai, United Arab Emirates

Dubai Aviation Corporation

Statement of financial position

	Note	As at 31 December 2012 AED'000	2011 AED'000
Assets			
Non-current assets			
Property, plant and equipment	5	1,167,654	711,577
Intangible assets	6	17,378	14,226
		1,185,032	725,803
Current assets			
Inventories	7	12,463	10,475
Trade and other receivables	8	474,529	190,889
Due from related parties	9	14,785	15,204
Cash and cash equivalents	10	469,874	403,666
		971,651	620,234
Total assets		2,156,683	1,346,037
Equity			
Capital	11	500,000	500,000
Accumulated losses		(185,619)	(337,560)
Total equity		314,381	162,440
Liabilities			
Non-current liabilities			
Borrowings and lease liabilities	12	626,945	266,667
Loan from a related party	9	237,575	329,584
Provisions	15	51,573	12,745
		916,093	608,996
Current liabilities			
Trade and other payables	16	541,422	410,052
Loan from a related party	9	95,030	-
Borrowings and lease liabilities	12	200,934	100,000
Due to related parties	9	88,823	64,549
		926,209	574,601
Total liabilities		1,842,302	1,183,597
Total equity and liabilities		2,156,683	1,346,037

These financial statements were approved on 30 January 2013 and were signed by:

Chief Executive Officer

M Modani

Chief Financial Officer

The notes on pages 7 to 27 are an integral part of these financial statements

Dubai Aviation Corporation

Statement of comprehensive income

	Note	Year ended 31 December 2012 AED'000	2011 AED'000
Revenue	17	2,662,874	1,618,722
Other operating income	18	225,748	89,352
Operating costs	19	(2,713,239)	(1,783,761)
Operating profit / (loss)		175,383	(75,687)
Finance income	21	5,398	4,939
Finance costs	22	(20,151)	(20,272)
Profit / (loss) before income tax for the year		160,630	(91,020)
Income tax expense	23	(8,689)	(8,134)
Profit / (loss) for the year		151,941	(99,154)
Total comprehensive income / (loss) for the year		151,941	(99,154)

The notes on pages 7 to 27 are an integral part of these financial statements

Dubai Aviation Corporation

Statement of changes in equity

	Capital AED'000	Accumulated losses AED'000	Total AED'000
At 1 January 2011	500,000	(238,406)	261,594
Total comprehensive loss for the year	-	(99,154)	(99,154)
At 31 December 2011	500,000	(337,560)	162,440
Total comprehensive income for the year	-	151,941	151,941
At 31 December 2012	500,000	(185,619)	314,381

The notes on pages 7 to 27 are an integral part of these financial statements

Dubai Aviation Corporation

Statement of cash flows

	Notes	2012 AED'000	2011 AED'000
Operating activities			
Profit / (loss) before tax for the year		160,630	(91,020)
Adjustments for:			
Depreciation	5	22,736	12,884
Amortisation	6	4,910	2,542
Provision for employees' end of service benefits	15	10,290	8,062
Profit on sale of property, plant and equipment	18	(19,410)	(13,208)
Loss on write-down of asset	19	85,080	-
Finance income	21	(5,398)	(4,939)
Finance costs	22	20,151	20,272
Operating profit/ (loss) before changes in working capital and payment of employees' end of service benefits		278,989	(65,407)
Payment of employees' end of service benefits	15	(1,156)	(660)
Income taxes paid		(7,910)	(6,620)
Changes in working capital:			
Inventories	7	(1,988)	(3,009)
Trade and other receivables (net of interest accrued)	8	(212,224)	(18,148)
Due from related parties	9	419	(13,525)
Trade and other payables and loan from a related party (net of interest accrued)	9,16	163,005	139,810
Due to related parties	9	24,274	35,622
Net cash generated from operating activities		243,409	68,063
Investing activities			
Purchase of property, plant and equipment (net of capitalised interest and assets acquired under finance lease)	5	(888,208)	(1,525,050)
Purchase of intangible asset	6	(8,238)	(8,006)
Proceeds from sale of property, plant and equipment (net of transfer)		702,219	1,607,620
Interest received		5,371	5,410
Net cash (used in)/ generated from investing activities		(188,856)	79,974
Financing activities			
Proceeds from / (repayment of) borrowings	12	50,000	(33,333)
Interest paid		(38,345)	(32,524)
Net cash provided by / (used in) by financing activities		11,655	(65,857)
Net increase in cash and cash equivalents		66,208	82,180
Cash and cash equivalents at the beginning of the year		403,666	321,486
Cash and cash equivalents at the end of the year	10	469,874	403,666

The notes on pages 7 to 27 are an integral part of these financial statements

Notes to the financial statements for the year ended 31 December 2012

1 Establishment and operations

Dubai Aviation Corporation ("the company") was incorporated, with limited liability, by an Emiri Decree issued by H.H. Sheikh Mohammed bin Rashid Al-Maktoum on 7 July 2008 and is wholly owned by the Government of Dubai. The company commenced commercial operations on 1 June 2009 and is designated as a 'National Carrier of the United Arab Emirates ("UAE")'. The company trades under the name of 'flydubai'. The principal activity of the company is to provide commercial air transportation services.

The registered address of the company is PO Box 353, Dubai, United Arab Emirates.

2 Summary of significant accounting policies

The significant accounting policies adopted by the company in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). These financial statements have been prepared under the historical cost convention.

The preparation of the financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

(a) New and amended standards adopted by the company

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the company.

(b) New and amended standards issued but not effective for the financial year beginning 1 January 2012 and not early adopted

Certain new amendments to existing standards have been published and are mandatory for the company's accounting periods beginning after 1 January 2012 or later periods but have not been early adopted by the company:

- IFRS 7 (amendment), 'Financial instruments: Disclosures' (effective from 1 January 2013);
- IFRS 9, 'Financial instruments' (effective from 1 January 2015);
- IFRS 13, 'Fair value measurement' (effective from 1 January 2013);
- IAS 1 (amendment), 'Presentation of financial statements' (effective from 1 July 2012);
- IAS 19 (amendment), 'Employee benefits' (effective from 1 January 2013); and
- IAS 32 (amendment), 'Financial instruments: Presentation' (effective from 1 January 2014).

2 Summary of significant accounting policies (continued)

2.2 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Historical cost consists of purchase cost, together with any incidental expenses on acquisition. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be reliably measured. Repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred. However, repairs and maintenance of a significant nature, such as overhaul and heavy maintenance expenditure, which help to increase the economic life of the asset, are depreciated over the period starting from the incurrence of the initial cost to the next such maintenance activity.

Depreciation is calculated on property, plant and equipment so as to write-off its cost, less estimated residual value, on a straight line basis over the estimated useful life of the assets concerned. The estimated useful lives and residual values are as follows:

Aircraft, engines and other parts	15 years (residual value 10%)
Leasehold improvements	5 years or over the lease term, if shorter
Furniture, fixtures and other equipment	3-5 years
Motor vehicles	4 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period. When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its estimated recoverable amount and is reviewed at each reporting date for possible reversal of the impairment loss.

Capital projects are stated at cost. When the asset is ready for its intended use, it is transferred from capital projects to the appropriate category under property, plant and equipment and depreciated in accordance with the company's policies.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

2.3 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets are added to the cost of the assets, until such time the assets are substantially ready for their intended use. Any income earned from the temporary investment of specific borrowings is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are charged to the statement of comprehensive income as and when incurred.

2 Summary of significant accounting policies (continued)

2.4 Manufacturers' credits

As per the contractual terms and conditions with the manufacturers, the company receives credits from them in connection with the acquisition of certain aircraft and engines. Depending on their nature, these credits are either recorded as a reduction in the cost of the related aircraft and / or engine or reduced from the ongoing operating expenses.

2.5 Leases

Leases where a significant portion of risks and rewards of ownership are transferred to the company are classified as finance leases. Finance leases are capitalised at the commencement of the lease at the lower of the present value of minimum lease payments and the fair value of the leased asset. The corresponding lease obligations are included under liabilities. Lease payments are treated as comprising of principal and interest elements. The interest element is charged to the statement of comprehensive income over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases are depreciated in accordance with the company's policies.

Leases where a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rental charges, including advance rentals, if any, on such leases, are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Profits arising on sale and leaseback transactions resulting in operating leases are recognised in the statement of comprehensive income to the extent that the sale proceeds do not exceed the fair value of the assets concerned. Any excess of sale proceeds over the fair value is deferred and amortised over the lease term.

2.6 Intangible assets

Intangible assets are capitalised at cost only when future economic benefits are probable and can be estimated reliably. Cost includes purchase price together with any directly attributable expenditure.

When the carrying amount of an intangible asset is greater than its estimated recoverable amount, it is written down immediately to its estimated recoverable amount and is reviewed at each reporting date for possible reversal of the impairment loss.

Intangible assets are amortised on a straight-line basis over their estimated useful lives which are:

Computer software and licences	3-5 years

2 Summary of significant accounting policies (continued)

2.7 Impairment of non-financial assets

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

(a) Classification

The company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The company's loans and receivables comprise 'trade and other receivables' (Note 8), 'due from related parties' (Note 9) and 'cash and cash equivalents' (Note 10) in the statement of financial position.

(b) Recognition and measurement

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The company assesses, at each reporting date, whether there is objective evidence that financial assets are impaired (refer note 2.10 for a detailed note on impairment of financial assets).

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2 Summary of significant accounting policies (continued)

2.10 Impairment of financial assets

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Significant difficulties of the issuer of the financial asset, probability that the issuer will enter bankruptcy or financial reorganisation and default in payments are considered indicators that the financial assets are impaired. The amount of the provision is the difference between the assets' carrying amount and the present value of estimated cash flows, discounted at the effective interest rate. The amount of the provision is charged to the statement of comprehensive income.

2.11 Inventories

Inventories are stated at the lower of cost and estimated net realisable value. Cost is determined on the weighted average cost basis.

2.12 Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash-in-hand and balances in current accounts and term deposits with original maturity of three months or less.

2.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 Summary of significant accounting policies (continued)

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of borrowing using the effective interest method. Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

2.16 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.17 Provision for staff benefits

A provision is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by the employees up to the reporting date. Provision is also made, using actuarial techniques, for the end of service benefits due to employees in accordance with the UAE labour law for their periods of service up to the reporting date. Contributions for eligible UAE national employees are made to the Pension Authority in accordance with the provisions of the Federal Law No. 7 of 1999 relating to Pension and Social Security and are charged to the statement of comprehensive income.

The provision relating to annual leave and leave passage is disclosed as a current liability and included in trade and other payables, while that relating to end of service benefits is disclosed as a non-current liability.

2.18 Revenue

Revenue comprises the invoiced value of airline services, net of discounts and airport taxes, plus ancillary revenue.

Passenger revenue arises from the sale of flight seats and is recognised when the transportation is provided. Unearned revenue represents flight seats sold but not yet flown and is included under 'trade and other payables' as 'passenger and baggage sales in advance'.

Ancillary revenue is recognised when the flight to which it relates departs. Certain types of ancillary revenue are recognised at the time the benefit of the service provided passes to the customer. Amounts paid by 'no-show' customers are recognised as revenue when the booked service is provided as such customers are generally not entitled to change flights or seek refunds within 24 hours of departure of the flight.

2 Summary of significant accounting policies (continued)

2.19 Taxation

The tax expense for the period comprise of current tax imposed on the revenue generated from sale of tickets in certain jurisdictions. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted as at the reporting date in the countries where the company operates. Management provides for tax as and when the liability arises except where management is of the firm opinion that exemption from such taxation will ultimately be granted by the relevant authorities in the countries concerned.

2.20 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ("the functional currency"). The financial statements are presented in United Arab Emirates Dirhams ("AED"), which is the company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into AED, the functional currency, using the exchange rates prevailing at the date of the transactions, or a rate that approximates the actual rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the exchange rates prevailing on the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

3 Financial risk management

3.1 Financial risk factors

The company's activities expose it to a variety of financial risks which involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Major types of risks are market risk, credit risk and liquidity risk.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises four types of risk – currency risk, interest rate risk, fuel price risk and fair value risk.

(i) Currency risk

The company does not have a significant foreign currency exposure since the majority of its transactions are either denominated in AED or US Dollar to which the AED is currently pegged. Liabilities in other currencies are not significant and are largely offset by the balance in bank accounts in the respective currency. Senior management monitors currency positions on a regular basis.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(ii) Interest rate risk

The company is exposed to the effects of fluctuations in the prevailing levels of interest rates on borrowings and short-term deposits. Exposure arises from interest rate fluctuations in the international financial market with respect to interest cost on its long-term debt obligations and interest income on its short-term deposits. The key reference rates affecting the interest costs is EIBOR. The company analyses its interest rate exposure on a dynamic basis. Borrowings taken at variable interest rates expose the company to cash flow interest rate risk and borrowings taken at fixed rates expose the company to fair value interest rate risk.

At 31 December 2012, if interest rate on borrowings taken at variable rates had been 1% higher or lower with all other variables held constant, the profit for the year would have been lower or higher by AED 3.6 million (2011: 4.0 million).

(iii) Fuel price risk

The company is exposed to volatility in the price of jet fuel. However, management monitors the trend on a regular basis and the fuel upliftment is done in a manner that optimises the fuel cost. In addition, management has an approved fuel hedging policy to manage the risk.

(iv) Fair value risk

There is no significant fair value risk on the liabilities of the company as at the reporting date.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The company is exposed to credit risk in relation to its monetary assets, mainly trade receivables and bank balances. The company has policies in place to minimise its exposure to credit risk. Banking transactions are limited to branches of local and international banks.

The company has a formal procedure for monitoring and follow-up of trade receivables. For passenger tickets sold through internet and call centres, payments are collected in advance through credit cards and collection partners.

The company also sells passenger tickets through travel agents, who are required to give a deposit equivalent to the amount of passenger tickets they wish to book. Management also assesses the credit standing of the travel agents by taking into account their financial position, reputation and other factors.

3 Financial risk management (continued)

3.2 Financial risk factors (continued)

(b) Credit risk (continued)

The table below represents an analysis of the cash and cash equivalents by rating agency designation at the reporting date.

Moody's credit rating	2012 AED'000	2011 AED'000
'BBB' or above	212,159	191,491
Not rated	255,453	209,168

Management views that the balance maintained with the banks with no formal rating to be high credit qualified financial institutions.

The maximum exposure to credit risk is represented by the carrying amount of the financial assets in the statement of financial position.

(c) Liquidity risk

Liquidity risk is the risk that the company is unable to meet its payment obligations associated with financial liabilities when they fall due and to replace funds when they are withdrawn.

Summarised below in the table is the maturity profile of financial liabilities based on the remaining period at the reporting date to the contract maturity period. The amount disclosed is the contractual undiscounted cash flows.

	Less than 1 year AED'000	2 – 5 years AED'000	Over 5 years AED'000	Total AED'000
At 31 December 2012				
Borrowings and lease liabilities	227,348	414,510	257,421	899,279
Trade and other payables (excluding passenger and baggage sales in advance)	387,111	-	-	387,111
Loan from a related party	113,146	247,607	-	360,753
Due to related parties	88,823	-	-	88,823
	816,428	662,117	257,421	1,735,966
At 31 December 2011				
Borrowings	118,519	283,256	-	401,775
Trade and other payables (excluding passenger and baggage sales in advance)	291,824	-	-	291,824
Loan from a related party	15,703	360,752	-	376,455
Due to related parties	64,549	-	-	64,549
	490,595	644,008	-	1,134,603

3 Financial risk management (continued)

3.3 Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide adequate returns to its owners and to maintain an optimal capital structure to reduce the cost of capital.

The company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The net debt to total capital at the reporting date was as follows:

	2012 AED'000	2011 AED'000
Borrowings and lease liabilities (Note 12)	827,879	366,667
Loan from a related party (Note 9)	332,605	329,584
Less: Cash and cash equivalents (Note 10)	(469,874)	(403,666)
Net debt	690,610	292,585
Total equity	314,381	162,440
Total capital	1,004,991	455,025

Net debt to total capital ratio is 68.7% (2011: 64.3%).

3.4 Fair value estimation

The fair values of the company's financial assets and liabilities at the end of the reporting period approximate their carrying value as at the reporting date.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

In the preparation of the financial statements, a number of estimates and associated assumptions have been made relating to the application of accounting policies and reported amount of assets, liabilities, incomes and expenses. The estimates and associated assumptions are assessed on an on-going basis and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The following discussion addresses the accounting policies that require subjective and complex judgements, often as a result of the need to make estimates.

4. Critical accounting estimates and judgements (continued)

4.1 Critical accounting estimates and assumptions (continued)

Useful life of assets and residual value

Management assigns useful lives and residual values to property, plant and equipment based on the intended use of assets and the economic lives of those assets. Subsequent changes in circumstances such as technological advances and prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates. Where management determines that the useful life of an asset group or residual value of the asset requires amendment, the net book amount in excess of the residual value is depreciated over the revised remaining useful life.

Maintenance costs

Management has made estimates for the costs to be incurred and charged to the statement of comprehensive income, under its contractual obligations to maintain aircraft as per operating lease arrangements with lessors. These cost estimates are based on the estimated future costs of major airframe checks, engine shop visits and planned utilisation of the aircraft.

Notes to the financial statements for the year ended 31 December 2012 (continued)

5 Property, plant and equipment

	Aircraft AED'000	Aircraft engines and other parts AED'000	Leasehold Improvements AED'000	Furniture, fixtures and other equipment AED'000	Motor vehicles AED'000	Capital projects AED'000	Total AED'000
Cost							
At 1 January 2011	136,384	43,270	886	4,034	410	699,297	884,281
Additions	-	3,951	1,825	1,440	459	1,446,441	1,454,116
Transfers	1,512,672	81,652	-	-	-	(1,594,324)	-
Disposals	(1,512,672)	(81,652)	-	(120)	-	-	(1,594,444)
At 31 December 2011	136,384	47,221	2,711	5,354	869	551,414	743,953
Additions	-	5,125	6,976	5,440	632	1,228,355	1,246,528
Transfers	982,202	61,777	-	-	-	(1,181,001)	(137,022)
Disposals	(621,422)	(40,947)	-	-	(70)	-	(662,439)
At 31 December 2012	497,164	73,176	9,687	10,794	1,431	598,768	1,191,020
Depreciation							
At 1 January 2011	15,368	3,029	236	729	162	-	19.524
Charge for the year	8,028	2,853	591	1,240	172	-	12,884
Transfers	-	-	-	-	-	-	-
Disposals during the year	-	-	-	(32)	-	-	(32)
At 31 December 2011	23,396	5,882	827	1,937	334	-	32,376
Charge for the year (Note 19)	11,972	6,706	1,798	1,958	302	-	22,736
Assets written off (Note 19)	85,080	-	-	-	-	-	85,080
Transfers	(116,304)	(315)	-	-	-	-	(116,819)
Disposals	-	-	-	-	(7)	-	(7)
At 31 December 2012	3,944	12,273	2,625	3,895	629	-	23,366
Net book amount							
At 31 December 2012	493,220	60,903	7,062	6,899	802	598,768	1,167,654
At 31 December 2011	112,988	41,339	1,884	3,417	535	551,414	711,577

5 Property, plant and equipment (continued)

a. Capital projects include pre-delivery payments of AED 626.8 million (2011: AED 559.7 million) in respect of aircraft due for delivery between 2013 and 2015 (Note 24), of which AED 166.2 million (2011: AED 94.8 million) is classified as 'other receivables' (Note 8).

b. Property, plant and equipment includes capitalised interest amounting to AED 18.5 million (2011: AED 20.1 million) using a weighted average capitalisation rate of 5.4% (2011: 6.0%).

c. The net book amount of property, plant and equipment includes AED 493.2 million (2011: Nil) in respect of three aircraft (2011: Nil) held under finance leases.

d. Transfers from capital projects amounting to AED 662.4 million (2011: AED 1,594.3 million) during the period pertain to aircraft and spare engines which were subsequently sold and leased back on operating leases.

e. During the year, there was a substantial damage to one aircraft. The net book value of the aircraft has been written down to its salvage value and disclosed under 'other receivables' (Note 8). The amount receivable from insurance has been disclosed as 'other operating income' (Note 18).

6 Intangible assets

	Computer software AED'000
Cost	
At 1 January 2011	10,608
Additions	8,006
At 31 December 2011	18,614
Additions	8,238
Disposals	(812)
At 31 December 2012	26,040
Amortisation	
At 1 January 2011	1,846
Charge for the year (Note 19)	2,542
At 31 December 2011	4,388
Charge for the year (Note 19)	4,910
Disposal during the year	(636)
At 31 December 2012	8,662
Net book amount	
31 December 2012	17,378
31 December 2011	14,226

7 Inventories

	2012 AED'000	2011 AED'000
Engineering	8,742	7,636
In-flight consumables	3,256	2,375
Others	465	464
	12,463	10,475

The cost of inventories recognised as an expense and included in 'operating costs' amounted to AED 24.9 million (2011: AED 16.7 million).

8 Trade and other receivables

	2012 AED'000	2011 AED'000
Trade receivables	65,926	33,321
Insurance receivable	110,557	-
Prepayments and other deposits	37,916	21,537
Advances to suppliers	9,516	6,649
Operating lease deposits	4,022	4,022
Other receivables	246,592	125,360
	474,529	190,889

As of 31 December 2012, trade receivables amounting to AED 0.8 million (2011: Nil) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2012 AED'000	2011 AED'000
3 – 6 months	812	-
Beyond 6 months	10	-
	822	-

The other classes within trade and other receivables do not contain impaired assets. The company holds guarantees and other collaterals for major part of the trade receivables as at the reporting date.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The carrying amount of the company's trade and other receivables are denominated in United Arab Emirates Dirhams ("AED") and US Dollar, to which the AED is pegged.

9 Transactions and balances with related parties

Related parties include companies under common control and ownership, common shareholder and directors of the company and companies over which they exercise significant management influence and key management personnel.

During the year, the company entered into the following significant transactions with related parties at agreed rates.

	2012 AED'000	2011 AED'000
(a) Transactions with companies under common control		
Revenue	181,055	98,094
Purchase of goods and services	113,433	108,109
Finance costs (includes expensed and capitalised)	18,800	18,376
(b) Compensation to key management personnel		
- Salaries	8,415	7,703
- End of service benefits	128	121
- Other short term benefits	257	187
	8,800	8,011
(c) Balances with related parties		
Amounts due from companies under common control	14,785	15,204
Amounts due to companies under common control	88,823	64,549

The amounts due from / to related parties are unsecured, non-interest bearing, fully performing and repayable on demand.

	2012 AED'000	2011 AED'000
(d) Loan from a related party		
Loan amount	332,605	329,584
Less: current portion	(95,030)	-
Non-current portion	237,575	329,584

Loan from a related party represents a loan from Investment Corporation of Dubai, a company under common control. The loan bears interest at a fixed interest rate. The principal amount is repayable in seven quarterly instalments starting from 30 September 2013.

10 Cash and cash equivalents

	2012 AED'000	2011 AED'000
Cash in hand	2,262	3,007
Cash at bank	287,612	168,256
Short-term deposits	180,000	232,403
Cash and cash equivalents	469,874	403,666

Short-term deposits of AED 180 million (2011: AED 232.4 million) have an original maturity period of less than 3 months.

11 Capital

Capital represents the permanent capital of the company.

12 Borrowings and lease liabilities

	2012 AED'000	2011 AED'000
Non-current		
Term loans (Note 13)	250,000	266,667
Lease liabilities (Note 14)	376,945	-
	626,945	266,667
Current		
Term loans (Note 13)	166,667	100,000
Lease liabilities (Note 14)	34,267	-
	200,934	100,000
	827,879	366,667

All borrowings and lease liabilities are denominated in United Arab Emirates Dirhams ("AED") and US Dollar, which is pegged to AED.

The carrying amounts of borrowings and lease liabilities approximate to their fair value.

13 Term loans

	2012 AED'000	2011 AED'000
Secured loan	166,667	200,000
Unsecured loans	250,000	166,667
Less: current portion	(166,667)	(100,000)
Non-current portion	250,000	266,667
Loans are repayable as follows:		
Within one year (Note 12)	166,667	100,000
After one year	250,000	266,667
	416,667	366,667

Interest rates on the above term loans are linked to EIBOR plus an adjustment for credit spread. Contractual repricing dates are set at the option of the company on the basis of applicable EIBOR. Secured loan is against the mortgage of an owned aircraft.

14 Lease liabilities

Finance leases

	2012 AED'000	2011 AED'000
Gross lease liabilities:		
Within one year	42,302	-
Between 2 and 5 years	162,320	-
After 5 years	257,422	-
	462,044	-
Less: Future interest	(50,832)	-
Present value of finance lease liabilities	411,212	-

	2012 AED'000	2011 AED'000

14 Lease liabilities (continued)

	2012 AED'000	2011 AED'000
The present value of finance leases liabilities is repayable as follows:		
Within one year (Note 12)	34,267	-
Between 2 and 5 years	137,071	-
After 5 years	239,874	-
	411,212	-

The lease liabilities are secured on the related aircraft and aircraft engines (Note 5).

Operating leases

The future lease payments under non-cancellable operating leases of aircraft are:

	2012 AED'000	2011 AED'000
Within one year	409,295	331,342
Between 2 and 5 years	1,439,161	1,221,275
After 5 years	405,932	520,035
	2,254,388	2,072,652

15 Provisions

	2012 AED'000	2011 AED'000
Provision comprises of:		
Provision for maintenance costs	29,694	-
Provision for employees' end of service benefits	21,879	12,745
	51,573	12,745

Movement in provision for employees' end of service benefits is as follows:

	2012 AED'000	2011 AED'000
At 1 January	12,745	5,343
Charge for the year (Note 20)	10,290	8,062
Payments during the year	(1,156)	(660)
At 31 December	21,879	12,745

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations as at 31 December 2012 and 2011 in respect of employees' end of service benefits payable under the UAE labour law. Under this method, an assessment has been made of the employee's expected service life with the company and the expected basic salary at the date of leaving the service. Management has assumed average increment/promotion costs of 3.0% (2011: 3.5%). The expected liability at the date of leaving the service has been discounted to its net present value using a discount rate of 2.5% (2011: 4.25%).

16 Trade and other payables

	2012 AED'000	2011 AED'000
Trade payables	60,216	44,913
Accruals	207,142	119,527
Passenger and baggage sales in advance	154,311	118,228
Advances and deposits	58,445	48,555
Income tax payable	2,975	2,196
Other payables	58,333	76,633
	541,422	410,052

17 Revenue

	2012 AED'000	2011 AED'000
Passenger	2,304,362	1,394,496
Baggage	131,438	109,555
Cargo	48,021	10,179
In-flight sales	55,573	31,005
Other	123,480	73,487
	2,662,874	1,618,722

18 Other operating income

	2012 AED'000	2011 AED'000
Profit on sale of property, plant and equipment	19,410	13,208
Proceeds from insurance claim	110,557	-
Others	95,781	76,144
	225,748	89,352

Others include AED 11.9 million (2011: 20.1 million) for aircraft-related operating credits and income from ancillary services and activities incidental to the operations is AED 83.9 million (2011: AED 56.0 million).

19 Operating costs

	2012 AED'000	2011 AED'000
Fuel costs	1,043,877	705,708
Direct operating costs	467,710	277,397
Staff costs (Note 20)	417,938	308,153
Aircraft operating lease costs	344,904	237,470
Corporate costs	139,907	103,624
Aircraft maintenance costs	126,354	105,813
Assets write-off (Note 5)	85,080	-
Sales, marketing & distribution	59,823	30,170
Depreciation (Note 5)	22,736	12,884
Amortisation (Note 6)	4,910	2,542
	2,713,239	1,783,761

	2012 AED'000	2011 AED'000

20 Staff costs

	2012 AED'000	2011 AED'000
Salaries	383,865	283,249
End of service benefits (Note 15)	10,290	8,062
Other benefits	23,783	16,842
	417,938	308,153

21 Finance income

	2012 AED'000	2011 AED'000
Interest income	5,398	4,939

22 Finance costs

	2012 AED'000	2011 AED'000
Related parties	6,973	7,080
Others	13,178	13,192
	20,151	20,272

Finance costs are net of capitalised interest amounting to AED 18.5 million (2011: AED 20.1 million).

23 Income tax expense

	2012 AED'000	2011 AED'000
Current tax	8,689	8,134

Income tax expense relates only to certain countries where the company is subject to income tax. Hence providing information on effective tax rates is not meaningful.

24 Contingencies and commitments

(a) Capital commitments

	2012 AED'000	2011 AED'000
Capital commitments		
Authorised and contracted:		
Aircraft fleet	6,897,702	9,129,596
Non-aircraft	264,637	172,663
	7,162,339	9,302,259

24 Contingencies and commitments (continued)

(a) *Capital commitments* (continued)

Commitments have been entered into for delivery of Boeing 737-800 aircraft as follows:

Financial period	**Aircraft**
2013	6
Beyond 2013	17

	2012 AED'000	2011 AED'000
(b) Guarantees		
Performance guarantees provided by bankers in the normal course of business	112,206	66,115

25 Financial instruments

The accounting policies for financial instruments have been applied to the line items below:

	2012 AED'000	2011 AED'000
Financial assets		
Loans and receivables		
Trade and other receivables (excluding prepayments and advance to suppliers)	260,941	67,933
Due from related parties	14,785	15,204
Cash and cash equivalents	469,874	403,666
	745,600	486,803
Financial liabilities		
Other financial liabilities		
Trade and other payables (excluding passenger and baggage sales in advance and advances and deposits)	328,666	243,269
Borrowings and lease liabilities	827,879	366,667
Loan from a related party	332,605	329,584
Due to related parties	88,823	64,549
	1,577,973	1,004,069

As at 31 December 2012, the company holds share warrants issued by an equipment supplier. The company has recognised these at nil value (2011: Nil) in these financial statements because management does not foresee any present value based on their best estimate.

26 Corresponding figures

Prior period figures have been regrouped and reclassified wherever applicable to conform to the current period presentation.

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