Zahidi Limited

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

U.S.$600,000,000 Trust Certificates due 2028

The U.S.$600,000,000 trust certificates due 2028 (the "**Certificates**") of Zahidi Limited (in its capacity as issuer and in its capacity as trustee as applicable, the "**Trustee**") will be constituted by a declaration of trust (the "**Declaration of Trust**") dated 22 March 2018 (the "**Issue Date**") entered into between the Trustee, Emirates and Citicorp 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) 22 March 2028 (the "**Scheduled Dissolution Date**") at a rate of 4.500 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 in instalments on 22 March and 22 September in each year commencing on 22 September 2018. The instalment amounts are set out in Condition 8 (*Redemption and Dissolution of the Trust*). The Certificates shall be finally redeemed on the Scheduled Dissolution Date but the Certificates may be 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 the Change of Control Dissolution Distribution Amount following a Change of Control (each as defined in the Conditions); or (iii) following a Dissolution Event (as defined in the Conditions).

Each payment of a Periodic Distribution Amount and Periodic Dissolution Distribution Amount will be made by the Trustee provided that Emirates (as Service Agent) shall have paid amounts equal to such Periodic Distribution Amount and Periodic Dissolution Distribution Amount (as applicable) pursuant to the terms of the Service Agency Agreement (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 the Obligor 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, including by Directive 2010/73/EU) (for the purposes of this Prospectus, 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. Application has been made to the Irish Stock Exchange plc (the "**Irish Stock Exchange**") for the Certificates to be admitted to the official list (the "**Official List**") and to trading on its regulated market (the "**Main Securities Market**"). The Main Securities Market is a regulated market for the purposes of Directive 2014/65/EU).

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 (the "**DFSA Official List**") 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 (a) such Certificates have been admitted to trading on the Main Securities Market and have been admitted to the Official List and (b) such Certificates have been admitted to trading on Nasdaq Dubai and have been admitted to the DFSA Official List.

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 SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**").

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 Sharia compliant. The liability for the content of this Prospectus lies with the Issuer and Emirates. 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.

Global Coordinators

Citigroup | **Standard Chartered Bank**

Joint Lead Managers

Abu Dhabi Islamic Bank
BNP PARIBAS
Citigroup
Dubai Islamic Bank PJSC
Emirates NBD Capital
First Abu Dhabi Bank P.J.S.C.
HSBC
J.P. Morgan
Noor Bank PJSC
Standard Chartered Bank

Co-Lead Managers

Sharjah Islamic Bank P.J.S.C. | **Union National Bank P.J.S.C.**

The date of this Prospectus is 21 March 2018

This Prospectus (i) comprises a prospectus for the purposes of Article 5.3 of the Prospectus Directive; and (ii) complies with the requirements in Part 2 of the Markets Law and Chapter 2 of the Markets Rules, in each case for the purpose of giving information with regard to the Trustee, Emirates, the Group (as defined in "*Presentation of certain financial and other information*") and the Certificates which, according to the particular nature of the Trustee, Emirates, the Group and the Certificates, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Trustee, Emirates and the Group.

The Trustee and Emirates accept responsibility for the information contained in this Prospectus. To the best of the knowledge of each of the Trustee and Emirates, 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.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Trustee, Emirates or the Managers to subscribe or purchase, any of the Certificates. None of the Managers, the Trustee, the Delegate, the Agents (as defined in the Conditions) or Emirates 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 of the Certificates in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Trustee, the Delegate, the Agents, Emirates and the Managers to inform themselves about and to observe any such restrictions. None of the Trustee, the Delegate, the Agents, Emirates or the Managers represent 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, the Agents, Emirates 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.

Persons into whose possession this Prospectus or any Certificates may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of the Certificates.

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, the Agents, Emirates 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 Emirates 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 Emirates 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, the Agents, Emirates 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 Emirates. Furthermore, no comment is made or advice given by the Trustee, the Delegate, the Agents, Emirates 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, the Delegate or the Agents undertakes to review the financial condition or affairs of the Trustee or Emirates 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.

The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Each potential investor in the Certificates must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

(i) has 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) has 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) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Certificates, including where the currency of payment is different from the potential investor's currency;

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

(v) is able to evaluate 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.

No comment is made or advice given by the Trustee, Emirates, the Delegate, the Managers or the Agents in respect of taxation matters relating to the Certificates or the legality of the purchase of the Certificates by an investor under any applicable law.

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, the Delegate and the Agents 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, Emirates 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, express or implied, is made or given by or on behalf of any of the Managers, the Delegate or the Agents, nor any person who controls them or any director, officer, employee or agent of them, or any affiliate of any such person as to the accuracy, completeness, verification or sufficiency 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, sold, pledged or otherwise transferred within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) 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.

The transaction structure relating to the Certificates (as described in this Prospectus) has been approved by the Executive Committee of the Fatwa & *Shari'a* Supervisory Board of Abu Dhabi Islamic Bank PJSC, the Shari'a Supervisory Committee of BNP Paribas, the *Shari'a* Advisory Board of Citi Islamic Investment Bank E.C., the Executive Committee of the Fatwa and Sharia Supervision Board of Dubai Islamic Bank PJSC and Dar Al Sharia Legal & Financial Consultancy LLC, the Shariah Board of First Abu Dhabi Bank P.J.S.C., the Central Shariah Committee of HSBC Bank Middle East Limited, the J.P. Morgan Shariah Supervisory Committee, the Shari'a Supervisory Committee of Noor Bank PJSC 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, Citigroup Global Markets Limited (the "**Stabilisation Manager**") (or persons acting on behalf of the Stabilisation Manager) may effect transactions with a view to supporting the market price of the Certificates at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the Issue Date and, if begun, may cease 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 Stabilisation Manager (or persons acting on behalf of the Stabilisation 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 Emirates' 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 Emirates, particular uncertainties that could adversely affect its future results include: fluctuations in interest and exchange rates, rise in jet fuel prices, changes in general political, social and economic conditions, and the impact of regulation and regulatory, investigative and legal actions. Although Emirates believes that the expectations, estimates and projections reflected in Emirates' forward-looking statements are reasonable, if one or more of the risks or uncertainties materialise including those which Emirates has identified in the Prospectus, or if any of Emirates' underlying assumptions prove to be incomplete or inaccurate, Emirates' 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, Emirates 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 Island law, and does not intend, to publish audited financial statements or appoint any auditor.

The financial statements relating to the Group included in this document are the interim unaudited condensed consolidated financial statements as of and for the six months ended 30 September 2017 (the "**Interim Financial Statements**") and the audited consolidated financial statements as of and for the financial years ended 31 March 2017 (the "**2017 Financial Statements**") and 31 March 2016 (the "**2016 Financial Statements**" and, together with the 2017 Financial Statements, the "**Annual Financial Statements**" and, together with the Interim Financial Statements, the "**Financial Statements**"). The Group's financial year ends on 31 March and references in this document to a "financial year" are to the twelve month period ended on 31 March of the year referred to.

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board (the "**IASB**"). The Annual Financial Statements have been audited in accordance with International Standards on Auditing by PricewaterhouseCoopers, Dubai Branch ("**PwC**") without qualification. The Interim Financial Statements have been reviewed by PwC in accordance with the International Standard of Review Engagements 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity" ("**ISRE 2410**") without qualification. The Group publishes its financial statements in UAE dirham.

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

This Prospectus includes financial statements and other financial information prepared and presented in accordance with IFRS and the discussion and analysis of the Group's financial condition and results of operations is based on the Group's financial statements prepared in accordance with IFRS. IFRS, IFRS-EU and U.S. GAAP differ materially from each other. This Prospectus does not include any reconciliation to IFRS-EU and U.S. GAAP with respect to any financial statements 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 Emirates has made no attempt to identify or quantify the differences between IFRS, IFRS-EU and U.S. GAAP that might be applicable to the Group or its financial statements 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 other financial information included herein prepared under IFRS and the same financial information prepared under IFRS-EU or U.S. GAAP. Each potential investor is advised to consult its own accounting advisers for an understanding of the differences between IFRS, IFRS-EU and U.S. GAAP and how those differences might affect the financial statements and other financial information in this Prospectus.

Alternative Performance Measures

This Prospectus includes certain references to financial measures derived from the Group's Financial Statements ("**alternative performance measures**") such as the Group's EBITDAR, cash assets, net debt, capital expenditure, operating margin, profit margin, return on shareholders' funds, EBITDAR margin, cash assets to revenue and other operating income, net debt to equity ratio, net debt (including aircraft operating leases) to equity ratio and net debt (including aircraft operating leases) to EBITDAR. The Group uses these alternative measures to evaluate its performance, and this additional financial information is presented in this Prospectus. This information should be viewed as supplemental to the Group's financial statements. Investors are cautioned not to place undue reliance on this information and should note that EBITDAR, cash assets, net debt, capital expenditure, operating margin, profit margin, return on shareholders' funds, EBITDAR margin, cash assets to revenue and other operating income, net debt to equity ratio, net debt (including aircraft operating leases) to equity ratio and net debt (including aircraft operating leases) to EBITDAR, as calculated by the Group, may differ materially from similarly titled measures reported by other companies, including the Group's competitors.

The table below presents alternative performance measures, along with information on their reconciliation to the Financial Statements to the extent that such alternative performance measures are not included in the Financial Statements:

Alternative performance measure	**Definition**	**Information necessary for reconciliation with the relevant Financial Statements**
EBITDAR	EBITDAR is calculated in each period as operating profit before (i) depreciation and amortisation and (ii) aircraft operating lease charges.	Information on operating profit is provided in the interim consolidated income statement in the Interim Financial Statements and consolidated income statements in the 2017 Financial Statements and 2016 Financial Statements. Information on depreciation and amortisation and aircraft operating lease charges (line item "aircraft operating leases) is provided in Note 9 of the Interim Financial Statements and Note 7 of the 2017 Financial Statements and 2016 Financial Statements.
EBITDAR margin	EBITDAR margin is calculated in each period as EBITDAR expressed as a percentage of the sum of revenue and other operating income.	Information on revenue and other operating income is provided in the interim consolidated income statement in the Interim Financial Statements and consolidated income statements in the 2017 Financial Statements and 2016 Financial Statements. For information on EBITDAR, see the "EBITDAR" line item in this table.
Cash assets	Cash assets are calculated in each period as the sum of (i) short-term bank deposits and (ii) cash and cash equivalents.	Information on short-term bank deposits and cash equivalents is provided in the interim consolidated statement of financial position in the Interim Financial Statements and consolidated statements of financial position in the 2017 Financial

Alternative performance measure	Definition	Information necessary for reconciliation with the relevant Financial Statements
		Statements and 2016 Financial Statements.
Net debt	Net debt is calculated in each period as borrowings and lease liabilities net of cash assets.	Information on borrowings and lease liabilities is provided in Note 15 of the Interim Financial Statements and Note 20 of the 2017 Financial Statements and 2016 Financial Statements. For information on cash assets, see the "cash assets" line item in this table.
Capital expenditure	Capital expenditure is calculated in each financial year as the sum of additions to property, plant and equipment and additions to intangible assets excluding goodwill.	Information on additions to property, plant and equipment (line item "additions") is provided in Note 11 of the 2017 Financial Statements and 2016 Financial Statements. Information on additions to intangible assets excluding good will (line item "additions") is provided in Note 12 of the 2017 Financial Statements and 2016 Financial Statements.
Operating margin	Operating margin is calculated in each period as operating profit expressed as a percentage of the sum of revenue and other operating income.	Information on operating profit, revenue and other operating income is provided in the interim consolidated income statement in the Interim Financial Statements and consolidated income statements in the 2017 Financial Statements and 2016 Financial Statements.
Profit margin	Profit margin is calculated in each period as profit attributable to Emirates' owner expressed as a percentage of the sum of revenue and other operating income.	Information on profit attributable to Emirates' owner, revenue and other operating income is provided in the interim consolidated income statement in the Interim Financial Statements and consolidated income statements in the 2017 Financial Statements and 2016 Financial Statements.
Return on shareholders' funds	Return on shareholder's funds is calculated in each financial year as profit attributable to Emirates' owner expressed as a percentage of the average of opening (as of 31 March 2016 for financial year 2017, as of 31 March 2015 for financial year 2016 and as of 31 March 2014 for financial year 2015), and closing (as of 31	Information on profit attributable to Emirates' owner is provided in the consolidated income statements in the 2017 Financial Statements and 2016 Financial Statements. Information on equity attributable to Emirates' owner (line item "attributable to Emirates' Owner") as of 31 March 2017 and 31 March 2016 is provided in consolidated statement of financial position in the

Alternative performance measure	Definition	Information necessary for reconciliation with the relevant Financial Statements
	March 2017 for financial year 2017, as of 31 March 2016 for financial year 2016 and as of 31 March 2015 for financial year 2015) equity attributable to Emirates' owner.	2017 Financial Statements. Information on equity attributable to Emirates' owner (line item "attributable to Emirates' Owner") as of 31 March 2016 and 31 March 2015 is provided in consolidated statement of financial position in the 2016 Financial Statements. The amount of equity attributable to Emirates' owner (line item "attributable to Emirates' Owner") as of 31 March 2014 is equal to AED 25,176 million. It is reported in the consolidated statement of financial position in the Group's financial statements as of and for the year ended 31 March 2015.
Cash assets to revenue and other operating income	Cash assets to revenue and other operating income is calculated in each financial year as cash assets expressed as a percentage of the sum of revenue and other operating income.	For information on cash assets, see the "cash assets" line item in this table. Information on revenue and other operating income is provided in the consolidated income statements in the 2017 Financial Statements and 2016 Financial Statements.
Net debt to equity ratio	Net debt to equity ratio is calculated in each period as net debt expressed as a percentage of total equity.	For information on net debt, see the "net debt" line item in this table. Information on total equity is provided in the interim consolidated statement of financial position in the Interim Financial Statements and consolidated statements of financial position in the 2017 Financial Statements and 2016 Financial Statements.
Net debt (including aircraft operating leases) to equity ratio	Net debt (including aircraft operating leases) to equity ratio is calculated in each period as borrowings and lease liabilities (including aircraft operating leases) net of cash assets expressed as a percentage of total equity.	Net debt (including aircraft operating leases) is calculated as the sum of borrowings and lease liabilities and capitalised value of aircraft operating lease costs net of cash assets. Information on borrowings and lease liabilities is provided in the interim consolidated statement of financial position in the Interim Financial Statements and consolidated statements of financial position in the 2017 Financial Statements and 2016 Financial Statements.

Alternative performance measure	Definition	Information necessary for reconciliation with the relevant Financial Statements
		Capitalised value of aircraft operating lease costs is equal to 60 per cent. of future minimum lease payments for aircraft on operating lease. Information on future minimum lease payments for aircraft on operating lease (line item "aircraft fleet") is provided in Note 18 of the Interim Financial Statements and Note 23 of the 2017 Financial Statements and 2016 Financial Statements. For information on cash assets, see the "cash assets" line item in this table. Information on total equity is provided in the interim consolidated statement of financial position in the Interim Financial Statements and consolidated statements of financial position in the 2017 Financial Statements and 2016 Financial Statements.
Net debt (including aircraft operating leases) to EBITDAR	Net debt (including aircraft operating leases) to equity ratio is calculated in each period as borrowings and lease liabilities (including aircraft operating leases) net of cash assets expressed as a percentage of EBITDAR.	Net debt (including aircraft operating leases) is calculated as the sum of borrowings and lease liabilities and capitalised value of aircraft operating lease costs net of cash assets. Information on borrowings and lease liabilities is provided in the interim consolidated statement of financial position in the Interim Financial Statements and consolidated statements of financial position in the 2017 Financial Statements and 2016 Financial Statements. Capitalised value of aircraft operating lease costs is equal to 60 per cent. of future minimum lease payments for aircraft on operating lease. Information on future minimum lease payments for aircraft on operating lease (line item "aircraft fleet") is provided in Note 18 of the Interim Financial Statements and Note 23 of the 2017 Financial Statements and 2016 Financial Statements.

Alternative performance measure	Definition	Information necessary for reconciliation with the relevant Financial Statements
		For information on cash assets, see the "cash assets" line item in this table. For information on EBITDAR, see the "EBITDAR" line item in this table.

Additional Information about EBITDAR

In certain places within this document reference is made to EBITDAR. EBITDAR is an alternative performance measure. As referred to in the table above, the Group has calculated EBITDAR for each period as operating profit before (i) depreciation and amortisation and (ii) aircraft operating lease charges.

EBITDAR is commonly used in the airline industry to view operating results before depreciation, amortisation and aircraft operating lease charges as these costs can vary significantly among airlines due to differences in the way airlines finance their aircraft and other assets.

EBITDAR should not be considered as an alternative measure to operating profit, as an indicator of operating performance, as an alternative to operating cash flows or as a measure of the Group's liquidity. EBITDAR as presented in this document may not be comparable to similarly titled measures reported by other companies due to differences in the way these measures are calculated.

EBITDAR has important limitations as an analytical tool and should not be considered in isolation from, or as a substitute for an analysis of, the Group's operating results as reported under IFRS. Some of the limitations are:

- EBITDAR does not reflect cash expenditures or future requirements for capital expenditures or contractual commitments;
- EBITDAR does not reflect changes in, or cash requirements for, working capital needs;
- EBITDAR does not reflect the interest expense or the cash requirements necessary to service interest or principal payments on debt;
- although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future and EBITDAR does not reflect any cash requirements for such replacements; and
- other companies may calculate EBITDAR differently, limiting its usefulness as a comparative measure.

Comparability of Financial Information of the Group

Certain financial information for the year ended 31 March 2016 included in the 2016 Financial Statements differs from the financial information for the year ended 31 March 2016 included, for comparative purposes, in the 2017 Financial Statements. In particular, in the 2017 Financial Statements, operating costs in the year ended 31 March 2016 set out in Note 7 consist of, among other things, "in flight catering and other operating costs" in the amount of AED 3,143 million, "crew layover" in the amount of AED 971 million, "corporate overheads" in the amount of AED 1,890 million and "foreign exchange loss – net" in the amount of AED 5 million. In the 2016 Financial Statements, "in flight catering and other operating costs" and "crew layover" are presented as one line item ("in flight catering and other operating costs"), which is equal to AED 4,114 million, and "corporate overheads" and "foreign exchange loss – net" are also presented as one line item ("corporate overheads"), which is equal to AED 1,895 million. This Prospectus includes "in flight catering and other operating costs", "crew layover", "corporate overheads" and "foreign exchange loss – net" in the description of operating costs in the year ended 31 March 2016, with the amounts for each of these line items extracted from Note 7 to the 2017 Financial Statements.

Financial information for the year ended 31 March 2015 included, for comparative purposes, in Note 7 to the 2016 Financial Statements does not have separate "crew layover" and "foreign exchange loss – net" line items. Accordingly, this Prospectus does not include "crew layover" and "foreign exchange loss – net" line items in describing operating costs in the year ended 31 March 2015 in "*Financial Review – Results of Operations in the Six Months Ended 30 September 2017 and 2016 and the Three Years Ended 31 March 2017 – Operating Costs*" and the amounts for line items "in flight catering and other operating costs" and "corporate overheads" in the year ended 31 March 2015 presented in the same section are not comparable to the amounts for the same line items in the years ended 31 March 2016 and 2017. Had the financial information for the financial year 2015 been amended according to the same principles as were applied to the description of operating costs in Note 7 to the 2017 Financial Statements, the impact would have been as follows:

- a decrease in "in flight catering and other operating costs" by AED 951 million;
- a decrease in "corporate overheads" by AED 721 million;
- an addition of a new line item, "crew layover", in the amount of AED 951 million; and
- an addition of a new line item, "foreign exchange loss – net", in the amount of AED 721 million.

In addition, in the 2017 Financial Statements, trade and other payables as of 31 March 2017 and as of 31 March 2016 exclude provisions for aircraft return conditions expected to be used within one year in the amounts of AED 597 million and AED 505 million, respectively. In the 2016 Financial Statements, trade and other payables as of 31 March 2016 and as of 31 March 2015 include provisions for aircraft return conditions expected to be used within one year in the amounts of AED 505 million and AED 52 million, respectively. To make the presentation of trade and other payables consistent across all three dates, total trade and other payables as of 31 March 2017, 31 March 2016 and 31 March 2015 (and as of 30 September 2017), exclude provisions for aircraft return conditions.

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;
- "**ATKM**" are to available tonne kilometres, an airline industry measure of total capacity calculated as the total tonnage available for the carriage of passengers and freight multiplied by the distance flown;
- "**Breakeven load factor**" are to the overall load factor at which revenue will equal operating costs;
- "**Cargo Yield**" are to cargo revenue divided by FTKM and expressed in fils per FTKM;
- "**FTKM**" are to freight tonne kilometres, an airline industry measure of cargo carried calculated as the total cargo tonnage uplifted multiplied by the distance carried;

- "**Overall load factor**" are to RTKM divided by ATKM, an airline measure of aircraft passenger and cargo use;

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

- "**Passenger yield**" are to passenger revenue divided by 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;

- "**RTKM**" are to revenue tonne kilometres, an airline industry measure of actual traffic load calculated as the tonnage of passengers and cargo carried multiplied by the distance flown; and

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

Presentation of Other Information

In this Prospectus, references to:

- "€" are to the currency introduced at the start of the third stage of the Treaty on the Functioning of the European Community, as amended;

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

- "**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.$1.00. All U.S.$ 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.

References in this document to the "**Group**" are to Emirates and its consolidated subsidiaries, associates and joint ventures.

Any reference in this document to the "**Emirates Group**" is a reference to the Group and dnata (together with its consolidated subsidiaries and associates). dnata is a separate legal entity from Emirates, although it is under common ownership and operates under a common management structure. dnata's financial results are not consolidated with those of Emirates. dnata is the largest travel management services entity in the Middle East and the sole ground handling agent at Dubai International Airport ("**DIA**"). dnata's primary activities are the provision of aircraft handling and engineering services, representing airlines as their general sales agent, travel agency and other travel related services, as well as catering. The Group shares certain common services, such as information technology, human resources, finance and legal, with dnata and its group companies and members of Emirates' senior management team also have senior management positions at dnata and dnata group companies. dnata, as the sole ground handling agent at

DIA, provides aircraft and baggage handling services to Emirates. Emirates pays the same aircraft handling fees to dnata as would a similar high volume customer. dnata also provides ticketing agency services to Emirates.

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 derivatives or aggregations of the amounts that precede them.

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 have been extracted from public sources identified in this Prospectus. None of the Managers, the Delegate, the Agents, the Trustee or Emirates accepts responsibility for the factual correctness of any such statistics or information but both the Trustee and Emirates 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 Emirates confirm that all such third party information has been accurately reproduced and, so far as the Trustee and Emirates are aware and has been able to ascertain from that published information, no facts have been omitted which would render the reproduced information inaccurate or misleading.

VOLCKER RULE

The Volcker Rule, which became effective on 1 April 2014, but was subject to a conformance period for certain entities that concluded on 21 July 2015, generally prohibits "banking entities" (which is broadly defined to include U.S. banks and bank holding companies and many non-U.S. banking entities, together with their respective subsidiaries and other affiliates) from (i) engaging in proprietary trading, (ii) acquiring or retaining an ownership interest in or sponsoring a "covered fund", and (iii) entering into certain relationships with "covered funds". The general effects of the Volcker Rule remain uncertain; any prospective investor in the Certificates and any entity that is a "banking entity" as defined under the Volcker Rule which is considering an investment in the Certificates should consult its own legal advisors and consider the potential impact of the Volcker Rule in respect of such investment. If investment by "banking entities" in the Certificates is prohibited or restricted by the Volcker Rule, this could impair the marketability and liquidity of such Certificates. No assurance can be made as to the effect of the Volcker Rule on the ability of certain investors subject thereto to acquire or retain an interest in the Certificates, and accordingly none of the Trustee, Emirates, the Delegate, the Agents or the Managers, or any of their respective affiliates, makes any representation regarding (a) the status of the Trustee under the Volcker Rule (including whether it is a "covered fund" for their purposes) or (b) the ability of any purchaser to acquire or hold the Certificates, now or at any time in the future.

Each investor is responsible for analysing its own position under the Volcker Rule.

MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Certificates has led to the conclusion that: (i) the target market for the Certificates is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Certificates to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Certificates (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

NOTICE TO RESIDENTS OF THE CAYMAN ISLANDS

No invitation whether directly or indirectly may be made to any member of the public of the Cayman Islands to subscribe for the Certificates and this Prospectus shall not be construed as an invitation to any member of the public of the Cayman Islands to subscribe for the Certificates.

NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA

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 the 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 RESIDENTS OF THE KINGDOM OF BAHRAIN

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 any equivalent amount in other currency or such other amount as the CBB may determine.

This Prospectus 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 or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors for an offer outside 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 in 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 document and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this document. 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 is not intended to constitute an offer, sale or delivery of bonds or other debt financing instruments under the laws of the State of Qatar. The Certificates have not been and will not be authorised by the Qatar Financial Markets Authority, the Qatar Financial Centre or the Qatar Central Bank in accordance with their regulations or any other regulations in the State of Qatar. The Certificates and interests therein will not be offered to investors domiciled or resident in the State of Qatar and do not constitute debt financing in the State of Qatar under the Commercial Companies Law No. (5) of 2002 or otherwise under any laws of the State of Qatar.

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

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RISK FACTORS

The Trustee and Emirates believe that the following factors may affect their ability to fulfil their respective obligations under the Certificates and the Transaction Documents. All of these factors are contingencies which may or may not occur and neither the Trustee nor Emirates is in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with the Certificates are also described below.

Each of the Trustee and Emirates believes that the factors described below represent the principal risks inherent in investing in the Certificates, but the inability of the Trustee and Emirates to make payments on or in connection with the Certificates and the Transaction Documents may occur for other reasons and neither the Trustee nor Emirates makes any representation that the statements below regarding the risks of holding the Certificates 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.

Should any of the factors described materialise, this could have a material adverse effect on Emirates' financial condition, results of operations, cash flow and prospects which could negatively affect its ability to make payments under the Transaction Documents and therefore the Trustee's ability to make payments in respect of the Certificates.

Prospective investors should also consult their own financial and legal advisers about the risks associated with an investment in the Certificates and the suitability of investing in the Certificates in light of their particular circumstances, without relying on the Trustee or Emirates. Prospective investors are advised to make, and will be deemed by the Trustee and Emirates to have made, their own investigations in relation to such factors before making any investment decision.

Words and expressions defined in "Terms and Conditions of the Certificates" shall have the same meanings in this section.

Risks Relating to the Trustee

The Trustee has no operating history and no material assets and will depend on receipt of payments from Emirates to make payments to Certificateholders

The Trustee was incorporated under the laws of the Cayman Islands on 23 January 2018 as an exempted company with limited liability and has no operating history. The Trustee has not 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 its capacity as Trustee, the issuance of shares in its capital and other activities incidental or related to the foregoing as required under the Transaction Documents. Since the Trustee is a Cayman Islands company, it may not be possible for Certificateholders to effect service of process on it outside the Cayman Islands.

The Trustee's only material assets, which will be held on trust for the Certificateholders, will be the Trust Assets, including the obligation of Emirates to make payments to the Trustee under the Transaction Documents. Therefore, the Trustee is subject to all the risks to which the Group is subject to the extent that such risks could limit Emirates' ability to satisfy in full and on a timely basis its obligations under the Transaction Documents.

The ability of the Trustee to pay amounts due on the Certificates will be dependent upon receipt by the Trustee from Emirates of amounts to be paid pursuant to the Transaction Documents (which in aggregate may not be sufficient to meet all claims under the Certificates and the Transaction Documents). See *"—Risks Relating to Emirates*" below.

Risks Relating to Emirates

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

Emirates' 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.

Emirates has an extensive route network centred on its home base in Dubai. Most 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 are predicated on management's growth expectations, which may prove inaccurate if any of the following or other factors that are beyond the Group'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- or long-term in nature and may be local, regional or global in their effect, could significantly affect the revenue of the Group.

These factors include, but are not limited to:

- any material decline in economic activity, within a region or globally, which may directly affect demand for Emirates' passenger travel and for cargo space. Since a substantial portion of airline travel, for both business and leisure, is discretionary, Emirates may experience adverse financial performance during an economic downturn. It is difficult to predict the duration and effects of an economic downturn, which may be aggravated by volatility in the financial sector and the capital markets;

- epidemics (such as, for example, Avian Flu H5N1, Ebola, Middle East respiratory syndrome coronavirus, etc.) that escalate into a regional or global pandemics may have adverse impact on Emirates, which may operate to or from such affected areas/regions. Air travel may be severely reduced even though international and national response plans to address such events have been developed or are in development. Other natural disasters such as earthquakes, floods, volcanic eruptions or tsunamis (such as, for example, the volcanic eruption in Iceland in 2010 and earthquake in Japan in 2011) may devastate destinations and significantly reduce travel to those areas for a period of time;

- geopolitical tension, regional wars and civil unrest, terrorist attacks or the threat of such attacks which may result in a significant reduction in tourism and business travel and may also lead to the introduction of measures, such as, for example, potential travel restrictions imposed by governments, new measures relating to entry requirements, enhanced security vetting procedures and restrictions on personal electronic devices in aircraft cabins that could materially reduce airline passenger traffic. See also *"— Emirates' operations in the Middle East may be adversely affected by political unrest or civil disturbances";*

- seasonal variation in travel patterns that may be impacted by weather or vacation timings in different markets;

- any significant damage to the brand image of Emirates or its reputation that may adversely impact its ability to market its services and to attract passengers; 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 Emirates to predict the occurrence of events or circumstances such as or similar to those outlined above, or the impact of such occurrences. The Group'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 Emirates' ability to perform its obligations under the Transaction Documents to which it is a party.

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

Jet fuel costs are the Group's most significant operating cost, accounting for 26.5 per cent. and 25.4 per cent. of the Group's total operating costs as of 30 September 2017 and 31 March 2017, respectively. Jet fuel prices are volatile and are influenced by many factors, including speculative trading in commodity markets, other international market conditions, natural disasters, decisions of oil producing cartels and geopolitical events. Due to the competitive nature of the airline industry, Emirates 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.

Emirates is therefore exposed to the risk that significant changes in jet fuel costs could have a material adverse effect on the Group's financial condition, results of operations and business and, as a result, Emirates' ability to perform its obligations under the Transaction Documents to which it is a party.

Emirates is exposed to volatility in the price of jet fuel and closely monitors the actual cost against forecast cost. Emirates adopts a dynamic approach to managing fuel price risk based upon a continuous assessment of the market. From time to time, in order to help manage the price risk, Emirates has utilised commodity futures and options to achieve a level of control over higher jet fuel costs and may utilise such futures and options again in the future. During financial year ended 31 March 2017 and the six months ended 30 September 2017, Emirates' strategy was to remain largely unhedged. If Emirates' hedging strategy at any given time were to be ineffective in whole or in part, this could have a material adverse impact on the Group's financial condition, results of operations and business and, as a result, a material adverse effect on Emirates' 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 the Group operates could have a material adverse impact on Emirates' operations.

Emirates' operations are dependent on its ability to operate from its hub in Dubai, including its ability to operate on a 24-hour basis for landing and take-off at DIA and continued access to sufficient landing and take-off rights at DIA to support its current and planned future operations. A significant proportion of Emirates' flights are routed to, from or via DIA and, currently, no alternative facility exists with the capacity to fulfil Emirates' requirements in the event of a closure or significant disruptions at DIA or a reduction in the number of landing and take-off rights available for any other reason. Emirates is also dependent on its ability to operate to and from other airports on the Emirates route network. See "*Risk Factors Relating to the Airline Industry and Emirates' Operations in the Middle East — Air traffic and the aviation industry are heavily regulated and Emirates' ability to comply with all applicable regulations is key to maintaining its operational and financial performance*".

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

Emirates 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 September 2017, Emirates had AED 203.4 billion in authorised and contracted capital commitments in respect of its aircraft fleet (not including the orders for 40 787-10 Dreamliners announced since that date and 36 Airbus A380 aircraft signed since that date). Emirates seeks to finance these capital commitments using a range of different instruments (including finance leases, operating leases, bank loans, export credit guaranteed financing and capital markets instruments) in a variety of different markets. Because of changing market conditions, Emirates may not in the future be able to obtain financing or otherwise access the capital markets on favourable terms or at all.

If Emirates 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 the Group's financial condition, results of operations and business and, as a result, materially adversely affect Emirates' ability to perform its obligations under the Transaction Documents to which it is a party.

Emirates 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 the Group's business.

Emirates manages its airline business with a level of insurance coverage against the risk of losses from man-made and natural disasters that Emirates' 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.

Emirates may be subject to liability claims arising out of accidents or disasters involving aircraft on which its customers are travelling or involving aircraft of other carriers maintained or repaired by Emirates, including claims for serious personal injury or death. Emirates' 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 Emirates' aircraft or an aircraft of another carrier receiving line maintenance services from Emirates may significantly harm Emirates' reputation for safety, which could have a material adverse effect on the Group's financial condition, results of operations and business and, as a result, a material adverse effect on Emirates' 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 for Emirates, particularly if the aircraft crash or disaster concerned involved a type of aircraft used by Emirates in its fleet.

Any significant uninsured loss, loss of cover or significant increase in insurance costs could adversely affect the Group's financial condition, results of operations and business and, as a result, adversely affect Emirates' ability to perform its obligations under the Transaction Documents to which it is a party.

Emirates is exposed to the risk of introducing new aircraft to its fleet.

Emirates has announced orders for Boeing 777-X and the Boeing 787-10 Dreamliners aircraft and will, as a result, be introducing at least two new aircraft types to its fleet. The delivery of any new aircraft may result in operational and technical challenges relating to the technical acceptance and phasing into service of the aircraft. This risk may be increased with the introduction of new aircraft types. Any delays or difficulties arising from the introduction of new aircraft could impact Emirates' ability to operate its business profitably or efficiently and could have a material adverse effect on the Group's financial condition, results of operations and business and, as a result, a material adverse effect on Emirates' ability to perform its obligations under the Transaction Documents to which it is a party.

Emirates is dependent upon certain other third parties and any failure on their part to fully perform their contractual obligations could materially adversely affect Emirates' business.

Emirates 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. Emirates is also dependent on third parties for services such as fuel distribution and airframe and engine maintenance. In certain cases, Emirates 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 a significant amount of 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 Emirates' control. Any failure or inability by Emirates 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 Emirates, could have a material adverse effect on the Group's financial condition, results of operations and business and, as a result, a material adverse effect on Emirates' 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, on terms that are favourable to Emirates.

All aircraft in Emirates' 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 Emirates. Incidents could occur, which may or may not relate to maintenance or modification programmes for the aircraft fleet which could adversely impact Emirates' operations and the Group's financial performance.

In addition, the infrastructure that provides jet fuel to DIA and the other airports from which Emirates 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 the Group's financial condition, results of operations and business and, as a result, a material adverse effect on Emirates' ability to perform its obligations under the Transaction Documents to which it is a party.

Emirates is exposed to the residual value of certain aircraft in its fleet.

Emirates is exposed to the risk of the residual value of, and impairment of the value of, aircraft that it has on finance leases and aircraft that it owns. As of 30 September 2017, Emirates had 107 aircraft on finance leases and owned 7 aircraft. As an aircraft ages, its value depreciates on the airline's balance sheet. Market value, however, is affected by many factors including new regulations, aircraft redesign, upgrade and/or end of production. If an aircraft is sold for a price that is less than the depreciated book value of the aircraft on an airline's balance sheet, the airline may recognise a loss on that sale. Such losses could have a material adverse effect on the Group's financial condition, results of operations and business and, as a result, a material adverse effect on Emirates' ability to perform its obligations under the Transaction Documents to which it is a party.

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

Emirates' 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 Emirates as well as the systems used by third parties in the course of their cooperation with Emirates. As with any computer and communication systems, those on which Emirates relies are vulnerable to disruptions, power outages, cyber-attacks, acts of sabotage, computer viruses, fires and other events. While Emirates 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 Emirates or its partners, including data providers and payment services providers, could significantly impair Emirates' ability to operate its business efficiently and could have a material adverse effect on the Group's financial condition, results of operations and business and, as a result, a material adverse effect on Emirates' ability to perform its obligations under the Transaction Documents to which to which it is a party.

Emirates is exposed to a range of financial risks, including the risk that its results may be adversely affected by changes in interest rates or currency exchange rates and the risk that counterparties may default as well as a range of market risks.

Emirates is exposed to fluctuations in the prevailing levels of interest rates on borrowings and investments. Emirates targets a balanced portfolio approach, whilst seeking to ensure flexibility to take advantage of market movements, by hedging approximately half of its net interest rate exposure, using appropriate hedging tools including interest rate swaps. Borrowings taken at variable rates, where unhedged, expose Emirates to movements in the underlying reference rates, principally the London, Emirates and Euro interbank offered rates.

Emirates is also exposed to fluctuations in prevailing foreign currency exchange rates. Emirates is in a net payer position with respect to the U.S. dollar and is in a net surplus position for other currencies. Currency risks arise mainly from Emirates' revenue earning activities and Emirates seeks to manage its exchange rate exposure through a policy of matching its foreign currency inflows and outflows as far as possible, as well as through hedging a proportion of its remaining exposure by using forward contracts. Nevertheless, the translation of foreign currency transactions into dirham, the lawful currency of the UAE, can lead to significant foreign currency income and costs in the consolidated statement of income and thus can materially affect the Group's reported results of operations.

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

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

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

Emirates is exposed to ongoing litigation.

Emirates is subject to the risk of litigation, arbitration or other legal proceedings in relation to its business and operations. For example, Emirates may incur additional costs as a result of court proceedings on compensation for delayed flights. Emirates cannot reasonably estimate the potential losses if it was to be included in any such potential legal proceedings. However, if any of those proceedings resulted in an adverse judgment against it, Emirates would be subject to damages which could have an adverse effect on Emirates' financial position, results of operations and business and, as a result, a material adverse effect on Emirates' ability to perform its obligations under the Transaction Documents to which it is a party.

Emirates is exposed to a range of employment risks, including increased employment costs, the risk of employee disputes causing significant business interruptions, 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, flight engineers and other licensed occupations.

Employment costs constitute one of Emirates' more significant operating cost items. There can be no assurance that Emirates 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 Emirates' competitors. Any future agreements or outcome of negotiations with employees, 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 the Group's financial condition, results of operations and business.

Any dispute between Emirates and some or all of its employees could result in a strike or other work stoppage that affects Emirates' ability to operate its scheduled flights. Any such disruption could have a material adverse effect on the Group's financial condition, results of operations and business and, as a result, a material adverse effect on Emirates' ability to perform its obligations under the Transaction Documents to which it is a party.

Emirates 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 specific roles within Emirates, especially within the area of flight operations. If Emirates was to experience a substantial turnover in its leadership or other key employees or if Emirates is unable to attract or retain other highly qualified staff, such as pilots, flight engineers and other licensed occupations, as needed in the future, the Group'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 Emirates' sole owner.

Investment Corporation of Dubai ("**ICD**"), an entity wholly owned by the Government of Dubai, is the sole owner of Emirates and Emirates is therefore subject to decisions taken by its sole owner. The interests of the Certificateholders may conflict with the interests of ICD.

The Group 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 the Group's business, financial condition or results of operations.

The Group 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. The Group 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 the Group's financial condition and results of operations and on Emirates' ability to receive funds from its subsidiaries and, as a result, a material adverse effect on Emirates' ability to perform its obligations under the Transaction Documents to which it is a party.

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

The airline industry is highly competitive and Emirates 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. Emirates faces direct competition from other major full service airlines operating on many of the same routes which Emirates flies, from regional airlines which are following a similar "hub and spoke" strategy, as well as from indirect flights and charter services. Emirates may also face competition in the future from new entrants targeting its routes or from merged operators.

Emirates encounters substantial price competition. Some of Emirates' competitor airlines may be able to offer flights at significantly lower prices. The expansion of low-cost carriers, 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 Emirates' competitors. In particular, the low-cost segment within the Middle East remains relatively undeveloped with scope for further penetration by low-cost carriers and therefore further competition for Emirates. Some or all of these competitor airlines may also have access to larger and less expensive sources of funding than Emirates. Any decision to match competitors' fares to maintain passenger traffic could result in a material adverse effect on the

Group's financial condition, results of operations and business and, as a result, a material adverse effect on Emirates' ability to perform its obligations under the Transaction Documents to which it is a party.

Further consolidation in the airline industry and the growth of global alliance groups of airlines could result in increased competition as some airlines emerging from such consolidations or entering such alliances may be able to compete more effectively against Emirates. If Emirates' competitors are able to offer their services at lower prices on a continuous basis or to increase their market share to the detriment of Emirates, this could have a material adverse effect on the Group's financial condition, results of operations and business and, as a result, a material adverse effect on Emirates' ability to perform its obligations under the Transaction Documents to which it is a party.

Emirates 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 Emirates to make significant unanticipated expenditures, limit the ability of Emirates to obtain financing or other capital or otherwise have an adverse effect on Emirates' 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 Emirates.

Additionally, the value and performance of Emirates 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 or regional 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 the Group's financial condition, results of operations and business and, as a result, a material adverse effect on Emirates' 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 Emirates' 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 Emirates. In order for Emirates 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 Emirates 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 Emirates' business by, among other things, restricting market access, increasing costs or impeding normal service operations.

In 2016, the UAE, along with 200 other members states of the International Civil Aviation Organisation ("**ICAO**"), approved a global market-based measure to limit and offset emissions from the aviation sector. The aim is to achieve carbon-neutral growth from 2020 onwards. The Carbon Offsetting and Reduction Scheme for International Airlines ("**CORSIA**") requires some airlines to measure their carbon dioxide emissions on a route basis and to offset any increase in those emissions from 2020 onwards by either (i) purchasing carbon credits or (ii) investing in environmentally friendly projects. Currently, the scheme applies to countries that have indicated that they will participate on a voluntary basis and the UAE is one such country. Emirates must therefore commence it's compliance with CORSIA in 2020.

Emirates currently complies with an emissions trading scheme that applies to flights departing from, and arriving at, the European Union airports only. The European Union is preparing to transition from the existing scheme to implement the global market-based measure developed by ICAO.

It is envisaged that that the airline's obligation under CORSIA will be monitored and reported through a centralised government agency that collects the emissions data from participating airlines and reports that as well as the offsetting processes to ICAO. The UAE is yet to issue guidelines for the implementation and compliance with CORSIA and is yet to formally identify the government agency responsible for its compliance and monitoring. ICAO is yet to publish guiding regulations that establish projects that airlines can contribute to in an effort to neutralise emissions. Once approved, such projects will have to undergo a review process to remain CORSIA approved. 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 the introduction of CORSIA or by more stringent taxation could have a material adverse effect on the Group's financial condition, results of operations and business and, as a result, a material adverse effect on Emirates' ability to perform its obligations under the Transaction Documents to which it is a party.

Emirates' operations in the Middle East may be adversely affected by political unrest or civil disturbances.

Since early 2011 there has been political unrest in a range of countries in the Middle East and North Africa ("**MENA**") region. This unrest has ranged from public demonstrations to, in extreme cases, armed conflict and civil war and has given rise to a number of regime changes and increased political uncertainty across the region. It is not possible to predict the occurrence of events or circumstances such as war or hostilities, or the impact that such occurrences might have on Emirates or the UAE. The MENA region is currently subject to a number of armed conflicts including those in Yemen, Syria and Iraq. In June 2017, the UAE, along with the Kingdom of Saudi Arabia, Bahrain and Egypt ceased diplomatic relations with Qatar. As a result, all Emirates flights to Qatar have been suspended until further notice. There can be no assurance that such instability in the region will not escalate in the future, that instability will not spread to additional countries in the MENA region, that governments in that region will be successful in maintaining domestic order and stability or that Dubai's financial or political situation will not thereby be affected. Any such event may lead to a reduction in demand for Emirates' services, interrupt its ability to operate at optimal levels of capacity and constrain the mobility of its staff, which may have a material adverse effect on the Group's financial condition, results of operations and business and, as a result, a material adverse effect on Emirates' 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 Emirates' secured creditors

Emirates 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 Emirates' obligations under the finance lease. As of 30 September 2017, 40.5 per cent. (107 out of 264) of

Emirates' aircraft used on scheduled services were financed using finance leases. Under the terms of an operating lease, Emirates does not own the aircraft being leased and the aircraft does not appear as an asset on Emirates' balance sheet. As of 30 September 2017, 59.5 per cent. (157 out of 264) of Emirates' aircraft used on scheduled services were financed using operating leases.

Investors should be aware that if Emirates becomes insolvent, any of Emirates' 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 Emirates' unsecured creditors, including the Trustee or the Delegate (on behalf of holders of the Certificates, or such Certificateholders following a failure by the Delegate to proceed as provided in the Conditions), and the claims of Emirates' 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 Emirates 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 Emirates unless: (i) the Delegate, having become bound so to proceed, (a) fails or (b) is unable by reason of an order of a court having competent jurisdiction to do so, in each case, within a reasonable period and such failure or inability is continuing; and (ii) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders who propose to proceed directly against any of the Trustee or Emirates, as the case may be) holds at least 25 per cent. of the then outstanding aggregate face amount of the Certificates. 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.

Following the enforcement, realisation and ultimate distribution of the net proceeds of the Trust Assets 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 the Obligor) 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 face amount of less than U.S.$200,000 would need to purchase a face 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.

The secondary market generally

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.

No assurance can be given that listing and trading on the Main Securities Market and/or Nasdaq Dubai can be maintained

The Trustee and Emirates have applied for the Certificates to be admitted to listing on the Official List and the DFSA Official List and to trading on the Main Securities Market and Nasdaq Dubai. However, prospective investors should note that there can be no assurance that such listing and trading can be maintained. The delisting of the Certificates from such markets may have an adverse effect on a Certificateholder's ability to hold, or resell, the 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 and Certificateholders who voted in a manner contrary to the majority. The Delegate and the Trustee may agree to modify the Conditions of the Certificates without the consent of the Certificateholders in cases of, *inter alia*, 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) the Obligor 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 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 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 profit rate as high as the profit 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 well as the availability of a specified foreign currency at the time of any payments, including of any Periodic Distribution Amount on a Certificate. As a result, the payments received by investors may be adversely affected.

Risks relating to enforcement

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

In the event of Emirates' insolvency, UAE bankruptcy laws may adversely affect Emirates' 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 Emirates 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 Emirates 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 Emirates making payments to the Trustee in the manner contemplated under the Transaction Documents. If Emirates fails to do so, it may be necessary to bring an action against Emirates to enforce its obligations which could be both time consuming and costly. Emirates 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.

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 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. The uncertainty regarding the interpretation and application of the New York Convention provisions by the courts is further reinforced by 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 in similar proceedings in the future.

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

Where an English judgment, or such other foreign judgment, has been obtained, there is no assurance that Emirates has or would at the relevant time have assets in the United Kingdom against which such a judgment could be enforced. Emirates is a decree company 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.

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.

Investors may experience difficulty enforcing against the assets of Emirates in Dubai

Decree No. 2 of 1985 establishing Emirates (as amended by Decree No. 7 of 1991, the "**Decree**") contains provisions which prohibit the seizure of assets belonging to Emirates in satisfaction of any debt or obligation owed by Emirates. However, the Chairman of Emirates has pursuant to Article (7)(3) of the Decree issued an irrevocable written decision, dated 7 March 2018 (the "**Decision**"), which exempts the Certificateholders from these provisions. Notwithstanding this, there are some uncertainties under the laws of Dubai as to the effectiveness of the exemption afforded by the Decision as a result of 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**"). 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. The Dubai Lawsuit Law may apply to Emirates and accordingly, investors may be required to obtain the permission of the Ruler of Dubai before enforcement proceedings can be brought against Emirates under the Certificates.

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 Executive Committee of the Fatwa & *Shari'a* Supervisory Board of Abu Dhabi Islamic Bank PJSC, the Shari'a Supervisory Committee of BNP Paribas, the *Shari'a* Supervisory Board of Citi Islamic Investment Bank E.C., the Executive Committee of the Fatwa and Sharia Supervision Board of Dubai Islamic Bank PJSC and Dar Al Sharia Legal & Financial Consultancy LLC, the Shariah Board of First Abu Dhabi Bank P.J.S.C., the Central Shariah Committee of HSBC Bank Middle East Limited, the J.P. Morgan Shariah Supervisory Committee, the Shari'a Supervisory Committee of Noor Bank PJSC 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, Emirates, 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. Emirates has also agreed under certain of the Transaction Documents to submit to the exclusive jurisdiction of the courts of England in respect of any dispute under such Transaction Document, subject to the right of the Trustee and/or the Delegate and/or the Agents (as applicable) to require any dispute to be resolved by any other court of competent jurisdiction. 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 Emirates, 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

Taxation risks on payments

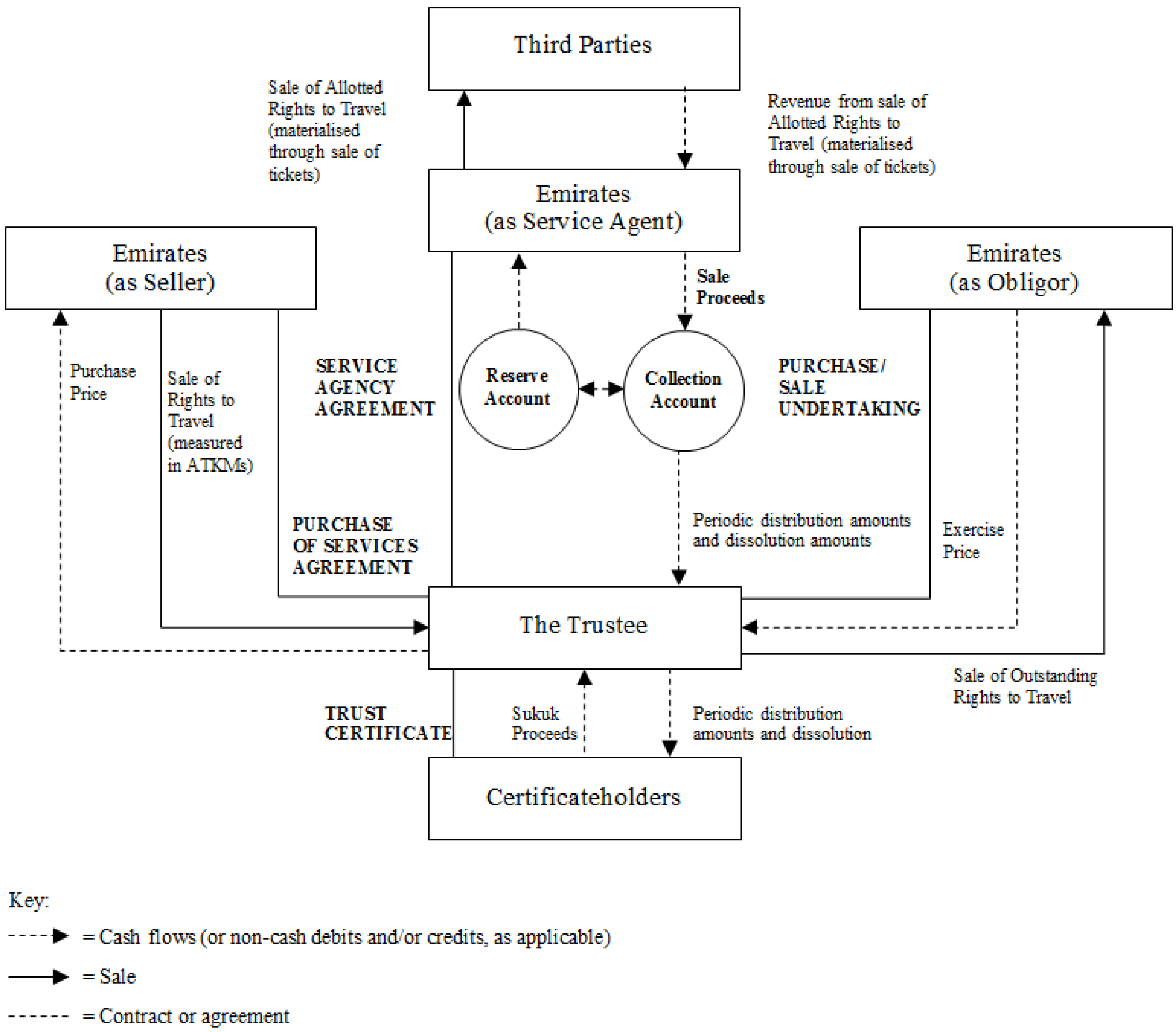
Payments made by Emirates to the Trustee under the Transaction Documents or by the Trustee in respect of the Certificates could become subject to taxation. The Service Agency Agreement requires Emirates to pay additional amounts in the event that any withholding or deduction is required by UAE law to 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, Emirates 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 Emirates 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.

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 Emirates pursuant to which the Trustee will use the proceeds of the issue of the Certificates to purchase, on behalf of the Certificateholders, from Emirates certain rights and services comprising (i) the right and entitlement of the Trustee (or any third party for and on behalf of the Trustee in accordance with the terms of the Service Agency Agreement) (as defined below) to travel on any air passenger route operated from time to time by Emirates; and (ii) all services ordinarily provided by

Emirates 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 Emirates' terms of business (such rights and services being measured in ATKMs) (the "**Rights to Travel**"). Such Rights to Travel shall be specified in the Purchase of Services Agreement to be available to the Trustee to be sold in specified periods.

For the purpose of the purchase of the Rights to Travel, each ATKM will be ascribed a value of UAE dirhams 1.00, representing the cost of each ATKM as reported in the most recent annual report published by Emirates (less such approximate amount determined by Emirates 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**").

Periodic Distribution Payments and Partial 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 Emirates (as Service Agent) a specified portion of the Rights to Travel (measured in ATKMs) will be designated for distribution and sale 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 and Partial Dissolution Distribution Amount payable on the immediately following Periodic Distribution Date, then provided that no Potential Dissolution Event or 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 retained by the Service Agent as an interim incentive fee, 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.

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, the Service Agent will procure the payment to the Trustee (by way of a payment into the U.S. dollar account maintained in London in the name of the Trustee with the Principal Paying Agent (the "**Transaction Account**") established for the Certificates (and as described further in the Conditions)) of the Periodic Distribution Amounts and Partial Dissolution Distribution Amounts payable by the Trustee under the Certificates for that Profit Period, and will be applied by the Trustee for that purpose on the immediately following Periodic Distribution Date. Such amounts are expected to be funded by the proceeds from the sale of the Allotted Rights to Travel (measured in ATKMs) 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 ATKMs) 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 Allotted Rights to Travel (measured in ATKMs) are sold during a Profit Period and/or (b) any Rights to Travel are sold for less than the specified minimum sale price, (in breach of the terms of the Service Agency Agreement) then (in the case of (a)) Emirates will purchase the surplus Allotted Rights to Travel from the Trustee pursuant to a purchase undertaking and/or (in the case of (b)) 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 interim incentive fees, by way of indemnity on an after tax basis) the Trustee for the shortfall in relation to the sale of the Allotted Rights to Travel, such that the proceeds of the sale of Allotted Rights to Travel (together with any such payments) will always be sufficient to pay the relevant Periodic Distribution Amounts and Partial Dissolution Distribution Amounts due in respect of the Certificates.

Termination Payments by Emirates

Following the occurrence of a Dissolution Event, the Trustee and the Delegate will have the right to require Emirates to purchase and accept the transfer of the aggregate unsold Allotted Rights to Travel held by the Issuer or by Emirates on its behalf (the "**Outstanding Rights to Travel**") and the Additional Rights to Travel (measured in ATKMs) from the Trustee. The price payable by Emirates 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 ATKMs); multiplied by 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, to require Emirates to purchase and accept from the Trustee the transfer of a specified number of the Outstanding Rights to Travel. The price payable by Emirates in relation to the Certificates being redeemed at a particular time (the "**Redeemed Certificates**") shall be equivalent to the sum of (i) an amount equal to the aggregate outstanding face amount of the Redeemed Certificates plus (ii) all due but unpaid Periodic Distribution Amounts relating to such Redeemed Certificates.

If certain tax gross-ups are required, or if Emirates wishes to cancel any Certificates held by or on behalf of the Trustee, Emirates and/or any of its subsidiaries, Emirates will have the right to require the Trustee to sell, transfer and convey all or part of the Outstanding Rights to Travel to Emirates. The price payable by Emirates 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 Emirates upon the cancellation of Certificates held by or on behalf of the Trustee, Emirates and/or any of its subsidiaries shall be the cancellation of such Certificates.

OVERVIEW OF THE OFFERING

The following overview should be read as an introduction to, 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.$600,000,000 trust certificates due 2028.
Trustee:	Zahidi Limited, an exempted company with limited liability incorporated on 23 January 2018 under the laws of the Cayman Islands with registered number 332014 and its registered office at c/o MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, 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 have been fully-paid and issued. The Trustee's entire issued share capital is held on trust for charitable purposes by MaplesFS Limited as share trustee (the "**Share Trustee**") under the terms of a share declaration of trust dated 15 March 2018 (the "**Share Declaration of Trust**").
Administration of the Trustee:	The affairs of the Trustee are managed by MaplesFS Limited (the "**Trustee Administrator**"), who has agreed to perform certain management functions and provide certain clerical, administrative and other services pursuant to a corporate services agreement dated 15 March 2018 between the Trustee Administrator and the Trustee (the "**Corporate Services Agreement**"). The Trustee Administrator's registered office is P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman KY1-1102, Cayman Islands.
Obligor, Seller and Service Agent:	Emirates
Risk Factors:	Certain factors may affect the Trustee's ability to fulfil its obligations under the Certificates and Emirates' 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*".
Global Coordinators:	Citigroup Global Markets Limited and Standard Chartered Bank.
Joint Lead Managers:	Abu Dhabi Islamic Bank PJSC, BNP Paribas, Citigroup Global Markets Limited, Dubai Islamic Bank PJSC, Emirates NBD Bank PJSC, First Abu Dhabi Bank P.J.S.C., HSBC Bank plc, J.P. Morgan Securities plc, Noor Bank PJSC and Standard Chartered Bank.
Co-Lead Managers:	Sharjah Islamic Bank P.J.S.C. and Union National Bank P.J.S.C.

Delegate:	Citicorp Trustee Company Limited. Pursuant to the Declaration of Trust, the Trustee shall delegate to the Delegate certain of the present and future duties, powers, trusts, authorities and discretions vested in the Trustee by certain provisions of the Declaration of Trust. In particular, the Delegate shall be entitled to (and, in certain circumstances, shall, subject to being indemnified and/or secured and/or pre-funded to its satisfaction, be obliged to) take enforcement action in the name of the Trustee against Emirates following a Dissolution Event.
Principal Paying Agent:	Citibank N.A., London Branch.
Registrar and Transfer Agent:	Citigroup Global Markets Deutschland AG.
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 Cash Flows*" 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:	22 March 2018.
Issue Price:	99.574 per cent.
Scheduled Dissolution Date:	Unless previously purchased and cancelled, or otherwise redeemed, the Certificates will be redeemed on 22 March 2028.
Periodic Distribution Dates:	22 March and 22 September every year, commencing on 22 September 2018.
Periodic Distributions:	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 and shall accrue at the rate of 4.500 per cent. per annum.
Partial Dissolution:	The Certificates will be redeemed in instalments on 22 March and 22 September in each year commencing on 22 September 2018. The Partial Dissolution Distribution Amounts are set out in Condition 8(a) (*Dissolution by Instalments and on the Scheduled Dissolution Date*).
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, the United Arab Emirates or the Emirate of Dubai or any political subdivision or, in each case, any authority 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 21 March 2018, 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 Cayman Islands, 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 21 March 2018, and (B) such obligation cannot be avoided by the Obligor 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 Emirates or (ii) Emirates 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. Individual Certificates (as defined in "*Global Certificate*") 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.$200,000 and integral multiples of U.S.$l,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 Emirates 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:

(a) all of the Trustee's interest, rights, benefits and entitlements, present and future, 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 by the Obligor pursuant to the Service Agency Agreement, the Purchase Undertaking or the Sale Undertaking (as the case may be);

(b) all of the Trustee's interest, rights, benefits and entitlements, present and future, 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 to which it is a party); and

(c) all monies standing to the credit of the Transaction Account from time to time,

and all proceeds of the foregoing. The Trust Assets shall be held by the Trustee upon trust absolutely for and on behalf of the Certificateholders *pro rata* according to the face amount of Certificates held by each such Certificateholder in accordance with the Declaration of Trust and the Conditions.

Dissolution Events:

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

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, or on account of, 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, save in certain circumstances set out in Condition 10 (*Taxation*), 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 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 imposed, levied, collected, withheld or assessed by or within 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 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.

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

Obligor Negative Pledge: The Obligor 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 listed on 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 DFSA Official List 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.

The Corporate Services Agreement and Share Declaration of Trust are governed by the laws of the Cayman Islands and are subject to the non-exclusive jurisdiction of the courts of the Cayman Islands.

Waiver of Immunity: To the extent that the Obligor 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, the Obligor has agreed not to claim and irrevocably waived 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, the Obligor, any of the Agents or any of their respective affiliates. Subject to Condition 12, 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, 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 Cayman Islands, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Saudi Arabia, the Kingdom of Bahrain, the State of Qatar (including the Qatar Financial Centre) and Malaysia. See "*Subscription and Sale*".
Use of Proceeds:	The proceeds of the issue of the Certificates will be paid by the Trustee to Emirates (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 Certificates in definitive form.

Zahidi Limited (in its capacity as issuer and in its capacity as trustee as applicable, the "**Trustee**") has issued trust certificates (the "**Certificates**") in an aggregate face amount of U.S.$600,000,000.

The Certificates are constituted by a declaration of trust dated 22 March 2018 (the "**Issue Date**") between the Trustee, Emirates (the "**Obligor**") and Citicorp Trustee Company Limited as the delegate of the Trustee (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, Citibank N.A., London Branch as initial principal paying agent and the other agents named in it. The principal paying agent, the other paying agents appointed from time to time, 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/or collection during usual business hours at the principal office 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 terms and conditions 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:

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

"**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, as reduced by each Partial Dissolution Distribution Amount paid as provided in Condition 8;

"**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 Dissolution Distribution Amount**" means, in relation to each Certificate to be redeemed pursuant to Condition 8(c), the sum of:

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

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

"**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 give 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;

"**Corporate Services Agreement**" means the corporate services agreement entered into between the Trustee and the Trustee Administrator on or about the Issue Date;

"**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 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;

"**Global Certificate**" means the Certificate in global registered form issued by the Trustee, which is to represent the Certificates on issue;

"**Guarantee**" means, in relation to any Indebtedness or Sukuk Obligation, as the case may be, of any Person, any obligation of another Person to pay such Indebtedness or Sukuk Obligation, as the case may be, including (without limitation):

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

(c) any indemnity against the consequences of a default in the payment of such Indebtedness or Sukuk Obligation, as the case may be; and

(d) any other agreement to be responsible for such Indebtedness or Sukuk Obligation, 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*;

"**Individual 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;

"**Liability**" means any loss, damage, cost, charge, claim, demand, expense, fee, judgment, action, proceeding or other liability whatsoever (including, without limitation 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;

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

(i) **Non-payment**: the Obligor (acting in any capacity) fails to pay an amount in the nature of profit payable by it pursuant to any Transaction Document to which it is a party and the failure continues for a period of 14 days, or the Obligor (acting in any capacity) fails to pay an amount in the nature of principal payable by it pursuant to any Transaction Document to which it is a party and the failure continues for a period of seven 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 of Obligor or any Principal Subsidiary**: (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 such Indebtedness or Sukuk Obligation of the Obligor becomes due and payable prior to its stated maturity otherwise than at the option of the Obligor or (provided that no event of default, howsoever described, has occurred) any person entitled to such Indebtedness or Sukuk Obligation; 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-paragraphs (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 90 days after the date(s) thereof of, if later, the date therein specified for payment; or

(v) **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

(vi) **Insolvency, etc.**: (A) the Obligor becomes (or is declared by a court of competent jurisdiction to be) insolvent or is unable to pay its debts as they fall due; (B) an administrator or liquidator of the whole or substantially the whole of the undertaking, assets and revenues of the Obligor is appointed (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 any Guarantee of any Indebtedness or Sukuk Obligation, as the case may be, 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) (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

(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 obligations under and in respect of the Transaction Documents to which it is a party; or (B) to ensure that those obligations 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.

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).

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

"**Partial Dissolution Date**" has the meaning given to it in Condition 8(a);

"**Partial Dissolution Distribution Amount**" has the meaning given to it in Condition 8(a);

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

"**Periodic Distribution Date**" means 22 March and 22 September in each year, commencing on 22 September 2018, 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) would 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;

"**Profit Rate**" means 4.500 per cent. per annum;

"**Purchase of Services**" 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;

"**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 by aircraft or aircraft equipment only, 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, 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 Sukuk Obligation which is directly or indirectly secured by aircraft or aircraft equipment only, 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 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 ATKMs);

"**Sale Undertaking**" means the sale undertaking dated the Issue Date and granted by the Trustee for the benefit of the Obligor;

"**Scheduled Dissolution Date**" means 22 March 2028;

"**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 a Principal Subsidiary);

"**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 Emirates 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, 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 U.S. dollar account maintained in London in the name of the Trustee 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 Assets**" has the meaning given to it in Condition 5(a);

"**Trustee Administrator**" means MaplesFS Limited; and

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

(i) **Non-Payment**: default is made for more than seven days in the payment of any Partial Dissolution Distribution Amount, the Dissolution Distribution Amount or (if applicable) the Change of Control 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 Declaration of Trust; (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.

All references to the face amount of a Certificate shall be deemed to include the Dissolution Distribution Amount, the Change of Control 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 evidenced by Individual Certificates and, save as provided in Condition 3(b), each Individual 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 Individual Certificate will be numbered serially with an identifying number which will be recorded on the relevant Individual 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 an 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 Individual Certificate free from any equity, set-off or counterclaim on the part of the Trustee against the original or any intermediate holder of such Individual 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 SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**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 Individual Certificates**: Subject to Condition 3(d), one or more Certificates may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Individual Certificate representing such Certificates to be transferred, together with the form of transfer endorsed on such Individual Certificate, 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 Individual Certificate, a new Individual Certificate shall be issued to the transferee in respect of the part transferred and a further new Individual 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 Individual Certificate representing the enlarged holding shall only be issued against surrender of the Individual 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 Obligor, the Registrar and the Delegate, provided that any such change is not materially prejudicial to the interests of the Certificateholders. At the expense of the Trustee, a copy of the current regulations will be made available by the Registrar to any Certificateholder upon request.

(b) **Delivery of New Individual Certificates**: Each new Individual 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 surrender of the Individual Certificate for exchange. Delivery of the new Individual 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

Individual Certificate shall have been made or, at the option of the holder making such delivery or 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 Individual Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent (or the Registrar, as applicable) 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 Partial Dissolution Distribution Amount, Dissolution Distribution Amount, Change of Control 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. Subject to Condition 12, each Certificateholder, by subscribing for or acquiring the Certificates, is deemed to have acknowledged and agreed 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 (acting in any capacity) or the Delegate or any directors or agents on their behalf except to the extent funds are available therefor from the Trust Assets and 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 (acting in any capacity) 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, it will have no recourse to any assets of the Trustee (acting in any capacity) (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, in each case in respect of any shortfall or otherwise;

(iv) it will not 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 in any jurisdiction against the Trustee (acting in any capacity) (and/or its directors, officers or shareholders), the Delegate, the Agents or any of their respective affiliates 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 (acting in any capacity) or Delegate arising under or in connection with the Declaration of Trust, the Certificates and these Conditions (as from time to time supplemented or modified in accordance with the provisions herein or therein contained), by virtue of any customary law, statute or otherwise shall be had against any shareholder, officer, employee, agent, corporate services provider or director in their capacity as such for any breaches by the Trustee (acting in any capacity) or Delegate and any and all personal liability of every such shareholder, officer, employee, agent, corporate services provider or director in their capacity as such for any breaches by the Trustee (acting in any capacity) or Delegate of any such duty, obligation or undertaking is expressly waived and excluded to the extent permitted by law. The obligations of the Trustee (acting in any capacity) under the Declaration of Trust are corporate or limited liability obligations of the Trustee (acting in any capacity) or Delegate and no personal liability shall attach to or be incurred by the shareholders, members, officers, agents or directors of the Trustee (acting in any capacity), save in the case of their gross negligence, wilful default or actual fraud. Reference in these Conditions to gross negligence, wilful default or actual fraud means 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 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 by the Obligor pursuant to the Service Agency Agreement, the Purchase Undertaking or the Sale Undertaking (as the case may be);

(ii) 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 to which it is a party); and

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

and all proceeds of the foregoing.

See "Summary of the 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, each Partial Dissolution 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 properly incurred and documented (each in the opinion of the Delegate) 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 Corporate Services Agreement in its capacity as trustee administrator and registered office provider; 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 Partial Dissolution Date, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of the relevant Partial Dissolution Distribution Amount;

(v) **fifth**, 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: (A) the Dissolution Distribution Amount; or (B) the Change of Control Dissolution Distribution Amount, as the case may be; and

(vi) **sixth**, on the Scheduled Dissolution Date, the Early Tax Dissolution Date, the Dissolution Event Redemption Date or the final Partial Dissolution Date (as applicable) 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 interests 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**: The Obligor has undertaken in the Purchase Undertaking that, 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 the Profit Rate, the Calculation Amount, and 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 in full of all of the Certificates 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 at the Profit Rate in the manner provided in this Condition 7 to the Relevant Date, provided that (i) the Exercise Price has not been paid in accordance with the terms of the Purchase Undertaking or the Sale Undertaking, as the case may be; and (ii) no sale agreement has been executed in accordance with the terms of the Purchase Undertaking or the Sale Undertaking, as the case may be, in respect of Allotted Rights to Travel and/or Additional Rights to Travel.

8. Redemption and Dissolution of the Trust

(a) **Dissolution by Instalments and on the Scheduled Dissolution Date**: Unless previously redeemed, or purchased and cancelled, in full, as provided below, each Certificate shall be partially redeemed on each date (each a "**Partial Dissolution Date**") at the related amount (each a "**Partial Dissolution Distribution Amount**") specified in the table below. The outstanding face amount of each such Certificate shall be reduced by the relevant Partial Dissolution Distribution Amount for all purposes with effect from the related Partial Dissolution Date, unless payment of the Partial Dissolution Distribution Amount is improperly withheld or refused, in which case such amount shall remain outstanding until the Relevant Date (as defined in Condition 10) relating to such Partial Dissolution Distribution Amount. Each Certificate shall be finally redeemed on the Scheduled Dissolution Date at its final Partial Dissolution Distribution Amount, together with all other amounts due but unpaid in respect of such Certificate, and the Trust shall be dissolved by the Trustee on the Scheduled Dissolution Date following the payment of all such amounts in full. Upon such dissolution as aforesaid and the termination of the Trust, 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.

Partial Dissolution Date	Outstanding face amount of each U.S.$1,000 face amount of the Certificates on the relevant Partial Dissolution Date prior to payment of the relevant Partial Dissolution Distribution Amount (in U.S.$)	Partial Dissolution Distribution Amount per U.S.$1,000 face amount of Certificates to be repaid on the relevant Partial Dissolution Date (in U.S.$)	Outstanding face amount of each U.S.$1,000 face amount of the Certificates on the relevant Partial Dissolution Date after payment of the relevant Partial Dissolution Distribution Amount (in U.S.$)
22 September 2018	1,000.00	99.97	900.03
22 March 2019	900.03	47.37	852.66
22 September 2019	852.66	47.37	805.29
22 March 2020	805.29	47.37	757.92
22 September 2020	757.92	47.37	710.55
22 March 2021	710.55	47.37	663.18
22 September 2021	663.18	47.37	615.81
22 March 2022	615.81	47.37	568.44
22 September 2022	568.44	47.37	521.07
22 March 2023	521.07	47.37	473.70
22 September 2023	473.70	47.37	426.33
22 March 2024	426.33	47.37	378.96

Partial Dissolution Date	Outstanding face amount of each U.S.$1,000 face amount of the Certificates on the relevant Partial Dissolution Date prior to payment of the relevant Partial Dissolution Distribution Amount (in U.S.$)	Partial Dissolution Distribution Amount per U.S.$1,000 face amount of Certificates to be repaid on the relevant Partial Dissolution Date (in U.S.$)	Outstanding face amount of each U.S.$1,000 face amount of the Certificates on the relevant Partial Dissolution Date after payment of the relevant Partial Dissolution Distribution Amount (in U.S.$)
22 September 2024	378.96	47.37	331.59
22 March 2025	331.59	47.37	284.22
22 September 2025	284.22	47.37	236.85
22 March 2026	236.85	47.37	189.48
22 September 2026	189.48	47.37	142.11
22 March 2027	142.11	47.37	94.74
22 September 2027	94.74	47.37	47.37
22 March 2028	47.37	47.37	0.00

(b) **Early Dissolution for Taxation Reasons**: The Certificates may be redeemed at the option of the Trustee in whole, but not in part, at any time (such date being an "**Early Tax Dissolution Date**"), on giving not less than 30 nor more than 60 days' notice to the Certificateholders (which notice shall be irrevocable) at their Dissolution Distribution Amount if the Trustee satisfies the Delegate immediately before the giving of such notice that:

(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, 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 21 March 2018, 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 Cayman Islands, 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 21 March 2018, and (B) such obligation cannot be avoided by the Obligor taking reasonable measures available to it,

provided that in either case, (x) no such notice of dissolution shall be given to Certificateholders unless a duly completed Exercise Notice has been received by the Trustee from the Obligor pursuant to the Sale Undertaking; and (y) 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 shall deliver to the Delegate:

(aa) a certificate signed by two directors of the Trustee (in the case of Condition 8(b)(i)) or a certificate signed by two members of the Obligor's senior management (in the case of Condition 8(b)(ii)), 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 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 of 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 and the termination of the Trust, 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 Change of Control Dissolution Distribution Amount and 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 if the condition referred to in the previous paragraph is not satisfied and as otherwise provided in the Agency Agreement) without the prior consent of the Trustee.

(d) **Dissolution following a Dissolution Event**: Upon the occurrence and continuation 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 Obligor and the Obligor's Subsidiaries may at any time purchase Certificates in the open market or otherwise at any price.

(f) **Cancellation**: Certificates purchased by or on behalf of the Obligor or any of the Obligor's Subsidiaries may in the 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 or the Change of Control Dissolution Distribution Amount shall be made against presentation and surrender of the relevant Individual 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, Partial Dissolution Distribution Amounts, the Dissolution Distribution Amount or the Change of Control 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, Partial Dissolution Distribution Amounts, the Dissolution Distribution Amount or the Change of Control 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 (i) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 10 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to Condition 10) any law implementing an intergovernmental approach thereto. 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 or the Change of Control Dissolution Distribution Amount, where the relevant Individual Certificate has not been 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 Individual Certificate is surrendered.

(d) **Appointment of Agents**: The Principal Paying Agent, the Registrar and the Transfer Agent initially appointed by the Trustee, the Obligor and the Delegate and their respective specified offices are listed below. The Principal Paying Agent, the Registrar and the Transfer Agent act solely as agents of the Trustee, the Obligor and (to the extent provided in the Agency Agreement and the Declaration of Trust) the Delegate 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 the Registrar or any Transfer Agent and to appoint additional or other 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 and (v) such other agents as may be required by any stock exchange on which the Certificates may be listed.

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) **Surrender more than 30 days after the Relevant Date**: if the relevant Individual Certificate is 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 surrendering the Individual 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)).

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 Individual 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, Partial Dissolution Distribution Amounts, the Dissolution Distribution Amount and the Change of Control 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 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, 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 Service Agency Agreement 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 Partial Dissolution Distribution Amounts, the Dissolution Distribution Amount or, as the case may be, the Change of Control 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 and continuation of a Dissolution Event:

(i) the Delegate, upon receiving notice thereof under the Declaration of Trust, shall (subject to it being indemnified and/or secured and/or prefunded to its satisfaction) as soon as reasonably practicable 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, provided, however, in the case of a Dissolution Event comprising an event described in paragraph (ii) of the definition of Trustee Event or an event described in paragraph (ii) of the definition of Obligor Event, such notice may only be given if the Delegate is of the opinion that the event is materially prejudicial to the interests of Certificateholders; and

(ii) the Delegate, upon receiving notice thereof under the Declaration of Trust, 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 being indemnified and/or 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) shall deliver an Exercise Notice under the Purchase Undertaking and shall use the proceeds of such exercise 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 constituted by the Declaration of 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 constituted by the Declaration of 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 and continuation of a Dissolution Event, and upon receiving notice thereof under the Declaration of Trust, 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 it being indemnified and/or secured and/or prefunded to its satisfaction, may (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: (i) the Delegate, having become bound so to proceed, (a) fails or (b) is unable by reason of an order of a court having competent jurisdiction to do so, in each case, within a reasonable period and such failure or inability is continuing; and (ii) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders who propose to proceed directly against any of the Trustee or the Obligor, as the case may be) holds at least 25 per cent. of the then outstanding aggregate face amount of the Certificates. 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 or the other Transaction Documents. Such a meeting may be convened by the Trustee, the Obligor, the Delegate (subject to it being indemnified and/or secured and/or prefunded to its satisfaction) and 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 one 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 one 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 in Clause 15.1 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 one 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.

(b) The Declaration of Trust provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Declaration of Trust by a majority consisting of not less than 75 per cent. of the votes cast on such resolution, (ii) 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 for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Delegate) by or on behalf of the holders of not less than 75 per cent. in face amount of the Certificates for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Certificateholders. 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).

(c) **Modification of the Declaration of Trust or any other 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 other Transaction Documents or the Trustee's memorandum and articles of association 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 other 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, unless the Delegate otherwise requires, such modification shall be notified to the Certificateholders in accordance with Condition 17 as soon as practicable.

(d) **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 exercise all of the present and future rights, powers (including the power to sub-delegate), trusts, 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 or managing 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 Master 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 unless indemnified and/or secured and/or prefunded to its satisfaction. In particular, in connection with the exercise of any of its rights pursuant to the Declaration of Trust, the Delegate shall in no circumstances be bound to take any action 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 Trustee or 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 Trustee or the Obligor but are not so paid and shall not in any circumstances have any liability 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 the 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 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 in connection therewith contains a monetary or other limit on the liability of the auditors 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 gross negligence, 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 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 Certificateholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for such mailing. Any such notice shall be deemed to have been given to the Certificateholders on the day on which such notice was given to Euroclear and/or Clearstream, Luxembourg and/or such other 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 Dispute Resolution

(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, 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 place 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 within 15 days of such failure. 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 within 15 days of such failure; 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 is 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 (other than the Delegate, whose costs shall be borne by the Obligor) 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 within 28 days of service of a Request for Arbitration 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 paragraph (iii) below, the courts of England shall have exclusive 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 Emirates, London Branch at its registered office at First Floor, Gloucester Park, 95 Cromwell Road, London, SW7 4DL as its agent for service of process, and undertakes that, in the event of Emirates, London Branch 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 waives, such immunity to the full extent permitted by the laws of such jurisdiction.

(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 or arbitral tribunal.

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 to persons that are not U.S. persons (as defined in and in reliance on Regulation S of the Securities Act).

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 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 Individual 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 the Business Day (being for this purpose, a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date for such payment.

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 or the Change of Control Dissolution Distribution Amount in respect of Certificates represented by the Global Certificate will be made upon 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.

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

Title to the Certificates will pass upon registration of transfers in accordance with the provisions of the Agency Agreement.

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 Individual Certificates

Interests in the Global Certificate will be exchangeable (free of charge), in whole but not in part, for Individual Certificates only upon the occurrence of an Exchange Event. The Trustee will promptly give notice to Certificateholders in accordance with Condition 17 (*Notices*) if an Exchange Event occurs. For these purposes, "**Exchange Event**" means that the Trustee has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of legal holiday) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system satisfactory to the Trustee is available. 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 Individual 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 Individual 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 Individual Certificates.

In this Prospectus, "**Individual 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 net proceeds of the issue of the Certificates (expected to amount to approximately U.S.$596,844,000) will be paid by the Trustee to Emirates (as Seller) as the purchase price for the Rights to Travel pursuant to the Purchase of Services Agreement. Emirates shall use the net proceeds of the issue of the Certificates for general corporate purposes including, but not limited to, the financing of aircraft and working capital requirements.

DESCRIPTION OF THE TRUSTEE

General

Zahidi Limited, a Cayman Islands exempted company with limited liability, was incorporated on 23 January 2018 under the Companies Law (2016 Revision) of the Cayman Islands with company registration number 332014. The Trustee has been established as a 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 P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102 Cayman Islands, and its telephone number is +1 345 945 7099/+971 4511 4200.

The authorised share capital of the Trustee is U.S.$50,000 shares of U.S.$1.00 each, of which 250 shares have been issued as at the date of this Prospectus. All of the issued shares (the "**Shares**") are fully-paid and are held by the Share Trustee under the terms of 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 Qualified Charities (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 23 January 2018.

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:**
Amelia Pascual	Assistant Vice President Maples Fund Services (Middle East) Limited
Cleveland Stewart	Senior Vice President at MaplesFS Limited

The business address of Amelia Pascual is c/o Maples Fund Services (Middle East) Limited, Liberty House, 6th Floor, Office 616, Dubai International Financial Centre, P.O. Box 506734, Dubai, United Arab Emirates.

The business address of Cleveland Stewart is c/o MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, 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

MaplesFS Limited also acts as the corporate administrator of the Trustee (in such capacity, the "**Trustee Administrator**"). The office of the Trustee Administrator serves as the general business office of the Trustee. Through the office, and pursuant to the terms of the Corporate Services Agreement entered into between the Trustee and the Trustee Administrator, the Trustee 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 Corporate Services Agreement. The Trustee Administrator will also provide registered office services to the Trustee in accordance with its standard terms and conditions for the provision of registered office services as published at http://www.maplesfidudciaryservices.com/terms (the "**Registered Office Terms**"). In consideration of the foregoing, the Trustee Administrator will receive various fees payable by the Trustee at rates agreed upon from time to time, plus expenses. In consideration of the foregoing, the Trustee Administrator will receive various fees payable by the Trustee at rates agreed upon from time to time, plus expenses.

The terms of the Corporate Services Agreement and the Registered Office Terms provide that either the Trustee or the Trustee Administrator may terminate such agreement upon the occurrence of certain stated events, including any breach by the other party of its obligations under such agreement. In addition, the Corporate Services Agreement and the Registered Office Terms provides that either party shall be entitled to terminate such agreement by giving at least three 'months' notice in writing.

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

The Trustee Administrator's principal office is c/o MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands.

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

SELECTED FINANCIAL AND OPERATING INFORMATION

The following tables represent the summary consolidated financial data and other operating data of the Group. The following summary consolidated historical financial information as of and for the six months ended 30 September 2017 and 2016 and the three years ended 31 March 2017, 2016 and 2015 has been extracted from the Financial Statements prepared in accordance with IFRS and included elsewhere in this Prospectus. The following summary consolidated historical financial data should be read in conjunction with the information contained in "*Presentation of certain financial and other information*", "*Risk Factors — Risks Relating to Emirates*"", "*Emirates*" and "*Financial Review*" and the Group's Financial Statements and the notes thereto appearing elsewhere in this Prospectus.

Consolidated Income Statement

The following tables show the Group's consolidated income statement for the six months ended 30 September 2017 and 2016 and each of the three years ended 31 March 2017, 2016 and 2015, respectively.

	Six months ended 30 September	
	2017	**2016**
	(*AED millions, unaudited*)	
Revenue	43,896	41,253
Other operating income	652	645
Operating costs	(42,225)	(40,536)
Operating profit	**2,323**	**1,362**
Finance income	134	145
Finance costs	(768)	(674)
Share of results of investments accounted for using the equity method	62	61
Profit before income tax	**1,751**	**894**
Income tax expense	(14)	(21)
Profit for the period	**1,737**	**873**
Profit attributable to non-controlling interests	80	87
Profit attributable to Emirates' owner	**1,657**	**786**

	Year ended 31 March		
	2017	2016	2015
	(*AED millions, audited*)		
Revenue	83,739	83,500	86,728
Other operating income	1,322	1,544	2,091
Operating costs	(82,626)	(76,714)	(82,926)
Operating profit	**2,435**	**8,330**	**5,893**
Finance income	281	220	175
Finance costs	(1,383)	(1,329)	(1,449)
Share of results of investments accounted for using the equity method	157	142	152
Profit before income tax	**1,490**	**7,363**	**4,771**
Income tax expense	(40)	(45)	(43)
Profit for the year	**1,450**	**7,318**	**4,728**
Profit attributable to non-controlling interests	200	193	173
Profit attributable to Emirates' owner	**1,250**	**7,125**	**4,555**

Consolidated Statements of Financial Position

The following table shows the Group's consolidated statement of financial position as of 30 September 2017 and 31 March 2017, 2016 and 2015, respectively.

	As of 30 September	As of 31 March		
	2017	2017	2016	2015
	(*AED millions, unaudited*)	(*AED millions, audited*)		
ASSETS				
Non-current assets				
Property, plant and equipment	86,257	86,898	82,836	80,544
Intangible assets	1,442	1,441	1,317	975
Investments accounted for using the equity method	634	676	522	544
Advance lease rentals	4,841	4,421	2,580	920
Loans and other receivables	196	238	494	619
Derivative financial instruments	28	38	—	21
Deferred income tax assets	12	10	3	4
Total non-current assets	**93,410**	**93,722**	**87,752**	**83,627**
Current assets				
Inventories	2,258	2,238	2,106	1,919
Trade and other receivables	10,722	9,922	9,321	8,589
Derivative financial instruments	7	8	12	342
Short term bank deposits	9,027	6,706	7,823	8,488
Cash and cash equivalents	5,708	8,962	12,165	8,397
Total current assets	**27,722**	**27,836**	**31,427**	**27,735**
Total assets	**121,132**	**121,558**	**119,179**	**111,362**

	As of 30 September	As of 31 March		
	2017	**2017**	**2016**	**2015**
	(AED millions, unaudited)	*(AED millions audited)*		
EQUITY AND LIABILITIES				
Capital and reserves				
Capital	801	801	801	801
Other reserves	(113)	(141)	(1,179)	(168)
Retained earnings	35,505	33,848	32,287	27,253
Attributable to Emirates' owner	**36,193**	**34,508**	**31,909**	**27,886**
Non-controlling interests	**584**	**586**	**496**	**400**
Total equity	**36,777**	**35,094**	**32,405**	**28,286**
Non-current liabilities				
Trade and other payables	405	683	513	202
Borrowings and lease liabilities	39,822	40,171	40,845	42,426
Deferred revenue	916	979	1,596	1,650
Deferred credits	2,657	2,227	1,090	207
Derivative financial instruments	156	192	440	521
Provisions	3,907	3,825	3,762	3,589
Deferred income tax liability	4	5	4	—
Total non-current liabilities	**47,867**	**48,082**	**48,250**	**48,595**
Current liabilities				
Trade and other payables[(1)]	23,495	25,193	26,532	27,718
Income tax liabilities	28	19	35	34
Borrowings and lease liabilities	10,614	10,831	9,260	5,382
Deferred revenue	1,390	1,486	1,316	1,244
Deferred credits	303	253	139	49
Derivative financial instruments	2	3	737	2
Provisions	656	597	505	52
Total current liabilities	**36,488**	**38,382**	**38,524**	**34,481**
Total liabilities	**84,355**	**86,464**	**86,774**	**83,076**
Total equity and liabilities	**121,132**	**121,558**	**119,179**	**111,362**

Note:

1. Exclude provisions for aircraft return conditions in the amounts of AED 505 million in financial year 2016 and AED 52 million in financial year 2015, which are included in trade and other payables in the 2016 Financial Statements, to make the presentation consistent with the 2017 Financial Statements. See Note 30 to the 2016 Financial Statements.

Consolidated Statement of Cash Flows

The following table summarises the Group's consolidated statements of cash flows for the six months ended 30 September 2017 and 2016 and each of the three years ended 31 March 2017, 2016 and 2015, respectively.

	As of and for the six months ended 30 September	
	2017	**2016**
	(AED millions, unaudited)	
Net cash generated from operating activities	4,146	3,750
Net cash used in investing activities	(3,338)	(2,155)
Net cash used in financing activities	(4,067)	(8,144)
Net change in cash and cash equivalents	**(3,259)**	**(6,549)**
Cash and cash equivalents at beginning of the period	8,958	12,165
Effect of exchange rate changes	3	—
Cash and cash equivalents at end of the period	**5,702**	**5,616**

	As of and for the year ended 31 March		
	2017	**2016**	2015
	(AED millions, audited)		
Net cash generated from operating activities	10,425	14,105	13,265
Net cash used in investing activities	(3,129)	(2,361)	(6,411)
Net cash used in financing activities	(10,502)	(7,975)	(6,264)
Net change in cash and cash equivalents	**(3,206)**	**3,769**	**590**
Cash and cash equivalents at beginning of the year	12,165	8,393	7,800
Effects of exchange rate changes	(1)	3	3
Cash and cash equivalents at end of the year	**8,958**	**12,165**	**8,393**

Other Data

The following tables show certain other financial data, ratios and airline operating statistics for the Group as of and for the six months ended 30 September 2017 and 2016 and each of the three years ended 31 March 2017, 2016 and 2015, respectively.

	As of and for the six months ended	As of and for the year ended
	30 September 2017	**31 March 2017**
	(AED millions, except where otherwise stated, unaudited)	
Borrowings and lease liabilities(2)	50,436	51,002
Less: cash assets(2)	(14,735)	(15,668)
Net debt	35,701	35,334
Operating margin(3) (%)	5.2	2.9
Profit margin(4) (%)	3.7	1.5
EBITDAR margin(6)(1) (%)	28.1	25.0
Net debt to equity ratio(8) (%)	97.1	100.7
Net debt (including aircraft operating leases) to equity ratio(9) (%)	230.5	237.9

	As of and for the six months ended 30 September	
	2017	2016
	(AED millions, except where otherwise stated, unaudited)	
Aircraft in operation (*number*)	264	248
Average fleet age (*months*)	64	67
Destination cities (*number*)	156	155
Aircraft departures (*number*)	101,841	102,873
Passengers carried (*millions*)	29.2	28.0
Passenger seat kilometres (*RPKM million*)	145,201	137,755
Cargo carried (*thousand tonnes*)	1,321	1,253
Overall load carried (*RTKM million*)	20,476	19,392
Overall capacity (*ATKM million*)	30,757	30,229
Overall load factor[12] (%)	66.6	64.2
Breakeven load factor[13] (%)	62.9	63.4
Unit costs (*fils per ATKM*)	130.1	129.7
Unit costs (excluding jet fuel) (*fils per ATKM*)	93.7	97.1
Yield[14] (*fils per RTKM*)	206.8	204.4

	As of and for the year ended 31 March		
	2017	2016	2015
	(AED millions, except where otherwise stated, unaudited)		
EBITDAR[1]	21,248	24,415	20,259
Borrowings and lease liabilities	51,002	50,105	47,808
Less: cash assets[2]	(15,668)	(19,988)	(16,885)
Net debt	35,334	30,117	30,923
Capital expenditure[15]	12,632	16,723	19,873
Operating margin[3](%)	2.9	9.8	6.6
Profit margin[4](%)	1.5	8.4	5.1
Return on shareholder's funds[5](%)	3.8	23.8	17.2
EBITDAR margin[6](%)	25.0	28.7	22.8
Cash assets to revenue and other operating income[7](%)	18.4	23.5	19.0
Net debt to equity ratio[8](%)	100.7	92.9	109.3
Net debt (including aircraft operating leases) to equity ratio[9](%)	237.9	215.9	212.1
Net debt (including aircraft operating leases) to EBITDAR[10](%)	392.9	286.5	296.2
Revenue per airline employee (*AED thousands*)[11]	1,580	1,717	1,939
Airline operating statistics			
Aircraft in operation (*number*)	259	251	231
Average fleet age (*months*)	63	74	75
Destination cities (*number*)	156	153	144
Aircraft departures (*number*)	204,543	199,754	181,843
Passengers carried (*millions*)	56.1	51.9	48.1
Passenger seat kilometres (*RPKM million*)	276,608	255,176	235,498
Cargo carried (*thousand tonnes*)	2,577	2,509	2,377
Overall load carried (*RTKM million*)	39,296	36,931	34,207
Overall capacity (*ATKM million*)	60,461	56,383	50,844
Overall load factor[12](%)	65.0	65.5	67.3
Breakeven load factor[13](%)	64.5	60.4	64.7
Unit costs (*fils per ATKM*)	132	132	158
Unit costs (excluding jet fuel) (*fils per ATKM*)	97	97	102
Yield[14] (*fils per RTKM*)	204	218	245

Notes:

(1) EBITDAR calculated as operating profit before depreciation and amortisation and aircraft operating lease charges. See "*Presentation of certain financial and other information — Alternative Performance Measures — EBITDAR*" for further information on EBITDAR.

(2) Cash assets are calculated as the sum of short term bank deposits and cash and cash equivalents.

(3) Operating margin calculated as operating profit divided by the sum of revenue and other operating income.

(4) Profit margin calculated as profit attributable to Emirates' owner expressed as a percentage of the sum of revenue and other operating income.

(5) Return on shareholder's funds calculated as profit attributable to Emirates' owner divided by the shareholder's funds. "Shareholder's funds" means the average of opening and closing equity attributable to Emirates' owner.

(6) EBITDAR margin calculated as EBITDAR expressed as a percentage of the sum of revenue and other operating income.

(7) Cash assets to revenue and other operating income calculated as cash assets divided by revenue and other operating income.

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

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

(10) Net debt (including aircraft operating leases) to EBITDAR calculated as borrowings and lease liabilities (including aircraft operating leases) net of cash assets divided by the EBITDAR.

(11) Revenue per airline employee calculated as airline revenue divided by the average airline employee strength. The average airline employee strength is calculated for any financial year, as the sum of the number of airline employees on 1 April and on the last day of each calendar month in that financial year divided by 13.

(12) Overall load factor calculated as RTKM (revenue tonne kilometre) divided by ATKM (available tonne kilometre).

(13) Breakeven load factor calculated as the overall load factor at which revenue (airline only) will equal operating costs (airline only).

(14) Yield calculated as revenue (airline only) earned per RTKM and expressed in fils per RTKM.

(15) Capital expenditure is the sum of additions to property, plant and equipment and intangible assets excluding goodwill.

FINANCIAL REVIEW

The following review of the Group's financial position and results of operations is based upon and should be read in conjunction with the information contained in "Risk Factors – Risks Relating to Emirates" "Presentation of certain financial and other information", "Selected Financial and Operating Information" and the Financial Statements included elsewhere in this Prospectus.

This discussion contains forward-looking statements that involve risks and uncertainties. Actual results for the Group 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

According to the IATA WATS 2017, in 2016, Emirates was the leading airline in the world in terms of international passenger flights measured in RPKM (which indicates the total number of passengers carried multiplied by distance flown in the relevant period) and international freight transported measured in FTKM (which indicates the total cargo tonnage uplifted multiplied by the distance carried). The Group's profit in the six months ended 30 September 2017 was AED 1,737 million on revenues of AED 43,896 million (compared to a profit of AED 873 million on revenues of AED 41,253 million in the six months ended 30 September 2016) and AED 1,450 million on revenues of AED 83,739 million in financial year 2017 (compared to a profit of AED 7,318 million on revenues of AED 83,500 million in financial year 2016). The Group's revenues and other operating income grew at a compounded annual growth rate of 11.3 per cent. over the 10 financial years to 31 March 2017 and profits attributable to the Group's owner grew over the same period by an average of 5.8 per cent. per year. The Group has recorded net profits in each of its last 29 financial years.

Emirates transported 29.2 million passengers and carried over 1.3 million tonnes of cargo across 156 destinations in 84 countries in the six months ended 30 September 2017 and 56.1 million passengers and 2.6 million tonnes of cargo across 156 destinations in 83 countries in financial year 2017. In the six months ended 30 September 2017, Emirates' passenger seat factor and overall load factor were 77.2 per cent. and 66.6 per cent., respectively (compared to 75.3 per cent. and 64.2 per cent., respectively, in the six months ended 30 September 2016). In financial year 2017, Emirates had a passenger seat factor of 75.1 per cent. and overall load factor of 65.0 per cent., compared to 76.5 per cent. and 65.5 per cent., respectively, in the previous financial year. The airline's breakeven load factors were 62.9 per cent., 64.5 per cent. and 60.4 per cent. in the six months ended 30 September 2017, financial year 2017 and financial year 2016, respectively. Emirates' RPKMs and RTKMs increased by 5.4 per cent. and 5.6 per cent., respectively, in the six months ended 30 September 2017 compared to the six months ended 30 September 2016, and increased by 8.4 per cent. and 6.4 per cent., respectively, in financial year 2017 as compared to the preceding financial year. Emirates is one of the fastest growing major international scheduled airlines in the world and has one of the youngest fleets of aircraft in the world. The average age of Emirates' fleet as of 30 September 2017 was 64 months.

In financial year 2017, 94.8 per cent. of the Group's revenue comprised transportation revenue, consisting of revenue generated from passenger transport (81.7 per cent.), cargo transport (12.6 per cent.) and excess baggage (0.5 per cent.). The remaining 5.2 per cent. of the Group's revenue was derived from a range of ancillary sources, including the sale of consumer goods, the sale of food and beverages, catering operations provided to third parties and leisure services (including hotel operations).

The Group's revenues decreased by 3.7 per cent. in financial year 2016 principally due to the impact of the strong U.S. dollar and increased slightly (by 0.3 per cent.) in financial year 2017, in each case compared to the previous financial year. In the six months ended 30 September 2017, revenue increased by 6.4 per cent. as compared to the six months ended 30 September 2016. The Group's operating profit increased by 41.4 per cent. in financial year 2016 to a record high of AED 8,330 million, but then decreased by 70.8 per cent. in financial year 2017, in each case compared to the previous financial year.

The Group's operating profit in the six months ended 30 September 2017 stood at AED 2,323 million, 70.6 per cent. higher than its operating profit in the six months ended 30 September 2016.

In the six months ended 30 September 2017, the Group had an average of 63,039 employees compared to an average of 65,192 employees in the six months ended 30 September 2016. This decrease in the average number of employees was largely a result of natural attrition together with a slower pace of recruitment, as various parts of the business adopted new technologies, streamlined business processes and re-allocated resources. In financial year 2017 the Group had an average of 64,768 employees compared to an average of 61,205 employees in financial year 2016 and 56,725 employees in financial year 2015.

Emirates also continued its fleet modernisation and expansion programme by taking delivery of new aircraft and retiring old aircraft. Emirates took delivery of 10 new aircraft in the six months ended 30 September 2017, 35 new aircraft in financial year 2017, 29 new aircraft in financial year 2016 and 24 new aircraft in financial year 2015. Accordingly, it raised AED 29.1 billion, AED 26.9 billion and AED 21.0 billion in aircraft financing in financial year 2017, financial year 2016 and financial year 2015, respectively. Emirates also retired five old aircraft in the six months ended 30 September 2017, 27 old aircraft in financial year 2017, nine old aircraft in financial year 2016 and 10 old aircraft in financial year 2015.

Recent Developments

In the six months ended 30 September 2017, Emirates added 10 new wide-body aircraft to its fleet, comprising four Airbus A380s and six Boeing 777s, with nine more new aircraft expected to be delivered before the end of the financial year. In the six months ended 30 September 2017, Emirates retired five older aircraft from its fleet with further four aircraft expected to be retired by 31 March 2018.

On 12 November 2017, Emirates announced a U.S.$15.1 billion (AED 55.4 billion) commitment for 40 Boeing 787-10 Dreamliners. These aircraft are expected to be delivered starting from 2022.

In February 2018, Emirates signed a U.S.$16 billion (AED 58.7 billion) deal for 36 additional Airbus A380 aircraft, with 20 firm orders and 16 options. The additional Airbus A380s will be delivered to Emirates from 2020 onwards. Together with the airline's 101-strong A380 fleet and its current order backlog for 41 aircraft, this new order brings Emirates commitment to the A380 programme to 178 aircraft, worth over U.S.$60 billion.

In the six months ended 30 September 2017, Emirates added two new passenger destinations to its route network (Zagreb in Croatia and Phnom Penh in Cambodia) and suspended operations to Doha in Qatar. With regards to scheduled freighter operations, in the six months ended 30 September 2017, Emirates commenced operations to Aguadilla in Puerto Rico and Luxembourg City in Luxembourg and ceased operations to Atlanta in United States and Erbil in Iraq.

On 20 December 2017, Emirates announced that it will launch a new daily route from Dubai to London Stansted on 8 June 2018. On 15 January 2018, Emirates announced the resumption of flights between Dubai and Istanbul's Sabiha Gokcen Airport, starting 8 June 2018. The resumption of services on the route will allow customers two destination options when travelling Emirates to Istanbul.

In July 2017, Emirates re-initiated its partnership with flydubai, leveraging both airlines' complementary networks to open new city-pair routings for customers and optimise operations at DIA. Emirates also extended its successful partnership with Qantas for a further five years in tandem with joint network adjustments offering travellers more connectivity and flight choices to and from Australia and New Zealand.

Significant Accounting Policies and Critical Accounting Judgments

The preparation of the Financial Statements requires the Group's management to make certain estimates and judgments, some of which are subjective and complex, often as a result of the need to make estimations of future events. The Group's significant accounting policies are set out in Note 2 to the 2017 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 3 to the 2017 Financial Statements.

Results of Operations in the Six Months Ended 30 September 2017 and 2016 and the Three Years Ended 31 March 2017

Revenue

The Group earns revenue principally from the transportation of passengers, cargo and excess baggage (together referred to as "**transportation revenue**"). In addition, the Group earns revenue through the sale of consumer goods, the sale of food and beverages through its retail outlets, catering services provided to third parties, hotel operations and through the provision of a range of other services (referred to below as "**Other**").

The tables below show the Group's revenue categorised by transportation revenue and all other revenue in the six months ended 30 September 2017 and 2016 and the three years ended 31 March 2017, 2016 and 2015.

	Six months ended 30 September			
	2017		**2016**	
	(unaudited)			
	(AED millions)	*(%)*	*(AED millions)*	*(%)*
Passenger	35,901	81.8	33,994	82.4
Cargo	5,796	13.2	5,087	12.3
Excess baggage	218	0.5	192	0.5
Total transportation revenue	**41,915**	**95.5**	**39,273**	**95.2**
Other	1,981	4.5	1,980	4.8
Total revenue	**43,896**	**100.0**	**41,253**	**100.0**

	Year ended 31 March					
	2017		**2016**		**2015**	
	(audited)					
	(AED millions)	*(%)*	*(AED millions)*	*(%)*	*(AED millions)*	*(%)*
Passenger	68,398	81.7	68,029	81.5	70,013	80.7
Cargo	10,592	12.6	11,140	13.3	12,298	14.2
Excess baggage	392	0.5	413	0.5	436	0.5
Total transportation revenue	**79,382**	**94.8**	**79,582**	**95.3**	**82,747**	**95.4**
Other	4,357	5.2	3,918	4.7	3,981	4.6
Total revenue	**83,739**	**100.0**	**83,500**	**100.0**	**86,728**	**100.0**

The Group's total revenue increased by AED 2,643 million, or 6.4 per cent., in the six months ended 30 September 2017 (from AED 41,253 million in the six months ended 30 September 2016 to AED 43,896 million), reflecting increases in passenger revenue (of AED 1,907 million, or 5.6 per cent.), cargo revenue (of AED 709 million, or 13.9 per cent.) and excess baggage revenue (of AED 26 million, or 13.5

per cent.). In financial year 2017, the Group's total revenue increased by AED 239 million, or 0.3 per cent., from AED 83,500 million in financial year 2016 to AED 83,739 million, reflecting increases in passenger revenue (of AED 369 million, or 0.5 per cent.) and other revenues (of AED 439 million, or 11.2 per cent.), partially offset by decreases in cargo revenue (of AED 548 million, or 4.9 per cent.) and excess baggage revenue (of AED 21 million, or 5.1 per cent.).

By geographic region, in financial year 2017, 28.5 per cent. of the Group's revenue was derived from Europe, 27.0 per cent. was derived from East Asia and Australasia, 14.9 per cent. was derived from Americas, 10.4 per cent. was derived from Africa, 10.4 per cent. was derived from the Gulf and Middle East region and 8.8 per cent. was derived from the West Asia and the Indian Ocean region.

By geographic region, in financial year 2016, 28.8 per cent. of the Group's revenue was derived from Europe, 26.8 per cent. was derived from East Asia and Australasia, 14.4 per cent. was derived from Americas, 10.9 per cent. was derived from Africa, 10.0 per cent. was derived from the Gulf and Middle East region and 9.1 per cent. was derived from the West Asia and the Indian Ocean region.

A more detailed analysis of the Group's passenger revenue and of its cargo revenue is set out below. Together, these two revenue streams comprised 95.0 per cent. of the Group's total revenue in the six months ended 30 September 2017 and 94.3 per cent., 94.8 per cent. and 94.9 per cent. of the Group's total revenue in financial year 2017, financial year 2016 and financial year 2015, respectively.

Passenger Revenue

The table below shows the Group's passenger revenue, the number of passengers carried, passenger capacity (expressed in available seat kilometres ("ASKM"), calculated as the number of seats available multiplied by the distance flown) passenger traffic (expressed in RPKM), passenger seat factor and passenger yield in the six months ended 30 September 2017 and 2016 and the three years ended 31 March 2017, 2016 and 2015.

	Six months ended 30 September		**Year ended 31 March**		
	2017	**2016**	**2017**	**2016**	**2015**
	(unaudited, except for passenger revenue in years ended 31 March 2017, 2016 and 2015)				
Passenger revenue *(AED millions)* ...	35,901	33,994	68,398	68,029	70,013
Passenger carried *(millions)*	29.2	28.0	56.1	51.9	48.1
ASKM *(millions)*	188,200	182,837	368,102	333,726	295,740
RPKM *(millions)*	145,201	137,755	276,608	255,176	235,498
Passenger seat factor *(%)*.................	77.2	75.3	75.1	76.5	79.6
Passenger yield *(fils per RPKM)*	24.7	24.6	24.7	26.7	29.7

Note:
Passenger revenue (*AED millions*) has been extracted from the unaudited interim condensed consolidated financial statements for the six months ended 30 September 2017 and from the audited consolidated financial statements for financial years 2017 and 2016.

Six Months Ended 30 September 2017 Compared to Six Months Ended 30 September 2016

The Group's passenger carrying capacity increased by 5,363 million ASKM, or 2.9 per cent., in the six months ended 30 September 2017 (from 182,837 million ASKM in the six months ended 30 September 2016 to 188,200 million ASKM). The Group's passenger traffic increased by 7,446 million RPKM, or 5.4 per cent., in the six months ended 30 September 2017 (from 137,755 million RPKM in the six months ended 30 September 2016 to 145,201 million RPKM). The Group's passenger seat factor increased by 1.9 percentage points in the six months ended 30 September 2017 as compared to the six months ended 30 September 2016.

Aircraft departures decreased slightly by 1.0 per cent. in the six months ended 30 September 2017 to 101,841 from 102,873 in the six months ended 30 September 2016.

The Group's passenger revenue increased by AED 1,907 million, or 5.6 per cent., in the six months ended 30 September 2017 (from AED 33,994 million in the six months ended 30 September 2016 to AED 35,901 million). This increase in passenger revenue principally reflected the combined effects of an increase in the number of passengers carried (1.2 million, or 4.3 per cent.) and RPKMs (7,446 million, or 5.4 per cent.), whereas passenger yield remained almost flat at 24.7 fils per RPKM in the six months ended 30 September 2017 as compared to 24.6 fils per RPKM in the six months ended 30 September 2016.

Financial Year 2017 Compared to Financial Year 2016

The Group's passenger carrying capacity increased by 34,376 million ASKM, or 10.3 per cent., in financial year 2017 (from 333,726 million ASKM in financial year 2016 to 368,102 million ASKM). The Group's passenger traffic increased by 21,432 million RPKM, or 8.4 per cent., in financial year 2017 (from 255,176 million RPKM in financial year 2016 to 276,608 million RPKM). The Group's passenger seat factor decreased from 76.5 per cent. in financial year 2016 to 75.1 per cent. in financial year 2017.

Aircraft departures increased by 2.4 per cent. in financial year 2017 to 204,543 from 199,754 in financial year 2016, reflecting the introduction in financial year 2017 of new passenger services to six new destinations (Fort Lauderdale, Hanoi, Newark, Yangon, Yinchuan and Zhengzhou), increased frequencies to a number of existing destinations and increased capacity.

The Group's passenger revenue increased by AED 369 million, or 0.5 per cent., in financial year 2017 (from AED 68,029 million in financial year 2016 to AED 68,398 million). The increase in passenger revenue principally reflected the combined effects of increases in the number of passengers carried (by 4.2 million, or 8.1 per cent.) and in RPKMs (by 21,432 million, or 8.4 per cent.), partially offset by a decrease in passenger yield (by 2.0 fils per RPKM, or 7.5 per cent.).

Financial Year 2016 Compared to Financial Year 2015

The Group's passenger carrying capacity increased by 37,986 million ASKM, or 12.8 per cent., in financial year 2016 (from 295,740 million ASKM in financial year 2015 to 333,726 million ASKM). The Group's passenger traffic increased by 19,678 million RPKM, or 8.4 per cent., in financial year 2016 (from 235,498 million RPKM in financial year 2015 to 255,176 million RPKM). The Group's passenger seat factor decreased from 79.6 per cent. in financial year 2015 to 76.5 per cent. in financial year 2016.

Aircraft departures increased by 9.8 per cent. in financial year 2016 to 199,754 from 181,843 in financial year 2015, reflecting the introduction of new passenger services to Bali, Bologna, Cebu, Clark, Istanbul (Sabiha Gokcen Airport), Mashhad, Multan and Orlando and increased frequencies to a number of existing destinations.

The Group's passenger revenue decreased by AED 1,984 million, or 2.8 per cent., in financial year 2016 (from AED 70,013 million in financial year 2015 to AED 68,029 million). This decrease in passenger revenue principally reflected a decrease in passenger yield (by 3.0 fils per RPKM, or 10.1 per cent.), partially offset by increases in the number of passengers carried (by 3.7 million, or 7.7 per cent.) and in RPKMs (by 19,678 million, or 8.4 per cent.).

Cargo Revenue

The table below shows the Group's cargo revenue and the cargo tonnage uplifted in the six months ended 30 September 2017 and 2016 and the three years ended 31 March 2017, 2016 and 2015.

	Six months ended 30 September		**Year ended 31 March**		
	2017	**2016**	**2017**	**2016**	**2015**
	(unaudited, except for cargo revenue in years ended 31 March 2017, 2016 and 2015)				
Cargo revenue *(AED millions)*	5,796	5,087	10,592	11,140	12,298
Cargo carried *(thousand tonnes)*	1,321	1,253	2,577	2,509	2,377

Note:

Cargo revenue (*AED millions*) has been extracted from the unaudited interim condensed consolidated financial statements for the six months ended 30 September 2017 and from the audited consolidated financial statements for financial years 2017 and 2016.

Six Months Ended 30 September 2017 Compared to Six Months Ended 30 September 2016

The Group's cargo revenue increased by AED 709 million, or 13.9 per cent., in the six months ended 30 September 2017 (from AED 5,087 million in the six months ended 30 September 2016 to AED 5,796 million). This reflected the increase in cargo tonnage carried by the Group (which increased by 68 thousand tonnes, or 5.4 per cent.) and a 7.6 per cent. increase in cargo yield in the six months ended 30 September 2017 compared to the six months ended 30 September 2016.

Financial Year 2017 Compared to Financial Year 2016

The Group's cargo revenue decreased by AED 548 million, or 4.9 per cent., in financial year 2017 (from AED 11,140 million in financial year 2016 to AED 10,592 million). This decrease was principally due to a 4.2 per cent. decrease in cargo yield in financial year 2017 compared to the previous year, which was partially offset by an increase in cargo tonnage carried by the Group (which increased by 68 thousand tonnes, or 2.7 per cent.).

Financial Year 2016 Compared to Financial Year 2015

The Group's cargo revenue decreased by AED 1,158 million, or 9.4 per cent., in financial year 2016 (from AED 12,298 million in financial year 2015 to AED 11,140 million). This decrease was principally due to a 12.8 per cent. decrease in cargo yield in financial year 2016 compared to the previous year, which was partially offset by an increase in cargo tonnage carried by the Group (which increased by 132 thousand tonnes, or 5.6 per cent.).

Other Operating Income

The Group's other operating income principally comprises (i) liquidated damages and other compensation received by the Group in connection with aircraft, (ii) the amortisation of gain on sale and leaseback of aircraft, aircraft engines and parts, (iii) net foreign exchange gain, if any, and (iv) income from ancillary services and activities incidental to the Group's operations.

Operating Costs

The tables below show the Group's operating costs in the six months ended 30 September 2017 and 2016 and the three years ended 31 March 2017, 2016 and 2015.

	Six months ended 30 September			
	2017		2016	
	(unaudited)			
	(AED millions)	*(%)*	*(AED millions)*	*(%)*
Jet fuel	11,185	26.5	9,838	24.3
Employee costs	6,322	15.0	6,448	15.9
Aircraft operating leases	5,672	13.4	5,052	12.5
Depreciation and amortisation	4,537	10.7	4,064	10.0
Sales and marketing	3,072	7.3	2,744	6.8
Handling	2,739	6.5	3,045	7.5
In-flight catering and other operating costs	1,650	3.9	1,681	4.1
Overflying	1,448	3.4	1,462	3.6
Facilities and IT related costs	1,238	2.9	1,222	3.0
Aircraft maintenance	1,106	2.6	1,445	3.6
Landing and parking	1,105	2.6	1,073	2.6
Cost of goods sold	683	1.6	693	1.7
Crew layover	560	1.3	539	1.3
Foreign exchange loss - net	-	-	214	0.5
Corporate overheads	908	2.2	1,016	2.5
Total operating costs	**42,225**	**100.00**	**40,536**	**100.0**

	Year ended 31 March					
	2017		2016		2015	
			(audited)			
	(AED millions)	*(%)*	*(AED millions)*	*(%)*	*(AED millions)*	*(%)*
Jet fuel	20,968	25.4	19,731	25.7	28,690	34.7
Employee costs	12,864	15.6	12,452	16.2	11,851	14.3
Aircraft operating leases	10,509	12.7	8,085	10.5	6,920	8.3
Depreciation and amortisation	8,304	10.1	8,000	10.4	7,446	9.0
Handling	5,885	7.1	5,646	7.4	5,094	6.1
Sales and marketing	5,698	6.9	5,893	7.7	6,098	7.4
In-flight catering and other operating costs	3,343	4.0	3,143	4.1	3,883	4.7
Overflying	2,851	3.5	2,711	3.5	2,648	3.2
Aircraft maintenance	2,738	3.3	2,513	3.3	2,527	3.0
Facilities and IT related costs	2,470	3.0	2,347	3.1	2,240	2.7
Landing and parking	2,057	2.5	1,992	2.6	1,761	2.1
Cost of goods sold	1,499	1.8	1,335	1.7	1,260	1.5
Crew layover	1,082	1.3	971	1.3	-	-
Foreign exchange loss - net	340	0.4	5	0.0	-	-
Corporate overheads	2,018	2.4	1,890	2.5	2,508	3.0
Total operating costs	**82,626**	**100.00**	**76,714**	**100.0**	**82,926**	**100.0**

Note:

Certain financial year 2015 financial information included in the table above (including, in particular, line items "in-flight catering and other operating costs", "crew layover", "foreign exchange loss – net" and "corporate overheads") has not been amended to reflect the impact of the adjustment explained in section "*Presentation of certain financial and other information – Comparability of Financial Information of the Group*".

The Group's principal operating costs are the cost of the jet fuel which it uses, employee costs and aircraft operating lease costs, which together comprised 54.9 per cent., 52.6 per cent., 53.7 per cent., 52.5 per cent. and 57.2 per cent. of its total operating costs in the six months ended 30 September 2017 and 2016 and in financial year 2017, financial year 2016 and financial year 2015, respectively. Each of these items is analysed in more detail below.

Six Months Ended 30 September 2017 Compared to Six Months Ended 30 September 2016

The Group's total operating costs increased by AED 1,689 million, or 4.2 per cent., in the six months ended 30 September 2017 (from AED 40,536 million in the six months ended 30 September 2016 to AED 42,225 million). The principal contributors to this increase were higher jet fuel costs and higher costs of aircraft operating leases.

Financial Year 2017 Compared to Financial Year 2016

The Group's total operating costs increased by AED 5,912 million, or 7.7 per cent., in financial year 2017 (from AED 76,714 million in financial year 2016 to AED 82,626 million). The principal contributors to this increase were higher costs of aircraft operating leases and higher jet fuel costs.

Financial Year 2016 Compared to Financial Year 2015

The Group's total operating costs decreased by AED 6,212 million, or 7.5 per cent., in financial year 2016 (from AED 82,926 million in financial year 2015 to AED 76,714 million). The principal contributor to this decrease was significantly lower jet fuel costs, which was partially offset by the impact of higher costs of aircraft operating leases.

Jet Fuel

Six Months Ended 30 September 2017 Compared to Six Months Ended 30 September 2016

The Group's jet fuel costs increased by AED 1,347 million, or 13.7 per cent., in the six months ended 30 September 2017 (from AED 9,838 million in the six months ended 30 September 2016 to AED 11,185 million). This increase was principally due to higher jet fuel prices, which went up 10.7 per cent. compared to the same period in the previous financial year, as well as an increase in fuel uplift of 2.9 per cent. due to Emirates' expanding fleet operations. Jet fuel remained the largest component of the Group's operating costs, accounting for 26.5 per cent. of total operating costs in the six months ended 30 September 2017 compared with 24.3 per cent. in the six months ended 30 September 2016. Emirates adopts an approach to managing fuel price risk based upon a continuous assessment of the market. During the six months ended 30 September 2017, the strategy was to remain un-hedged.

Financial Year 2017 Compared to Financial Year 2016

The Group's jet fuel costs increased by AED 1,237 million, or 6.3 per cent., in financial year 2017 (from AED 19,731 million in financial year 2017 to AED 20,968 million). Despite an average fuel price reduction of 4.6 per cent. in financial year 2017 as compared to financial year 2016, jet fuel cost increased due to a higher fuel uplift of 8.4 per cent. Although jet fuel costs included an unfavourable result of fuel hedging amounting to AED 336 million, the Group remained largely unhedged on jet fuel prices during financial year 2017.

Financial Year 2016 Compared to Financial Year 2015

The Group's jet fuel costs decreased by AED 8,959 million, or 31.2 per cent., in financial year 2016 (from AED 28,690 million in financial year 2015 to AED 19,731 million) reflecting substantial reduction in jet fuel prices in financial year 2016 compared to financial year 2015 (on an average basis, jet fuel prices paid by the Group in financial year 2016 were 57.9 per cent. lower than in financial year 2015), which was partly offset by the Group's increased consumption of jet fuel in financial year 2016 as the Group operated an increased number of flights to more destinations. Although jet fuel costs included an unfavourable result of fuel hedging amounting to AED 242 million, the Group remained largely unhedged on jet fuel prices during financial year 2016.

Employee Costs

Six Months Ended 30 September 2017 Compared to Six Months Ended 30 September 2016

The Group's employee costs decreased by AED 126 million, or 2.0 per cent., in the six months ended 30 September 2017 (from AED 6,448 million in the six months ended 30 September 2016 to AED 6,322 million). This decrease principally reflected a decrease in average employee numbers (calculated, for any six month period, as the sum of the number of employees on the first day of the period and on the last day of each calendar month in the period, divided by seven) of 2,153, or 3.3 per cent. (from 65,192 in the six months ended 30 September 2016 to 63,039 in the six months ended 30 September 2017). This was largely a result of natural attrition together with a slower pace of recruitment, as the Group adopted new technologies, streamlined business processes and re-allocated resources.

Financial Year 2017 Compared to Financial Year 2016

The Group's employee costs increased by AED 412 million, or 3.3 per cent., in financial year 2017 (from AED 12,452 million in financial year 2016 to AED 12,864 million). This increase was principally due to a 5.8 per cent. increase in the Group's average employee numbers, from 61,205 in financial year 2016 to 64,768 in financial year 2017 (calculated, for any financial year, as the sum of the number of employees on 1 April and on the last day of each calendar month in that financial year, divided by 13). The average number of employees in the airline increased by 3,605, or 7.5 per cent., to 51,628. The largest part of the increase came from the cabin and flight deck crew as well as from an increase in the engineering workforce to support the steady growth in Emirates' fleet size and maintenance events in financial year 2017. The numbers for overseas stations and subsidiary companies staff remained almost flat.

Financial Year 2016 Compared to Financial Year 2015

The Group's employee costs increased by AED 601 million, or 5.1 per cent., in financial year 2016 (from AED 11,851 million in financial year 2015 to AED 12,452 million). This increase was principally due to a 7.9 per cent. increase in the Group's average employee numbers, from 56,725 in financial year 2015 to 61,205 in financial year 2016, driven by the Group's capacity growth between the two years. The average number of employees in the airline increased by 3,452, or 7.7 per cent. to 48,023. Similar to financial year 2017, the largest part of the increase in financial year 2016 came from the cabin and flight deck crews as well as from an increase in the engineering workforce to support the steady growth in Emirates' fleet size and maintenance events in that year. The 9 per cent. manpower growth in subsidiaries was principally on account of increased activity levels in companies managing the catering and food and beverage businesses.

Aircraft Operating Leases

Six Months Ended 30 September 2017 Compared to Six Months Ended 30 September 2016

The Group's aircraft operating lease costs increased by AED 620 million, or 12.3 per cent., in the six months ended 30 September 2017 (from AED 5,052 million in the six months ended 30 September 2016 to AED 5,672 million). This increase was due to the addition of six aircraft on operating lease in the six months ended 30 September 2017 as well as the full period impact of 23 aircraft taken on operating lease in financial year 2017, partly offset by the phase out of three aircraft on completion of lease terms in the six months ended 30 September 2017.

Financial Year 2017 Compared to Financial Year 2016

The Group's aircraft operating lease costs increased by AED 2,424 million, or 30.0 per cent., in financial year 2017 (from AED 8,085 million in financial year 2016 to AED 10,509 million). This increase was principally due to the addition of 23 aircraft on operating lease in financial year 2017 as well as the full year impact of 31 aircraft taken on operating lease in financial year 2016 (including 13 sale and leasebacks), which was partially offset by the phase out of 25 aircraft on completion of lease terms in financial year 2017.

Financial Year 2016 Compared to Financial Year 2015

The Group's aircraft operating lease costs increased by AED 1,165 million, or 16.8 per cent., in financial year 2016 (from AED 6,920 million in financial year 2015 to AED 8,085 million). This increase was principally due to the addition of 19 aircraft on operating lease and 13 aircraft added through sale and leaseback transactions in financial year 2016.

Operating Profit

Reflecting the above factors, the Group's operating profit increased by AED 961 million, or 70.6 per cent., from AED 1,362 million in the six months ended 30 September 2016 to AED 2,323 million in the six months ended 30 September 2017. In financial year 2017, the Group's operating profit decreased by AED 5,895 million, or 70.8 per cent., from AED 8,330 million in financial year 2016 to AED 2,435 million. In financial year 2016, the Group's operating profit increased by AED 2,437 million, or 41.4 per cent., from AED 5,893 million in financial year 2015 to AED 8,330 million. The Group's operating margin (calculated as operating profit divided by the sum of revenue and other operating income) was 5.2 per cent. in the six months ended 30 September 2017 (compared to 3.3 per cent. in the six months ended 30 September 2016), 2.9 per cent. in financial year 2017, 9.8 per cent. in financial year 2016 and 6.6 per cent. in financial year 2015.

Other Items of Income and Costs

The Group's other items of income and costs include finance income and finance costs and the Group's share of the results of investments accounted for using the equity method.

Finance Income

The Group's finance income comprises interest on its short-term bank deposits as well as finance income from related parties. The Group's finance income decreased by AED 11 million, or 7.6 per cent., in the six months ended 30 September 2017 (from AED 145 million in the six months ended 30 September 2016 to AED 134 million), principally due to decreased cash assets, partly offset by higher effective interest rate.

In financial year 2017, the Group's finance income increased by AED 61 million, or 27.7 per cent. (from AED 220 million in financial year 2016 to AED 281 million), principally reflecting an increase in the effective interest rate received by the Group on its cash assets from 2.2 per cent. in financial year 2016 to 2.6 per cent. in financial year 2017.

The Group's finance income increased by AED 45 million, or 25.7 per cent., in financial year 2016 (from AED 175 million in financial year 2015 to AED 220 million), reflecting both higher cash assets and increase in the effective interest rate received by the Group on its cash assets from 1.5 per cent. in financial year 2015 to 2.2 per cent. in financial year 2016.

Finance Costs

The Group's finance costs comprise aircraft finance lease costs (being the interest element of lease payments in relation to aircraft and aircraft engines financed through finance leases), interest charges on its bonds and term loans and other net finance costs. The Group's finance costs increased by AED 94 million, or 13.9 per cent., in the six months ended 30 September 2017 (from AED 674 million in the six months ended 30 September 2016 to AED 768 million). This increase was principally due to higher aircraft finance lease costs, which increased from AED 488 million in the six months ended 30 September 2016 to AED 590 million in the six months ended 30 September 2017, reflecting an increase in finance lease liabilities between the two periods.

In financial year 2017, the Group's finance costs increased by AED 54 million, or 4.1 per cent. (from AED 1,329 million in financial year 2016 to AED 1,383 million). This increase was due to an increase in other net finance costs from AED 110 million in financial year 2016 to AED 217 million in financial year 2017 and an increase in aircraft finance lease costs from AED 934 million in financial year 2016 to AED 1,019 million in financial year 2017, which reflected an increase in finance lease liabilities between the two years. The impact of these two increases on the Group's finance costs was partially offset by a decrease in interest expense on bonds and term loans from AED 285 million in financial year 2016 to AED 147 million in financial year 2017, which was attributable to two bullet bonds that matured and were repaid in June 2016 in the amounts of AED 3.7 billion and AED 408 million.

The Group's finance costs decreased by AED 120 million, or 8.3 per cent., in financial year 2016 (from AED 1,449 million in financial year 2015 to AED 1,329 million), principally reflecting a decrease in the effective interest rate in respect of the Group's term loans and lease liabilities.

The Group's share of results of investments accounted for using the equity method remained almost unchanged in the six months ended 30 September 2017 (AED 62 million) and in the six months ended 30 September 2016 (AED 61 million). The Group's share of results of investments accounted for using the equity method was AED 157 million in financial year 2017, AED 142 million in financial year 2016 and AED 152 million in financial year 2015. The changes were principally due to changes in share of results of joint ventures, which decreased from AED 60 million in financial year 2015 to AED 43 million in financial year 2016, but then increased to AED 63 million in financial year 2017. The Group's joint ventures include three flight simulator training ventures (two in the UAE and one in India), a hotel company in the UAE and two wholesale and retail of consumer goods ventures (one in Thailand and the other one in the UAE).

Profit before Income Tax

Reflecting the above factors, the Group's profit before income tax increased by AED 857 million, or 95.9 per cent., in the six months ended 30 September 2017 (from AED 894 million in the six months ended 30 September 2016 to AED 1,751 million). In financial year 2017, the Group's profit before tax decreased by AED 5,873 million, or 79.8 per cent. (from AED 7,363 million in financial year 2016 to AED 1,490 million). In financial year 2016, the Group's profit before tax increased by AED 2,592 million, or 54.3 per cent. (from AED 4,771 million in financial year 2015 to AED 7,363 million).

Income Tax

The Group has secured tax exemptions in most of the jurisdictions in which it operates as a result of double taxation agreements and airline reciprocal arrangements. However, the Group is subject to tax in respect of certain overseas stations in which it operates.

The Group's operations in these stations gave rise to AED 14 million in income tax expense in the six months ended 30 September 2017 (compared to AED 21 million in the six months ended 30 September 2016), AED 40 million in income tax expense in financial year 2017, AED 45 million in income tax expense in financial year 2016 and AED 43 million in income tax expense in financial year 2015.

Profit attributable to Emirates' Owner

Reflecting the above factors, the Group's profit attributable to Emirates' owner in the six months ended 30 September 2017 increased by AED 871 million, or 110.8 per cent. (from AED 786 million in the six months ended 30 September 2016 to AED 1,657 million). In financial year 2017, the Group's profit attributable to Emirates' owner decreased by AED 5,875 million, or 82.5 per cent. (from AED 7,125 million in financial year 2016 to AED 1,250 million). In financial year 2016, the Group's profit attributable to Emirates' owner increased by AED 2,570 million, or 56.4 per cent. (from AED 4,555 million in financial year 2015 to AED 7,125 million). The Group's profit margin (calculated as profit attributable to Emirates' owner divided by the sum of revenue and other operating income) was 3.7 per cent. in the six months ended 30 September 2017, 1.5 per cent. in financial year 2017, 8.4 per cent. in financial year 2016 and 5.1 per cent. in financial year 2015.

Total Comprehensive Income Attributable to Emirates' Owner

Six Months Ended 30 September 2017 Compared to Six Months Ended 30 September 2016

In the six months ended 30 September 2017, the Group's other comprehensive income was AED 28 million, reflecting an AED 24 million fair value gain on cash flow hedges and a gain of AED 4 million resulting from currency translation differences. Summed up with the Group's profit for the period of AED 1,737 million, this resulted in total comprehensive income for the period of AED 1,765 million. Total comprehensive income attributable to Emirates' owner amounted to AED 1,685 million in the six months ended 30 September 2017, while total comprehensive income attributable to non-controlling interests was AED 80 million in the same period.

In the six months ended 30 September 2016, the Group's other comprehensive income was AED 680 million, reflecting an AED 677 million fair value gain on cash flow hedges and a gain of AED 3 million resulting from currency translation differences. Summed up with the Group's profit for the period of AED 873 million, this resulted in total comprehensive income for the period of AED 1,553 million. Total comprehensive income attributable to Emirates' owner amounted to AED 1,466 million in the six months ended 30 September 2016, while total comprehensive income attributable to non-controlling interests was AED 87 million in the same period.

Financial Year 2017

In financial year 2017, the Group's other comprehensive income was AED 1,349 million, reflecting an AED 1,038 million fair value gain on cash flow hedges and an AED 311 million gain on re-measurement of retirement benefit obligations. Summed up with the Group's profit for the year of AED 1,450 million, this resulted in total comprehensive income in financial year of AED 2,799 million. Total comprehensive income attributable to Emirates' owner amounted to AED 2,599 million in financial year 2017, while total comprehensive income attributable to non-controlling interests was AED 200 million in the same financial year.

Financial Year 2016

In financial year 2016, the Group's other comprehensive loss was AED 1,002 million, principally reflecting an AED 1,010 million fair value loss on cash flow hedges and an AED 9 million gain on re-measurement of retirement benefit obligations. Summed up with the Group's profit for the year of AED 7,318 million, this resulted in total comprehensive income of AED 6,316 million in financial year 2016. Total comprehensive income attributable to Emirates' owner amounted to AED 6,123 million in financial year 2016, while total comprehensive income attributable to non-controlling interests was AED 193 million in the same financial year.

Financial Year 2015

In financial year 2015, the Group's other comprehensive income was AED 324 million, principally reflecting an AED 511 million fair value gain on cash flow hedges, partially offset by an AED 142 million loss on re-measurement of retirement benefit obligations and a loss of AED 45 million resulting from currency translation differences. Summed up with the Group's profit for the year of AED 4,728 million, this resulted in total comprehensive income of AED 5,052 million in financial year 2015. Total comprehensive income attributable to Emirates' owner amounted to AED 4,879 million in financial year 2015, while total comprehensive income attributable to non-controlling interests was AED 173 million in the same financial year.

Consolidated Cash Flows for the Six Months Ended 30 September 2017 and 2016 and the Three Years Ended 31 March 2017

The table below summarises the Group's cash flows in the six months ended 30 September 2017 and 2016 and the three years ended 31 March 2017, 2016 and 2015.

	Six months ended 30 September		Year ended 31 March		
	2017	2016	2017	2016	2015
	(unaudited) *(AED millions)*			*(audited)* *(AED millions)*	
Net cash generated from operating activities	4,146	3,750	10,425	14,105	13,265
Net cash used in investing activities	(3,338)	(2,155)	(3,129)	(2,361)	(6,411)
Net cash used in financing activities	(4,067)	(8,144)	(10,502)	(7,975)	(6,264)
Net (decrease) / increase in cash and cash equivalents	**(3,259)**	**(6,549)**	**(3,206)**	**3,769**	**590**
Cash and cash equivalents at beginning of the period / year	8,958	12,165	12,165	8,393	7,800
Effects of exchange rate changes	3	–	(1)	3	3
Cash and cash equivalents at end of the period / year	**5,702**	**5,616**	**8,958**	**12,165**	**8,393**

In the six months ended 30 September 2017, the Group's net cash generated from operating activities was AED 4,146 million (AED 3,750 million in the six months ended 30 September 2016). The Group's net cash used in investing activities in the six months ended 30 September 2017 was AED 3,338 million (AED 2,155 million in the six months ended 30 September 2016), principally reflecting the additions to property, plant and equipment (which comprise payments in respect of property, plant and equipment less the cost of assets acquired under finance leases) of AED 1,185 million and an AED 2,321 million net investment in short-term bank deposits in the six months ended 30 September 2017 (compared to AED 3,604 million in additions to property plant and equipment partially offset by an AED 1,542 million net withdrawal from short-term bank deposits in the six months ended 30 September 2016). The net cash used by the Group in financing activities in the six months ended 30 September 2017 and the six months ended 30 September 2016 amounted to AED 4,067 million and AED 8,144 million, respectively, principally comprising (i) the repayment of lease liabilities amounting to AED 2,434 million and AED 2,127 million, respectively; (ii) the repayment of bonds and loans amounting to AED 1,614 million and AED 5,116 million, respectively; (iii) aircraft finance lease costs of AED 569 million and AED 481 million, respectively; and (iv) dividends paid to Emirates' owner of AED nil and AED 2,100 million, respectively; which were partially offset by an inflow of proceeds from loans of AED 735 million and AED 1,908 million, respectively.

In financial year 2017, the Group's net cash generated from operating activities was AED 10,425 million. The Group's net cash used in investing activities in the same financial year was AED 3,129 million, principally reflecting the additions to property, plant and equipment of AED 4,382 million partially offset by an AED 1,117 million net withdrawal from short-term bank deposits. The net cash used by the Group in financing activities in financial year 2017 amounted to AED 10,502 million, principally comprising (i) the repayment of bonds and loans amounting to AED 5,626 million, (ii) the repayment of lease liabilities amounting to AED 4,424 million, (iii) dividends paid to Emirates' owner of AED 2,100 million and (iv) aircraft finance lease costs of AED 995 million, which were partially offset by proceeds from loans amounting to AED 3,010 million.

In financial year 2016, the Group's net cash generated from operating activities was AED 14,105 million. The Group's net cash used in investing activities in the same financial year was AED 2,361 million, principally reflecting the additions to property, plant and equipment of AED 9,504 million partially offset by proceeds from the sale of property, plant and equipment in the amount of AED 6,535 million and an AED 665 million net withdrawal from short-term bank deposits. The net cash used by the Group in financing activities in financial year 2016 amounted to AED 7,975 million, principally comprising (i) the repayment of lease liabilities amounting to AED 4,055 million, (ii) dividends paid to Emirates' owner of AED 2,100 million, (iii) the repayment of bonds and loans amounting to AED 1,703 million and (iv) aircraft finance lease costs of AED 918 million, which were partially offset by proceeds from loans amounting to AED 1,213 million.

In financial year 2015, the Group's net cash generated from operating activities was AED 13,265 million. The Group's net cash used in investing activities in the same financial year amounted to AED 6,411 million, principally reflecting the additions to property, plant and equipment of AED 10,269 million partially offset by proceeds from the sale of property, plant and equipment in the amount of AED 3,478 million. The net cash used by the Group in financing activities in financial year 2015 amounted to AED 6,264 million, principally comprising (i) the repayment of lease liabilities amounting to AED 5,628 million, (ii) aircraft finance lease costs of AED 951 million, (iii) dividends paid to Emirates' owner of AED 869 million and (iv) the repayment of bonds and loans amounting to AED 622 million, which were partially offset by proceeds from loans amounting to AED 2,215 million.

Statement of Financial Position

Assets

The Group'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 92.2 per cent. of its total assets in the six months ended 30 September 2017. In the three years ended 31 March 2017, 2016 and 2015, these assets together comprised 92.5 per cent., 94.1 per cent. and 95.2 per cent., respectively, of the Group's total assets.

Property, Plant and Equipment

Information relating to the Group's property, plant and equipment is set out in Note 12 to the Interim Financial Statements, Note 11 to the 2017 Financial Statements and Note 11 to the 2016 Financial Statements. As of 30 September 2017, 31 March 2017, 31 March 2016 and 31 March 2015, aircraft and aircraft engines and parts accounted for 71.5 per cent., 71.0 per cent., 66.4 per cent. and 68.1 per cent. of the Group's property, plant and equipment. In addition, a further 5.8 per cent., 6.7 per cent., 10.3 per cent. and 10.4 per cent. of the Group's property, plant and equipment comprised pre-delivery payments in respect of aircraft as of 30 September 2017, 31 March 2017, 31 March 2016 and 31 March 2015, respectively. As of 30 September 2017, 31 March 2017, 31 March 2016 and 31 March 2015, assets held under finance leases accounted for AED 52,808 million (61.2 per cent. of the net book amount of the Group's property, plant and equipment), AED 54,148 million (62.3 per cent. of the net book amount of the Group's property, plant and equipment), AED 48,472 million (58.5 per cent. of the net book amount of the Group's property, plant and equipment) and AED 43,376 million (53.9 per cent. of the net book amount of the Group's property, plant and equipment), respectively.

Cash and Cash Equivalents and Short-term Bank Deposits

The table below shows the Group's cash and cash equivalents and short-term bank deposits as of 30 September 2017 and 31 March 2017, 2016 and 2015.

	As of 30 September		**As of 31 March**					
	2017		**2017**		**2016**		**2015**	
	(unaudited)				*(audited)*			
	(AED millions)	*(%)*	*(AED millions)*	*(%)*	*(AED millions)*	*(%)*	*(AED millions)*	*(%)*
Cash and cash equivalents	5,708	38.7	8,962	57.2	12,165	60.9	8,397	49.7
Short-term bank deposits	9,027	61.3	6,706	42.8	7,823	39.1	8,488	50.3
Total cash and cash equivalents and short term bank deposits...............................	**14,735**	**100.0**	**15,668**	**100.0**	**19,988**	**100.0**	**16,885**	**100.0**

The Group's cash and cash equivalents comprise cash and liquid funds with original maturities of three months or less and its short-term bank deposits comprise other bank deposits with maturity of over three months but less than a year. The Group holds its cash balances predominantly with financial institutions based in the UAE, including, but not limited to, financial institutions controlled by the Government of Dubai. As of 31 March 2017, the Group had a cash assets (which are the sum of cash equivalents, short-term bank deposits and other cash investments included in other categories of financial assets) to revenue and other operating income ratio of 18.4 per cent.

Trade and Other Receivables

The Group's trade and other receivables comprise trade receivables (net of provisions) plus significant receivables from related parties (principally companies under the common control of the Group's parent company) as well as a range of other receivables.

The Group's trade and other receivables (net of provisions) amounted to AED 10,722 million as of 30 September 2017, AED 9,922 million as of 31 March 2017, AED 9,321 million as of 31 March 2016 and AED 8,589 million as of 31 March 2015. The Group's provision for trade receivables principally relates to ticketing agents which are not expected to meet their obligations and amounted to AED 76 million as of 30 September 2017 and AED 83 million as of 31 March 2017.

Liabilities

The Group's principal liabilities are its borrowings and lease liabilities and its trade and other payables which, together, accounted for 88.1 per cent. of the Group's total liabilities as of 30 September 2017, 88.9 per cent. of the Group's total liabilities as of 31 March 2017, 88.9 per cent. of the Group's total liabilities as of 31 March 2016 and 91.2 per cent. of the Group's total liabilities as of 31 March 2015.

Borrowings and Lease Liabilities

The Group's borrowings and lease liabilities comprise term loans from commercial banks, bonds and sukuk issued in the international capital markets, bank overdrafts and liabilities under finance leases, principally to fund the purchase of aircraft, aircraft engines and parts. Emirates anticipates increasing its use of debt capital market products in the short and medium term.

The table below summarises the Group's borrowings and lease liabilities as of 30 September 2017 and as of 31 March in each of 2017, 2016 and 2015.

	As of 30 September	As of 31 March		
	2017	**2017**	**2016**	**2015**
	(unaudited)		*(audited)*	
Non-current		*(AED millions)*		
Bonds	3,258	3,561	4,167	8,842
Term loans	3,235	3,443	2,659	1,740
Lease liabilities	33,329	33,167	34,019	31,844
Total non-current	**39,822**	**40,171**	**40,845**	**42,426**
Current				
Bonds	606	606	4,685	604
Term loans	1,152	1,514	277	1,091
Lease liabilities	8,850	8,707	4,298	3,683
Bank overdrafts	6	4	-	4
Total current	**10,614**	**10,831**	**9,260**	**5,382**
Total borrowings and lease liabilities	**50,436**	**51,002**	**50,105**	**47,808**

The Group's net debt to equity ratio, being the ratio of its net debt, calculated as total borrowings and lease liabilities net of cash assets (which are the sum of cash equivalents, short-term bank deposits and other cash investments included in other categories of financial assets) to equity, as of 30 September 2017 was 97.1 per cent., compared to 100.7 per cent. as of 31 March 2017, 92.9 per cent. as of 31 March 2016 and 109.3 per cent. as of 31 March 2015. After capitalising aircraft operating leases, the net debt to equity ratio as of 30 September 2017 was 230.5 per cent., compared to 237.9 per cent. as of 31 March 2017, 215.9 per cent. as of 31 March 2016 and 212.1 per cent. as of 31 March 2015. The effective interest rate on the Group's total borrowings and lease liabilities in financial year 2017 was 3.0 per cent., compared to 3.1 per cent. in financial year 2016 and 3.3 per cent. in financial year 2015.

Bonds

In June 2016, the Group repaid a bullet bond in full for the value of U.S.$1 billion (AED 3.7 billion) on its maturity date. Also in June 2016, the Group repaid a second bond in the amount of 150 million Singapore dollars (AED 408 million). The Group repaid both bonds from its cash resources. The Group currently has two different series of bonds outstanding, each of which is unsecured. As of 30 September 2017 and as of 31 March 2017, 100 per cent. of the Group's outstanding bonds was denominated in U.S. dollars. As of 30 September 2017, 15.7 per cent. of the outstanding principal amount of the Group's bonds was due to mature in less than one year, 62.9 per cent. was due to mature between two and five years and 21.4 per cent. was due to mature after five years. In comparison, as of 31 March 2017, 14.5 per cent. of the outstanding principal amount of the Group's bonds was due to mature in less than one year, 58.3 per cent. was due to mature between two and five years and 27.2 per cent. was due to mature after five years. All of the bonds bear fixed rate of interest. The effective interest rate on the Group's bonds in financial year 2017 was 4.5 per cent. compared to 4.7 per cent. in financial year ended 2016 and 4.7 per cent. in financial year 2015.

Term Loans

As of 30 September 2017, the Group had AED 4,387 million in aggregate principal amount of term loans outstanding, compared to AED 4,957 million as of 31 March 2017, AED 2,936 million as of 31 March 2016 and AED 2,831 million as of 31 March 2015. Of the outstanding amount of the Group's term loans, as of 30 September 2017, 26.3 per cent. was due to mature within one year, 32.8 per cent. was due to mature between two and five years and 41.0 per cent. had a maturity in excess of five years. In comparison, of the outstanding amount of the Group's term loans as of 31 March 2017, 30.5 per cent. was due to mature within one year, 30.8 per cent. was due to mature between two and five years and 38.6 per cent. had a maturity in excess of five years.

All of the term loans bear floating rates of interest. As of 30 September 2017, AED 3,368 million, or AED 76.8 per cent. of the Group's total loans were secured on aircraft and the remainder was unsecured as compared with AED 3,512 million (70.8 per cent.) as of 31 March 2017. The effective interest rate on the Group's term loans in financial year 2017 was 3.1 per cent. compared to 3.6 per cent. in financial year 2016 and 3.8 per cent. in financial year 2015.

Lease Liabilities

The Group finances its fleet through the use of both finance leases and operating leases. The Group's lease liabilities under its finance leases are secured on the related aircraft and aircraft engines. In the event of both finance leases and operating leases being terminated prior to their expiry date, penalties are payable. As of 31 March 2017, the penalties that would have been payable had all leases terminated on that date would have been AED 1,858 million.

The table below shows the number of aircraft operated by the Group and the split between operating leases, finance leases and ownership of those aircraft as of 30 September 2017 and 31 March in each of 2017, 2016 and 2015.

	As of 30 September	**As of 31 March**		
	2017	**2017**	**2016**	**2015**
		(number)		
Aircraft in operation	264	259	251	231
operating leases	157	154	156	134
owned/finance leases	107	105	95	97

The table below shows the present value of the Group's finance leases, the repayment profile of that present value and the currency breakdown of that present value as of 30 September 2017 and 31 March in each of 2017, 2016 and 2015.

	As of 30 September	**As of 31 March**		
	2017	**2017**	**2016**	**2015**
	(unaudited)		*(audited)*	
		(AED millions)		
Present value of finance lease liabilities	42,179	41,874	38,317	35,527
Present value repayable:				
within one year	8,850	8,707	4,298	3,683
between two and five years	19,348	19,122	18,453	15,375
after five years	13,981	14,045	15,566	16,469
Present value denominated in:				
U.S. dollars	38,780	38,576	35,051	32,606
UAE dirhams	3,399	3,298	3,266	2,921

The table below shows the future minimum lease payments in respect of all of the Group's operating leases and the repayment profile of those payments as of 30 September 2017 and 31 March in each of 2017, 2016 and 2015.

	As of 30 September	As of 31 March		
	2017	**2017**	**2016**	**2015**
	(unaudited)		*(audited)*	
		(AED millions)		
Aircraft fleet	81,804	80,266	66,403	48,466
Other	2,546	2,504	2,242	2,008
Total future minimum lease payments	**84,350**	**82,770**	**68,645**	**50,474**
Repayable:				
within one year	11,231	10,913	9,472	7,951
between two and five years	38,696	37,508	31,898	24,830
after five years	34,423	34,349	27,275	17,693

The Group is entitled to extend certain aircraft leases for a further period of one to six years at the end of the initial lease period.

The Group's effective annual interest rate under its lease liabilities and term loans in financial year 2017 was 2.8 per cent., compared to 2.6 per cent. in financial year 2016 and 2.9 per cent. in financial year 2015.

Trade and Other Payables

The table below shows the Group's trade and other payables as of 30 September 2017 and 31 March in each of 2017, 2016 and 2015.

	As of 30 September	As of 31 March		
	2017	**2017**	**2016[(1)]**	**2015[(1)]**
	(unaudited)		*(audited)*	
		(AED millions)		
Trade payables and accruals	12,195	13,910	13,497	13,617
Passenger and cargo sales in advance[(2)]	10,897	10,878	10,951	11,559
Related parties	808	1,088	497	644
Dividend payable	-	-	2,100	2,100
Total trade and other payables	**23,900**	**25,876**	**27,045**	**27,920**
Of which, over one year	405	683	513	202

Note:

1. Exclude provisions for aircraft return conditions in the amounts of AED 505 million in financial year 2016 and AED 52 million in financial year 2015, which are included in trade and other payables in the 2016 Financial Statements, to make the presentation consistent with the 2017 Financial Statements. See Note 30 to the 2016 Financial Statements.
2. 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. See Note 2 to the 2017 Financial Statements.

As of 30 September 2017, total trade and other payables was AED 1,976 million, or 7.6 per cent., lower than total trade and other payables as of 31 March 2017. As of 31 March 2017, total trade and other payables was AED 1,169 million, or 4.3 per cent., lower than total trade and other payables as of 31 March 2016. This decrease was principally due to AED 2,100 million in dividends payable as of 31

March 2016, with no dividends payable as of 31 March 2017, which was partially offset by higher (by AED 591 million) trade and other payables to related parties as of 31 March 2017 as compared to 31 March 2016 and higher (by AED 413 millions) trade payables and accruals as of 31 March 2017 as compared to 31 March 2016. As of 31 March 2016, total trade and other payables was AED 875 million, or 3.1 per cent., lower than total trade and other payables as of 31 March 2015, principally as a result of a decrease (by AED 608 million) in passenger and cargo sales in advance as of 31 March 2016 as compared to 31 March 2015.

Shareholders' Equity

The table below shows the Group's shareholder's equity as of 30 September 2017 and as of 31 March in each of 2017, 2016 and 2015.

	As of 30 September	**As of 31 March**		
	2017	**2017**	**2016**	**2015**
	(unaudited)		*(audited)*	
		(AED millions)		
Capital	801	801	801	801
Retained earnings	35,505	33,848	32,287	27,253
Other reserves	(113)	(141)	(1,179)	(168)
Attributable to Emirates' owner	**36,193**	**34,508**	**31,909**	**27,886**
Non-controlling interest	584	586	496	400
Total shareholders' equity	**36,777**	**35,094**	**32,405**	**28,286**

Capital

Emirates is a subsidiary of the Emirates Group, which is wholly owned by the Government of Dubai's Investment Corporation of Dubai. Emirates is a corporation established by decree in Dubai. Capital represents the permanent capital of Emirates.

Retained Earnings

Retained earnings principally comprises accumulated profit less dividends paid.

Other Reserves

Other reserves represent fair value reserves in respect of cash flow hedges in addition to currency translation reserve.

Capital Expenditure

The Group categorises its capital expenditure as either primary or secondary. Primary capital expenditure comprises expenditure on aircraft (including engines), major overhauls, spare engines and parts and secondary capital expenditure is all other capital expenditure.

The Group's capital expenditure during financial year 2017 was AED 12.6 billion, of which 84 per cent. was primary capital expenditure, including payments for new aircraft delivered during the year and progress payments made during the year in relation to new aircraft to be delivered in the future. Secondary capital expenditure during financial year 2017 amounted to AED 2.0 billion, of which the majority was invested in staff accommodation, maintenance and training facilities.

The Group's capital expenditure during financial year 2016 was AED 16.7 billion, of which 85 per cent. was primary capital expenditure, including payments for new aircraft delivered during the year and progress payments made during the year in relation to new aircraft to be delivered in the future. Secondary capital expenditure during financial year 2016 amounted to AED 2.5 billion, of which the majority was invested in buildings and training facilities.

The Group's capital expenditure during financial year 2015 was AED 19.9 billion, of which 90 per cent. was primary capital expenditure, including payments for new aircraft delivered during the year and progress payments made during the year in relation to new aircraft to be delivered in the future. Secondary capital expenditure during financial year 2015 amounted to AED 2.1 billion, of which the majority was invested in buildings and training facilities.

Reflecting its new aircraft delivery schedule, the Group expects to continue to incur significant capital expenditure in relation to these deliveries in future years. See "*Off Balance Sheet Liabilities*" below for further information on the Group's capital commitments in connection therewith.

Related Parties

The Group's related party transactions are detailed in Note 37 to the 2017 Financial Statements and principally comprise transactions with other Government of Dubai-owned companies, including, in particular, dnata and certain of its group companies. In addition, the Group transacts with its associated companies and joint ventures.

Amounts owed to the Group by related parties are unsecured and no impairment charge has been recognised in any period under review in respect of amounts owed by related parties.

Off Balance Sheet Liabilities

The Group 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 granted by bankers in the normal course of business.

The table below shows the Group's commitments and guarantees as of 30 September 2017 and as of 31 March in each of 2017, 2016 and 2015.

	As of 30 September	**As of 31 March**		
	2017	**2017**	**2016**	**2015**
	(unaudited)		*(audited)*	
		(AED millions)		
Capital commitments				
Authorised and contracted:				
Aircraft	203,446	210,064	236,375	254,464
Non-aircraft	1,098	1,663	3,107	4,439
Joint ventures.....................	24	38	38	72
Authorised but not contracted:				
Non-aircraft	1,430	2,827	3,553	3,124
Joint ventures.....................	13	17	79	85
Total.....................	**206,011**	**214,609**	**243,152**	**262,184**
Operational commitments				
Sales and marketing.....................	2,592	2,036	2,809	2,154
Guarantees				
Performance bonds and letters of credit provided by banks in the normal course of business in the normal course of business...	520	383	371	404

As of 30 September 2017, the Group had capital commitments in respect of nine aircraft due for delivery in financial year 2018 and 200 aircraft due for delivery thereafter. In addition, as of 30 September 2017, the Group held options on 50 further aircraft.

Financial Risk Management

Note 38 to the 2017 Financial Statements describes the principal financial risks faced by the Group and the principal procedures used by the Group to manage these risks.

EMIRATES

Overview

Emirates was incorporated, with limited liability, in Dubai on 26 June 1985 by an Emiri decree issued by His Royal Highness, Sheikh Maktoum bin Rashid Al-Maktoum and is wholly owned by ICD which, in turn, is wholly owned by the Government of Dubai. The decree awarded Emirates the right to operate commercial air services and designated Emirates as the national carrier for Dubai. The registered office of Emirates is at P.O. Box 686, Dubai, United Arab Emirates and its telephone number is +971 4708 1111.

The Group's principal business is the transportation by air of both passengers and cargo. The Group's total transportation revenue (which includes revenue for passenger and cargo transportation and excess baggage revenue) accounted for 94.8 per cent., 95.3 per cent. and 95.4 per cent. of the Group's total revenue in each of the three financial years ended 31 March 2017, 2016 and 2015, respectively, and 95.5 per cent. of the Group's total revenue in the six months ended 30 September 2017. The Group's remaining revenue was derived from a range of ancillary sources, including the sale of consumer goods, food and beverages, catering operations and hotel operations.

The "Emirates Group" comprises the Group and dnata (together with its consolidated subsidiaries and associates). dnata is a separate legal entity from Emirates, although it is under common ownership and operates under a common management structure. dnata's financial results are not consolidated with those of the Group. dnata is the largest travel management services entity in the UAE and the sole ground handling agent at DIA. dnata's primary activities are the provision of aircraft handling services, representing airlines as their general sales agent, travel agency and other travel related services, as well as inflight catering. The Group shares certain common services, such as information technology, human resources, security, safety, training, finance and legal, with dnata and its group companies and members of Emirates' senior management team also have senior management positions at dnata and dnata's group companies and associates.

According to the IATA WATS 2017, issued by the International Air Transport Association (the "**IATA**"), in 2016, Emirates was the leading airline in the world in terms of international passenger flights measured in RPKM (which indicates the total number of passengers carried multiplied by distance flown in the relevant period) and international freight transported measured in FTKM (which indicates the total cargo tonnage uplifted multiplied by the distance carried). The Group's profit in the six months ended 30 September 2017 was AED 1,737 million on revenues of AED 43,896 million (compared to a profit of AED 873 million on revenues of AED 41,253 million in the six months ended 30 September 2016) and AED 1,450 million on revenues of AED 83,739 million in financial year 2017 (compared to a profit of AED 7,318 million on revenues of AED 83,500 million in financial year 2016). The Group's revenues and other operating income grew at a compounded annual growth rate of 11.3 per cent. over the 10 financial years to 31 March 2017 and profits attributable to the Group's owner grew over the same period by an average of 5.8 per cent. per year. The Group has recorded net profits in each of its last 29 financial years.

The Group's revenues decreased by 3.7 per cent. in financial year 2016 principally due to the impact of the strong U.S. dollar and increased slightly (by 0.3 per cent.) in financial year 2017, in each case compared to the previous financial year. In the six months ended 30 September 2017, revenue increased by 6.4 per cent. as compared to the six months ended 30 September 2016. The Group's operating profit increased by 41.4 per cent. in financial year 2016 to a record high of AED 8,330 million, but then decreased by 70.8 per cent. in financial year 2017, in each case compared to the previous financial year. The Group's operating profit in the six months ended 30 September 2017 stood at AED 2,323 million, 70.6 per cent. higher than its operating profit in the six months ended 30 September 2016.

In the six months ended 30 September 2017, 95.5 per cent. of the Group's revenue comprised transportation revenue, consisting of revenue generated from passenger transport (81.8 per cent.), cargo transport (13.2 per cent.) and excess baggage (0.5 per cent.). The remaining 4.5 per cent. of the Group's revenue was derived from a range of ancillary sources, including the sale of consumer goods, food and beverages, provision of catering services and hotels operations.

Emirates transported 29.2 million passengers and carried over 1.3 million tonnes of cargo across 156 destinations in 84 countries in the six months ended 30 September 2017 and 56.1 million passengers and 2.6 million tonnes of cargo across 156 destinations in 83 countries in financial year 2017. In the six months ended 30 September 2017, Emirates' passenger seat factor and overall load factor were 77.2 per cent. and 66.6 per cent., respectively (compared to 75.3 per cent. and 64.2 per cent., respectively, in the six months ended 30 September 2016). In financial year 2017, Emirates had a passenger seat factor of 75.1 per cent. and overall load factor of 65.0 per cent., compared to 76.5 per cent. and 65.5 per cent., respectively, in the previous financial year. The airline's breakeven load factors were 62.9 per cent., 64.5 per cent. and 60.4 per cent. in the six months ended 30 September 2017, financial year 2017 and financial year 2016, respectively. Emirates' RPKMs and RTKMs increased by 5.4 per cent. and 5.6 per cent., respectively, in the six months ended 30 September 2017 compared to the six months ended 30 September 2016, and increased by 8.4 per cent. and 6.4 per cent., respectively, in financial year 2017 as compared to the preceding financial year. Emirates is one of the fastest growing major international scheduled airlines in the world and has one of the youngest fleets of aircraft in the world. The average age of Emirates' fleet as of 30 September 2017 was 64 months against a global industry average of around 140 months, according to the IATA WATS, 58th edition, tracking airline performance in 2013, based on then available data.

History

Emirates was launched in 1985 with the maiden flight to Karachi taking off on 25 October that year. The airline expanded rapidly, flying to 12 destinations by 1988, 24 by 1991 and 35 by its tenth anniversary in 1995. In 1992, Emirates became the first airline to install video systems in all seats in all classes throughout its fleet. Innovations continued in 1993 when Emirates became the first airline to introduce telecommunications on its Airbus in all three classes and in 1994 when it became the first airline to equip an Airbus fleet with an on-flight fax facility.

In 2000, Emirates launched its frequent flyer loyalty programme, Emirates Skywards, and became the first airline to order the Airbus A380. In 2002, Emirates recorded passenger traffic and cargo increases of 18.3 per cent. and 19.5 per cent., respectively, against global falls of around four per cent. and nine per cent., respectively, in the wake of the 11 September 2001 terrorist attacks in the United States and, for the second year running, Emirates was awarded Airline of the Year by Skytrax, based on an internet poll of four million passengers (in the 2002 poll).

In 2013, Emirates ordered 150 Boeing 777-X aircraft, a combination of 35 Boeing 777-8Xs and 115 Boeing 777-9Xs, including 50 purchase rights. The order was worth approximately U.S.$76 billion (at list prices), the then largest single aircraft order by value in the United States commercial aviation history. In 2014, Emirates took delivery of its 100th B777-300ER aircraft and in October 2017 Emirates took delivery of its 100th A380 aircraft. In 2017 calendar year, Emirates took delivery of an additional 21 aircraft, including 12 B777-300ERs from Boeing and 9 A380s from Airbus taking the fleet size as of 31 December 2017 to 269 commercial aircraft. In November 2017, Emirates announced a U.S.$15.1 billion (at list prices) commitment for 40 Boeing 787-10 Dreamliners, to be delivered in phases from 2022 onwards. Emirates has a commitment to future deliveries of 202 Boeing aircraft. In February 2018, Emirates, signed a U.S.$16 billion (at list prices) order for 36 additional Airbus A380 aircraft, with 20 firm orders and 16 options. The additional Airbus A380s are expected to be delivered to Emirates from 2020 onwards. Together with the airline's 101-strong A380 fleet and its current order backlog for 41 aircraft, this new order brings Emirates' commitment to the A380 programme to 178 aircraft, worth over U.S.$60 billion.

In 2004, Emirates became the first airline in the Arab world to offer electronic ticketing. In 2008, Emirates became the first commercial airline to introduce on-board shower facilities in first class on its new Airbus A380 aircraft and also became the first international carrier to introduce an in-flight mobile phone service, allowing Emirates' passengers to use their own mobile telephones in flight . By the end of 2009, Emirates' in flight mobile phone service had been used by more than one million passengers. During 2012, Emirates also started offering Wi-Fi internet connectivity on all of its A380 aircraft through SWIFT broadband. In August 2015, Emirates became the first global airline to launch Apple pay into its payment options for customers in the United Kingdom and the United States. In financial year ended 2017, Emirates was the launch partner of Visa Checkout in the Unites States and the UAE. In 2017, Emirates announced that it used cutting edge 3D printing technology to manufacture components for its aircraft cabins.

In October 2008, Emirates commenced passenger flight operations from a dedicated terminal at DIA, Terminal 3. The new A380-dedicated Concourse 3 at DIA Terminal 3 commenced its operations in 2013.

Emirates was recognised as the Best Airline in the World in the TripAdvisor Traveler's Choice Awards for airlines (2017). In addition to obtaining the grand prize, the airline was also the winner of three additional awards, including Best Major Airline-Middle East & Africa, Best Economy Class and Best First Class.

Emirates SkyCargo was named "Best Air Cargo Carrier-Middle East" at the 2017 Asian Freight, Logistics and Supply Chain (AFLAS) Awards held in Singapore, "Best Cargo Airline Middle East" at the Cargo Airline of the Year Awards 2017 in London, and also won the prestigious DHL Carrier Award for Reliability and Excellence (DHL CARE) in Singapore in June 2017.

Strategy and Competitive Strengths

Emirates' principal strategy is to continue to develop its business model which is based on its ability to fly passengers easily and in comfort from any part of the world to any other destination, with the only stop being Dubai. Emirates' strategy is closely aligned with the strategic development objectives of its ultimate owner, the Government of Dubai, as set out in the Dubai Strategic Plan 2021, which aims to reinforce Dubai's position by enhancing its standing as a global business centre to be among the top 5 centres for trade, logistics, finance and tourism for all of which Emirates acts as a significant facilitator. See "— *Relationship with the Government*".

Emirates believes that its business model is different from that of other major international airlines in a number of significant respects which reflect specific strategic decisions taken by Emirates in developing the model and/or significant competitive strengths which Emirates intends to continue to leverage. These differences include Emirates' product positioning, its geographical position (which facilitates the connectivity of its flights around the world), its access to underserved markets, its cost structure, its higher operating efficiency, its passenger traffic mix and focus on cargo traffic, its independence from global alliances, its premium brand, its young and efficient fleet, its financial strength and flexible funding sources and its experienced management team, each of which is described further below.

- Emirates seeks to provide a premium service across all travel classes through, for example, for first and business class passengers, its free limousine transfer service, separate and spacious check-in facilities, bar lounges on board the Airbus A380 fleet and award-winning airport lounges; for first class passengers, individual private suites with showers on board the Airbus A380 fleet; and for all passenger classes, its industry leading on-board entertainment system and a successful frequent flyer programme. Emirates Skywards members and their travel companions can now have access to award-winning lounges via a "pay-to-access" programme. Emirates gives families and group travellers the option to pay for seat selection, if they wish to secure their seats in advance of the standard 48 hours check-in period before their flight. Product upgrades and continuing innovation (see "— *History*") are an important part of Emirates' strategy of continuing to develop its business model as well as a significant competitive strength and are constantly made across Emirates' fleet with older aircraft undergoing in-flight entertainment and seat upgrades in order to maintain Emirates' high product standards throughout all aircraft.

- According to Brand Finance Global 500 (2017) the Emirates brand is amongst the top five most valuable airline brands in the world. Emirates continues to be the strongest brand in the region as measured by Brand Finance Global 500's Brand Strength Index. Emirates has received more than 500 international awards for excellence in its more than 30 years of operation, including winning the prestigious Skytrax Airline of the Year Award four times (most recently in 2016) and the Skytrax World's Best Airline In-flight Entertainment award in 2017 (for the thirteenth consecutive year). Some of the other awards won recently by Emirates include the "Best Airline in the World" at the 2017 ULTRAS Awards and "Best airline Worldwide" at the 2017 Business Travel Awards. Emirates also obtained the Passenger Choice Award for Best Entertainment in the 2017 APEX Passenger Choice Awards. Emirates believes that the quality of the service which it offers and the strength of its brand are critical to its continuing success and intends to continue focusing on developing its brand, see "— *Marketing and Intellectual Property — Marketing*".

- Emirates has one of the youngest fleets in the world with an average age of 64 months as of 30 September 2017, compared to a global industry average of around 140 months, according to the IATA WATS, 58th edition, tracking airline performance in 2013, based on then available data. As a result, Emirates' aircraft are more fuel efficient than older aircraft, which provides significant cost savings. Emirates has also pioneered several operational fuel saving techniques, including single engine taxiing and flying more direct routes and works continuously to improve its fleet's performance by developing more fuel efficient technique such as maximising use of ground-supplied power at the airport gate instead of the aircraft auxiliary power unit, managing the quantity of potable water loaded for a flight, reducing operating weight of the aircraft through use of modern lightweight equipment, optimised flight speeds and fuel policy, and aircraft operating techniques such as using idle reverse thrust on landing. Emirates' commercial passenger and cargo fleet is comprised solely of wide-body aircraft, which creates a lower unit cost than fleets with mixed wide- and narrow-bodied aircraft. Emirates is now the first and only airline in the world to operate an all Airbus A380 and Boeing 777 wide-body fleet. In addition, the use of wide-body aircraft also provides greater flexibility for cargo transportation. Emirates 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, such as the Airbus A380 and Boeing 777 and 787 fleet.

- Emirates believes that operation of its long-haul services through a single hub at DIA combined with its network of 156 destinations as of 30 September 2017 and high frequency of flights allows it to maximise connectivity around the globe. The location of Emirates' hub at DIA provides it with the significant additional advantage that non-stop flights can be made to all major destinations across the globe. According to a New York Times article of 12 February 2011, around four billion people live within an eight hour flight from Dubai. Emirates' strategy is to continue to increase the number of destinations to which it flies as well as to increase the frequency of flights on existing routes served by it where passenger demand justifies these increases. According to the IATA WATS 2017, in 2016, Emirates was the leading airline in the world in terms of international passenger flights measured in RPKM (which indicates the total number of passengers carried multiplied by distance flown in the relevant period) and international freight transported measured in FTKM (which indicates the total cargo tonnage uplifted multiplied by the distance carried).

- Emirates has a strong presence in markets that are underserved by many of its international airline competitors, which have focused on their own hubs for long haul travel. For example, in high volume markets, such as the United Kingdom, passengers can fly directly to Dubai (and onwards to any other global destination) from four regional cities within the United Kingdom without having to transit through London. Similarly, as of 30 September 2017, as part of its route network Emirates flew to nine cities in India, eleven cities in the United States, five cities in China, four cities in Germany and five cities in Australia. Emirates believes that its strategy of targeting new underserved markets contributes to the development of new passenger traffic as a result of easier access for passengers within those markets to new destinations. Emirates constantly assesses its route network and evaluates potential new markets and during financial year 2017 commenced operations to an additional six destinations (Yinchuan and Zhengzhou in China, Hanoi in Vietnam, Yangon in Myanmar, Fort Lauderdale in the United States and Newark airport in New York via the Greek capital of Athens). In October 2016, Emirates launched the world's longest A380 flight from Dubai to Auckland and upgraded its Christchurch service to an A380 operation. Emirates now serves New Zealand with four A380 flights per day. In June and July of 2017 Emirates also commenced operations to Zagreb in Croatia and to Phnom Penh in Cambodia via Yangon in Myanmar. At the end of 2017 Emirates announced a launch of a daily Boeing 777 service to London Stansted commencing on 8 June 2018. With Stansted's strategic position close to the technology and pharmaceutical hubs of Cambridge and Peterborough, Emirates will be the first Middle Eastern airline to operate out of the popular north-east London airport.

- Emirates is not a member of any global airline industry alliance. Emirates believes that this allows it a greater degree of operational freedom and enables it to be more flexible in its strategy and more responsive to industry developments than airlines whose membership in a global alliance restricts their ability to act outside the common alliance goals.

- Emirates believes that focussed bi-lateral cooperation arrangements, rather than traditional global alliances, provide significant results for passengers and the airlines involved. In accordance with this strategy, Emirates operates bi-lateral cooperation agreements with Dubai Aviation Corporation ("**flydubai**") (a Dubai-based low-cost carrier owned by the Government of Dubai) and Qantas Airways Limited ("**Qantas**"), which provide for a closer level of commercial cooperation between Emirates and each of these two airlines. In 2017, Cargolux and Emirates entered into a strategic operational partnership with the two carriers working closely on a number of operational areas. See "— *Arrangements with Other Airlines*".

- While Dubai is an important destination and point of sale for Emirates, the airline has a very wide geographic coverage spanning destinations in high growth emerging economies such as Brazil, China, India and Russia, as well as the more mature economies in Western Europe and the United States, which makes Emirates a global operator that in relative terms is more able to respond to adverse economic or political environments in any one particular location. For example, in financial year 2017, only 10.4 per cent. of the Group's total revenue was derived from the Gulf and Middle East region, with 27.0 per cent. of total revenue coming from East Asia and Australasia, 28.5 per cent. coming from Europe, 14.9 per cent. from Americas, 10.4 per cent, from Africa and 8.8 per cent. from West Asia and the Indian Ocean. See "*Financial Review — Results of Operations in the Six Months Ended 30 September 2017 and 2016 and the Three Years Ended 31 March 2017 — Revenue*". In financial year 2017, Emirates transported cargo to 156 destinations. Emirates' cargo traffic generated 13.3 per cent. of the Group's transportation revenues in financial year 2017 and 13.8 per cent. of the Group's transportation revenues in the six months ended 30 September 2017.

- Emirates believes that it has an industry-leading cost structure, benefiting from fewer legacy costs than many of its longer-established international airline competitors, an efficient wide-body fleet that allows sufficient cargo capacity and generates a lower unit cost than the mixed fleets operated by many of its major international airline competitors and low labour costs through higher productivity. Although Emirates' revenue per airline employee decreased by 7.9 per cent., primarily due to the decrease in revenues, the capacity per airline employee remained flat, in financial year 2017 compared to financial year 2016. Emirates intends to continue to focus on productivity improvements and increasing the efficiency of its fleet.

- Emirates believes that its flat organisational structure compared to many of its international airline competitors, the lack of night flight restrictions at DIA (which increases its route flexibility and capacity utilisation) and a single hub strategy all combine to enable it to achieve a higher operating efficiency than many of its competitors. Emirates' operating efficiency is indicated by its breakeven load factor of 64.5 per cent. in financial year 2017 and 62.9 per cent. for the six months ended 30 September 2017, its increasing aircraft departure numbers and its annual fleet average utilisation rates which (excluding one sub-leased aircraft) were 14.51 and 15.78 block hours per aircraft day in financial years 2017 and 2016, respectively (where "block hours" refers to the time between the moment that the aircraft closes its doors at departure until the moment the aircraft door opens at the arrivals gate following its landing).

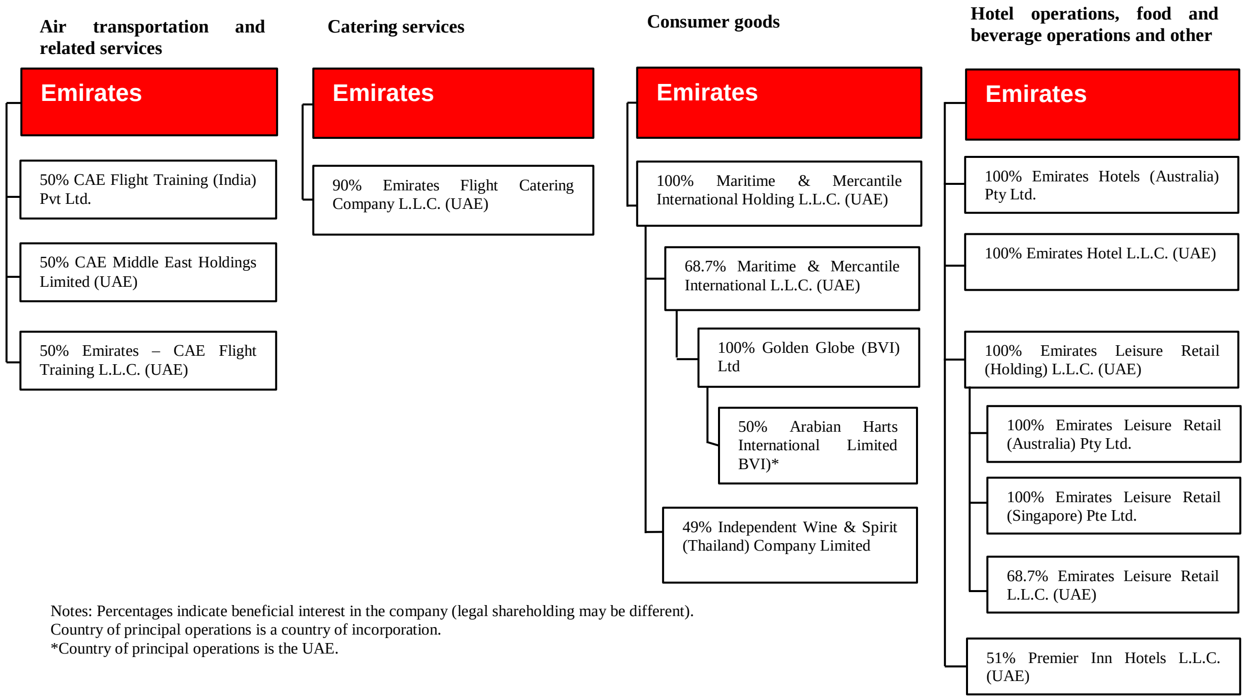
- The Group has a strong balance sheet, good liquidity and a well-diversified funding mix. Emirates' liquidity is illustrated by an adjusted net debt (that is, total debt including operating leases but less cash assets) to EBITDAR ratio of 392.9 per cent. at 31 March 2017 and 286.5 per cent. at 31 March 2016 and a cash assets to revenue and other operating income ratio of 18.4 per cent. at 31 March 2017 and 23.5 per cent. at 31 March 2016. The Group's net debt to equity ratio (which is described in "*Financial Review — Statement of Financial Position — Liabilities — Borrowings and Lease Liabilities*") has risen from 92.9 per cent. at 31 March 2016 to 100.7 per cent. at 31 March 2017 and decreased to 97.1 per cent. at 30 September 2017 (excluding operating leases) and increased from 215.9 per cent. at 31 March 2016 to 237.9 per cent. at 31 March 2017 and decreased to 230.5 per cent. at 30 September 2017 (including operating leases). Emirates' outstanding funding has been obtained from a number of different sources, including operating leases, commercial bank lending, export credit guaranteed bank funding, debt securities issued into the capital markets and Islamic-compliant funding. In 2010, Emirates executed the first ever financing of Boeing aircraft in a capital markets transaction guaranteed by the U.S. Export-Import Bank on finance lease. In 2011, Emirates completed a U.S.$1 billion issuance of 5.125 per cent. notes due 2016. In 2012, Emirates leased four A380 aircraft from Doric Nimrod Air Finance Alpha Limited ("**Doric Alpha**"), the cost of which was partially financed through the issue of U.S.$587,500,000 Pass Through Certificates. In February 2013, Emirates completed a U.S.$750 million issuance of 4.50 per cent. notes due 2025. In March 2013, Emirates, as obligor, completed a U.S.$1 billion issuance of trust certificates due 2023. In June 2013, Emirates leased four A380 aircraft from Doric Alpha, the cost of which was partially financed through the issue of U.S.$630 million Pass Through Certificates. Another major landmark was achieved through the refinancing of two A380s through the first ever floating capital market bond backed by the guarantee of COFACE, the French Export Credit Agency. In 2015 Emirates also raised the UK Export Finance backed U.S.$913 million Sukuk utilised for pre-funded aircraft financing, which was the largest ever capital markets offering in the aviation space with an Export Credit Agency guarantee. Further and owing to the suspended Export Credit Agency (ECA) support, Emirates successfully structured an innovative AED4.4 billion (U.S.$1.2 billion) commercial bridge facility with United States and Chinese institutions. In June 2016, Emirates repaid a bullet bond in full for the value of U.S.$1 billion (AED3.7 billion) on its maturity date and a second bond in Singapore dollar denomination totalling S$150 million, which was raised in 2006. Emirates repaid both bonds from its cash resources. Since 2010, Emirates has fully repaid six bonds, including Sukuks, totalling AED10.4 billion (U.S.$2.8 billion). During 2016 and 2017, Emirates raised a total of AED29.1 billion (U.S.$7.9 billion) to finance record 35 wide-body aircraft. Emirates continued to utilise the Japanese market for the Japanese Operating Lease structure and Japanese Operating Lease with a Call Option on both A380-800 and Boeing 777-300ER aircraft, while further accessing a diverse institutional investor and bank market base including Korea, the United Kingdom, Germany and Spain. Emirates' continued ability to access international funding and garner support from financial markets and institutions reflect the strength of its business. Having raised AED174 billion (U.S.$47.3 billion) over the last ten years, Emirates continues to maintain a well-diversified and evenly spread financing portfolio. Tapping into various sources of funding, both in terms of structure and geography, Emirates continues to endorse a resilient long-term financing strategy. As a result, Emirates has established and intends to maintain a well-diversified portfolio of funding without needing to rely on any single source of financing.

- Every member of Emirates' senior management team but two has been with Emirates for at least 24 years and, together, the nine members of the senior management team have more than 291 years' experience in the airline industry. Emirates' Chairman and Chief Executive, 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, flydubai and Dubai Aerospace Enterprise, an aircraft leasing, maintenance, repair and overhaul provider.

In financial terms, Emirates' strategy is to continue to focus on sound financial and prudent risk management. Emirates believes that its history of recording a net profit in each of its last 29 financial years, including through significant industry crises such as the 11 September 2001 terrorist attacks, two Gulf Wars, the recent global financial crisis, recent regional conflicts, heightened refugee immigration concerns and terror attacks in several European cities is evidence of its success in this regard.

Corporate Structure

A list of Emirates' principal subsidiaries, associated companies and joint ventures is set out in note 13 to the 2017 Financial Statements. The chart below shows Emirates and its principal subsidiaries and joint ventures.



Notes: Percentages indicate beneficial interest in the company (legal shareholding may be different).
Country of principal operations is a country of incorporation.
*Country of principal operations is the UAE.

The Group's Business

The Group's principal business is the transportation by air of both passengers and cargo. The Group's total transportation revenue (which includes revenue for passenger and cargo transportation and excess baggage revenue) accounted for 94.8 per cent., 95.3 per cent. and 95.4 per cent. of the Group's total revenue in each of the three financial years ended 31 March 2017, 2016 and 2015, respectively, and 95.5 per cent. of the Group's total revenue in the six months ended 30 September 2017. The Group's remaining revenue was derived from a range of ancillary sources, including the sale of consumer goods, food and beverages, catering operations and hotel operations.

Overview of Emirates' Air Transportation Business

As of 30 September 2017, Emirates flew to 156 destinations in 84 countries worldwide. During the year ended 31 March 2017, Emirates carried 56.1 million passengers and 2.6 million tonnes of cargo. In the six months ended 30 September 2017, Emirates carried 29.2 million passengers and 1.3 million tonnes of cargo. As of 31 March 2017, Emirates operated on average 1,740 flights per week from a dedicated terminal building, Terminal 3, at its base at DIA.

The table below shows the development of Emirates' air transportation business over the ten-year period from financial year 2008 to financial year 2017 measured by the number of destinations, the number of aircraft, the average age of the fleet, the overall capacity, the overall load carried, the overall load factor, the breakeven load factor and the number of aircraft departures:

	Financial Year									
	2017	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
Destination cities(1).....................	156	153	144	142	133	123	112	102	99	99
Aircraft(2)...................................	259	251	231	217	197	169	148	142	127	109
Average fleet age(3)....................	63	74	75	74	72	77	77	69	64	67
Overall capacity(4)	60,461	56,383	50,844	46,820	40,934	35,467	32,057	28,526	24,397	22,078
Overall load carried(5)................	39,296	36,931	34,207	31,137	27,621	23,672	22,078	19,063	15,879	14,739
Overall load factor (%)..............	65.0	65.5	67.3	66.5	67.5	66.7	68.9	66.8	65.1	66.8
Breakeven load factor (%)..........	64.5	60.4	64.7	64.9	66.9	65.9	63.6	64.4	64.1	64.1
Aircraft departures(6)	204,543	199,754	181,843	176,039	159,892	142,129	133,772	123,055	109,477	101,709

Notes:
(1) In numbers, as of 31 March (passenger and cargo traffic).
(2) Number, as of 31 March.
(3) In months, as of 31 March.
(4) ATKM million, for the year ended 31 March.
(5) RTKM million, for the year ended 31 March.
(6) In numbers, for the year ended 31 March.

The table below shows the geographical distribution of the Group's revenue for financial years 2017, 2016 and 2015. For the purposes of this table, revenue from inbound and outbound airline operations between the UAE and the overseas point are attributed to the geographical area in which the respective overseas points are located. Revenue from other segments are reported based upon the geographical area in which sales are made or services are rendered.

	Financial year		
	2017	2016	2015
		(%)	
East Asia and Australasia	27.0	26.8	28.4
Europe	28.5	28.8	29.0
West Asia and Indian Ocean	8.8	9.1	9.2
Gulf and Middle East	10.4	10.0	9.9
Africa	10.4	10.9	10.8
Americas	14.9	14.4	12.7
Total	100.0	100.0	100.0

Passenger Transportation

As of 30 September 2017, Emirates flew passengers to 14 destinations in the Middle East (including Dubai), 23 destinations in Africa, 39 destinations in Europe, 16 destinations in the North and South America, five destinations in Australia, two cities in New Zealand and 42 destinations in Asia.

The table below shows the development of Emirates' passenger transportation business over the ten year period from financial year 2008 to financial year 2017 measured by the number of passengers carried, passenger capacity, RPKM and passenger seat factor:

	Financial Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Passengers carried(1)	56,076	51,853	48,139	44,537	39,391	33,981	31,422	27,454	22,731	21,229
Passenger capacity(2)	368,102	333,726	295,740	271,133	236,645	200,687	182,757	161,756	134,180	118,290
RPKM(3)	276,608	255,176	235,498	215,353	188,618	160,446	146,134	126,273	101,762	94,346
Passenger seat factor(4)	75.1	76.5	79.6	79.4	79.7	80.0	80.0	78.1	75.8	79.8

Notes:

(1) In thousands, for the year ended 31 March.
(2) ASKM in millions, for the year ended 31 March.
(3) In millions, for the year ended 31 March.
(4) In per cent.

Emirates' passenger seat factor varies on a route by route basis with nearly half of its passenger routes, including destinations across a broad geographic spread on all continents to which Emirates flies, having passenger seat factors in excess of 75 per cent. for financial year 2017.

Emirates' customer loyalty programme, the Emirates Skywards programme, was launched in 2000 and has more than 20 million members. Skywards offers four tiers of membership: blue, silver, gold and platinum, plus an exclusive "invitation only" category of membership, known as "iO". Customers earn two types of miles: Skywards Miles and Tier Miles. Skywards Miles are the reward currency and are mainly earned through Emirates flights and calculated on the basis of route, class, fare type and membership tier. Members can also earn Skywards Miles from transactions with Emirates Skywards partners in the hotel, transport and leisure and lifestyle category as well as through various promotions. Tier Miles are collected only when members fly with Emirates and help them reach the next tier of membership to enter a wider world of benefits. Skywards Miles and Tier Miles can be redeemed for a number of products and services offered by the Group, including reward flights and upgrades with Emirates, reward flights with participating airlines, tours and excursions with Emirates Holidays and Arabian Adventures and a range of products from the Emirates High Street (see *"— Other Businesses — Retail Businesses"*). Skywards Miles and Tier Miles can also be redeemed for tickets at exclusive sporting events, reward stays at participating partner hotels, shopping at the Dubai Duty Free, as well as donations towards charity. In 2016, Emirates launched Cash+Miles, enabling members to pay for Emirates flights using a combination of cash and Skyward Miles. Members have a broad range of redemption opportunities.

In 2016, Emirates Skywards signed an exclusive partnership with Careem, offering both accrual and redemption with a car booking application. Emirates also welcomed a partnership with the Wall Street Journal, enabling members to redeem miles for an annual digital subscription to one of the world's leading sources of business news; and partnered with Dubai Duty Free for instant Skywards Miles or Cash+Miles redemption at participating stores located in both Dubai airports.

The Group accounts for its future liability to redeem Skywards Miles as deferred revenue and, as of 30 September 2017, deferred revenue amounted to AED 2.3 billion.

In Dubai, Emirates operates from a dedicated Emirates terminal at DIA, Terminal 3, which includes amenities such as first and business class facilities, a hotel, a spa, restaurants and business facilities allowing passengers to transit to their onward destinations from Dubai in a comfortable and efficient manner. The opening of Concourse D attached to Terminal 1 at DIA, has increased the capacity of DIA to 90 million passengers per year. Concourse D welcomed its first flight on 24 February 2016. DIA has commenced work to increase the number of A380 gates at Concourse C, bringing the total number of A380 gates at DIA to 47, more than any other airport in the world. The project is expected to be completed by the end of 2018.

Worldwide, Emirates has 41 dedicated airport lounges (and one currently under construction), including 7 at DIA, for use by its premium passengers. Customer satisfaction is very important and Emirates seeks extensive customer feedback which it uses to improve the products and services which it offers. Emirates also introduced "pay-per-visit" lounge access, enabling Emirates Skywards members and their guests travelling on Emirates to enjoy our First and Business Class lounges at DIA and abroad. See "*— Strategy and Competitive Strengths — Product Positioning*". As part of their commercial cooperation, Emirates and Qantas allow lounge access to passengers of either airline and cooperate in the provision of joint lounge facilities at selected airports.

Cargo Transportation

Emirates operates its cargo transportation business under the brand Emirates SkyCargo. According to the IATA WATS 2017, in 2016, Emirates was the leading airline in the world in terms of international freight transported measured in FTKM (which indicates the total cargo tonnage uplifted multiplied by the distance carried). Emirates principally uses the bellyhold capacity in its passenger aircraft, which allows it to maximise the use of its scheduled route network to provide a worldwide cargo service, as well as the maindeck capacity of its freighter fleet.

As of 30 September 2017, Emirates' freighter fleet consisted of 13 B777-200LRF and one Boeing 747-400ERF freighter, which is subleased (see *"— Aircraft Fleet"* below), which served the following 15 cargo only destinations, including Aguadilla, Basel, Columbus, Cuidad del Este, Djibouti, Eldoret, Erbil, Liege, Lilongwe, Luxembourg, Mexico City, Ouagadougou, Quito, Viracopos and Zaragoza. In 2017, Emirates SkyCargo also increased frequency of freighter services to Hong Kong from 22 to 26 weekly flights in order to accommodate growing demand.

In June 2017, Emirates SkyCargo launched freighter services to Luxembourg. The start of the service was one of the first steps in the implementation of the strategic operational partnership announced between Emirates SkyCargo and Cargolux airlines. The operational partnership allows for customers of both carriers to access a wider range of destinations through blockspace, interline and cargo codeshare.

In 2017, driven by an increasing demand from customers, Emirates SkyCargo introduced a range of specialised air transportation solutions for various industry sectors. Emirates SkyCargo also offers solutions for the transport of priority cargo, valuables, live animals and dangerous goods.

In September 2016, Emirates SkyCargo unveiled its state-of-the-art facility, Emirates SkyPharma. Emirates SkyPharma was developed for the secure transportation of temperature sensitive pharmaceuticals. The product has been well received by customers and volumes of pharmaceutical cargo travelling through Emirates SkyCargo have grown by 38 per cent. since its launch. This 4,000 square metre, purpose-built facility is dedicated exclusively to the timely and secure transport of temperature sensitive pharmaceutical shipments at DIA. Emirates SkyCargo also received certification and revalidation in 2017 for compliance to the European Union Distribution Practice Guidelines for medicinal products for human use by Bureau Veritas Germany for hub operations in Dubai. This made Emirates SkyCargo the world's largest operator of a "multi-airport good distribution practice" certified hub. Emirates SkyCargo also worked with DuPont on developing a new thermal cover called White Cover Xtreme, offering enhanced protection for cargo in hot, cold and wet weather conditions.

With the introduction of Emirates Wheels, a specialised solution for the transport of luxury, classic and special automobiles, Emirates SkyCargo has been transporting close to 150 cars a month not only in the peak summer season, but throughout the year. In addition to individual customers, the air cargo carrier has worked with major car manufacturers and distributors to transport premium and luxury cars.

Emirates also has expertise in equine transport. Through the 2017 financial year, Emirates SkyCargo transported thoroughbred and other premium horses to leading equine sporting events around the world, including the Longines Global Champions Tour, Longines Masters and the Dubai World Cup. Emirates SkyCargo has designed a transportation environment that ensures maximum welfare of the horses, while complying with international regulations for the transport of live animals.

Emirates Fresh has helped producers around the world transport fruits, vegetables, flowers and other perishables, including fresh fish and meat. In 2017 calendar year, Emirates SkyCargo transported over 285,000 tonnes of perishables across its network. In February 2017, Emirates SkyCargo unveiled a unique rose decal on one of its freighter aircraft to highlight the importance of air cargo to the floriculture industry.

Emirates SkyCargo operates state-of-the-art cargo facilities at its dual hub locations in DIA and Al Maktoum International Airport. Emirates SkyCentral at DIA is spread over 43,600 square metres and has an annual cargo handling capacity of over 1.2 million tonnes. It has an extensive handling area comprising a five-storey automatic storage and retrieval system with more than 10,000 loose cargo storage locations, and a sizeable seven-storey pallet container handling system for 3,000 unit load devices, 220 of which are dedicated positions for temperature-controlled unit load devices.

Emirates SkyCentral at Al Maktoum International Airport is spread over 70,000 square metres and currently has an annual cargo handling capacity of almost 750 thousand tonnes per annum. The facility was built keeping in mind the future growth and requirements of Emirates. Emirates SkyCentral at Al Maktoum International Airport has 15,000 square metres of dedicated storage for temperature-sensitive goods, such as pharmaceuticals, fresh fruits, vegetables and seafood. The facilities include three temperature controlled storage rooms for pharmaceutical goods, in addition to 72 cool cells and 144 unit load device positions.

With Emirates SkyCargo's dual operation, with bellyhold cargo being managed at Emirates SkyCentral at DIA and freighter cargo managed at Al Maktoum International Airport, cargo is moved 24 hours a day, every day, by trucks between the two airports via a bonded virtual corridor. Emirates SkyCargo has 47 trucks that ply the virtual corridor between the two airports, with each truck being equipped with satellite tracking to ensure the safety and security of cargo and staff. The movement of cargo between the two airports is achieved seamlessly with a transit time of just five hours between the arrival of goods to their departure from freighter to bellyhold and *vice versa*.

The table below shows the development of Emirates' cargo transportation business over the ten-year period from financial year 2008 to financial year 2017 measured by the amount of cargo carried:

	Financial Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Cargo carried[(1)]	2,577	2,509	2,377	2,250	2,086	1,796	1,767	1,580	1,408	1,282

Note:
(1) In thousands of tonnes, as of 31 March.

Aircraft Fleet

As of 30 September 2017, Emirates operated a total of 264 wide-body aircraft (including one freighter on sub-lease to another airline). Of these aircraft, 157 were leased under operating leases and 107 were leased under finance leases.

The table below shows Emirates' aircraft which were in service as of 30 September 2017 (together with details of how those aircraft were owned or leased by Emirates on that date) and Emirates' aircraft which were in service as of 31 March in each of 2017, 2016 and 2015:

	As of 30 September 2017			Number of aircraft in service as of		
Aircraft type	**Number of aircraft in service**	***Of which:* Operating Lease**	***Of which*: Finance Lease**	**31 March 2017**	**31 March 2016**	**31 March 2015**
Passenger aircraft						
Airbus						
A330-200.........................	-	-	-	-	13	21
A340-300.........................	-	-	-	-	4	4
A340-500.........................	-	-	-	-	1	1
A380-800.........................	98	55	43	94	75	59
Boeing						
B777-200.........................	-	-	-	-	-	1
B777-200ER	-	-	-	-	6	6
B777-200LR	10	4	6	10	10	10
B777-300.........................	6	6	-	9	12	12
B777-300ER	136	78	58	131	115	103
Total passenger:.............	**250**	**143**	**107**	**244**	**236**	**217**
Freighter aircraft						
Boeing						
B777-200LRF..................	13	13	-	13	13	12
B747-400ERF..................	1	1	-	2	2	2
Total freighter	**14**	**14**	**-**	**15**	**15**	**14**
Total Aircraft[(1)(2)]	**264**	**157**	**107**	**259**	**251**	**231**

Notes:
(1) In addition to the above, as of 30 September 2017, Emirates also owned one A319 aircraft used exclusively for executive jet charter operations. It has the capacity to fly routes up to 8.5 hours non-stop to locations within and outside the Emirates network.
(2) In addition to the aircraft listed above, as of 30 September 2017, Emirates also owned 6 training only aircraft for use by the Emirates Flight Training Academy.

Brief details on the principal aircraft that comprise Emirates' core fleet are set out below:

Airbus A380-800

The Airbus A380-800 is a four-engine aircraft with twin-decks with a maximum range of 8,300 nautical miles. As of 31 March 2017, Emirates operated this aircraft to 47 destinations, including Amsterdam, Auckland, Bangkok, Barcelona, Beijing, Birmingham, Brisbane, Casablanca, Christchurch, Copenhagen, Dusseldorf, Frankfurt, Guangzhou, Hong Kong, Jeddah, Johannesburg, Kuala Lumpur, Kuwait, London (Heathrow), London (Gatwick), Los Angeles, Madrid, Manchester, Mauritius, Melbourne, Milan, Moscow, Mumbai, Munich, New York (JFK), Paris, Perth, Prague, Rome, San Francisco, Sao Paulo, Seoul, Shanghai, Singapore, Sydney, Taipei, Tokyo, Toronto, Vienna, Washington D.C. and Zurich.

The Airbus A380-800 delivers significant environmental benefits compared to comparable aircraft, including a significantly smaller noise footprint and lower carbon dioxide emissions. The Airbus A380-800, the largest commercial passenger aircraft in production, also provides the ability to reduce the number of flights required to deliver the same overall number of passengers.

Emirates currently operates the largest Airbus A380-800 fleet in the world. As of 30 September 2017, Emirates had 44 firm orders for this aircraft in several configurations, including:

- ultra-long range - providing capacity to seat 489 passengers in three classes. Of the three classes, first class provides 14 suites, business class provides 76 fully flat seats and economy provides 399 seats; and

- medium range dual class - providing capacity to seat 615 passengers in two classes. Of the two classes business class provides 58 seats and economy provides 557 seats;

- medium range - providing capacity to seat 517 passengers in three classes. Of the three classes, first class provides 14 suites, business class provides 76 fully flat seats and economy provides 427 seats.

Boeing 777-200LR

The Boeing 777-200LR is an ultra-long-range twin-engine aircraft first introduced into Emirates' fleet in 2007. This aircraft has capacity to seat 266 passengers in three classes and has a maximum range of 8,000 nautical miles.

Boeing 777-300ER

The Boeing 777-300ER is a twin-engine aircraft with a maximum range of 6,900 nautical miles. This aircraft has the capacity to seat up to 360 passengers (when configured into three classes) or a maximum of 428 passengers (when configured into two classes). As of 30 September 2017, Emirates had 15 firm orders for this aircraft. In 2016, Emirates was the largest operator of this type of aircraft in the world.

Fleet Replacement and Expansion Programmes

Emirates expects that deliveries of its passenger aircraft in the next few years will be restricted to wide-body Airbus A380-800, Boeing 777-300ER, Boeing 777X and Boeing 787. These aircraft types are expected to form Emirates' core fleet in the next decade.

All of Emirates' aircraft purchases are based on meticulous forecasting and calibration of market demand and operational requirements. Fleet expansion is part of Emirates' strategic growth plan and takes into consideration many ecological and economic factors, such as the retirement of current aircraft and improving eco-efficiencies. Emirates operates one of the youngest fleets in the world and the average age of its aircraft as of 30 September 2017 was 64 months.

During February 2011, Emirates began a programme of phasing out older aircraft. Currently, the programme anticipates the following commercial passenger fleet size movements up to financial year 2022.

	Financial Year				
	2018	2019	2020	2021	2022
Additions	18	15	5	16	21
Phase-out	(8)	(9)	(7)	(18)	(14)
Total(1)(2)	254	260	258	257	264
Net increase/decrease	10	6	(2)	(2)	7

Notes:

(1) The above table excludes training aircraft to be delivered to Emirates Flight Training Academy for training purposes only, the A319 aircraft operated as a charter aircraft and the freighters.

(2) The U.S.$15.1 billion (at list prices) commitment for 40 Boeing 787-10 Dreamliners, to be delivered in phases from 2022, announced by Emirates in November 2017, is not included in the table.

Emirates intends to focus on fuel efficiencies and expects to continue to be a large net buyer of new and efficient aircraft. In November 2017, Emirates announced a U.S.$15.1 billion (at list prices) commitment for 40 Boeing 787-10 Dreamliners, to be delivered in phases from 2022. Emirates has a commitment to future deliveries of 202 Boeing aircraft. In February 2018 Emirates signed a U.S.$16 billion (at list prices) transaction for 36 additional Airbus A380 aircraft, with 20 firm orders and 16 options. The additional Airbus A380s are expected to be delivered to Emirates from 2020 onwards. Aircraft which are leased under operating leases are returned to the lessor when retired. Aircraft which are leased under finance leases are typically sold when retired.

Safety Management System

The Emirates safety management system is developed based on the "Corporate Value of Safety", which sets out high-level safety objectives for the Emirates Group. This is further supported by the senior management endorsement of and commitment to the safety policy. The Emirates safety management system is integrated across all departments and meets the regulatory requirements of the UAE General Civil Aviation Authority (the "**GCAA**") and is subject to regular audits. In addition, the Emirates safety management system includes requirements in regards to occupational safety and it also fulfils the requirements of the IATA Operational Safety Audit (the "**IOSA**") programme of which Emirates has been accredited continually, since the IOSA commenced its operations. The commitment to safety is further demonstrated through the incorporation into Emirates aircraft of numerous safety technologies to enhance operational safety, exceeding regulatory requirements. Emirates has an active flight operations data monitoring programme and continues to develop and enhance proactive and predictive safety methodologies. Emirates is an active participant of the global aviation safety community, engaging with industry bodies and organisations including the IATA Safety Group, IATA Hazard Identification Task Force, as well as the Flight Safety Foundation.

Route Planning Process

Emirates has a rigorous route planning process where it relies on feedback and data from multiple sources that leads to route selection recommendation and regular monitoring. The route planning process broadly covers steps such as preliminary background research, estimation of total market size, scheduling/connectivity, estimation of Emirates' traffic share, pricing strategy, costs to operate route and profit and loss analysis.

All route performances are monitored on a weekly basis and such monitoring involves reviewing various factors including yield, contribution, seat factor, load factor and forward bookings. The results of the data collection are discussed by a committee headed by the President of Emirates on a weekly basis to take any corrective actions including changing aircraft, frequencies and redeployment of routes.

Aircraft Financing Arrangements

Emirates generally aims to have commitments in place to finance its aircraft acquisitions 12 months ahead of taking delivery of the relevant aircraft. Emirates uses a wide range of sources of funding, including international and regional markets and major banks. Emirates has raised a total of U.S.$47.3 billion over a period covering approximately 10 financial years up to 31 March 2017 to meet its financing requirements. This amount includes amounts raised through traditional aircraft financing sources such as operating leases, the European Union and the United States export credit agencies and commercial asset-backed debt, as well as through other sources such as Islamic funding and equity from Japanese and German investors as part of cross-border leveraged leases. Emirates' funding sources, over the period covering approximately 10 years up to 31 March 2017, were diversified as follows: 55 per cent. from operating leases, 20 per cent. from commercial bank lending, 17 per cent. from European export credit agencies and the United States Export-Import Bank guaranteed transaction, 6 per cent. from debt capital markets issuances and 2 per cent. from Islamic funding. Emirates intends to continue using diversified funding sources for its fleet development programme. In particular, Emirates anticipates increasing its use of debt capital market products over the next few years, including debt capital markets products using export credit agency guarantees.

As of 30 September 2017, all of Emirates' aircraft used on scheduled services 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.

Emirates 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

Emirates' principal raw material is the jet fuel used by its aircraft fleet. In Dubai, Emirates sources jet fuel at competitive market rates from all five major international suppliers that service DIA, namely BP, Shell, Chevron, ENOC (Emirates National Oil Company) and Emojet, a joint venture between Emarat and ExxonMobil. Outside Dubai, Emirates' main jet fuel suppliers are BP, Shell, Chevron and ExxonMobil, which are appointed on a competitive tender basis in each destination.

In relation to aircraft maintenance, in-flight catering and certain other specialist services, Emirates' strategy is to provide these itself or through one of its subsidiaries where possible to protect its business from disruptions caused by the failure of a key supplier to perform its obligations in a timely fashion. Emirates has entered into long-term maintenance arrangements in relation to its major engine types. These arrangements are designed to provide price certainty to Emirates.

Dedicated procurement teams are responsible for procuring all other supplies required by the Group to conduct its businesses.

Airline Competition

The UAE operates an open skies policy and currently more than 90 airlines use DIA. Emirates competes with other major airlines offering international services on routes which Emirates services. Emirates welcomes competition and supports the growth of new air services to Dubai and the GCC region, as it believes that this will further fuel economic growth and stimulate overall demand for air transportation services to and from Dubai. Emirates seeks to compete principally by offering a premium service to all classes of customer as well as by offering an attractive network and competitive fares. See "— *Strategy and Competitive Strengths*".

Although there is a growing number of low cost carriers operating in the region, Emirates does not regard these airlines as a significant competitive threat as it believes that they serve a different customer segment to that targeted by Emirates and that they are not in conflict with the region's long-haul carriers. Emirates operates a cooperation agreement with flydubai, the low cost airline owned by the Government of Dubai (as described further under "— *Arrangements with Other Airlines — Cooperation with flydubai*" below).

Aircraft Maintenance

Emirates' engineering division, Emirates Engineering, is based at a 136 acre site at DIA and operates one of the world's most technologically advanced aircraft maintenance facilities. Emirates Engineering's facilities at DIA include eleven fully air conditioned hangars for heavy and light maintenance, that can accommodate A380s, a paint hangar and also include an engine overhaul testing facility in a nearby location. Emirates Engineering supports Emirates' fleet of Airbus and Boeing aircraft, together with those of 15 other airlines through third party maintenance contracts.

Based in Dubai and with a network of outstation teams, Emirates' Engineering's line maintenance division provides a 24-hour service with high levels of technical support to Emirates and other airlines operating through DIA, including cabin and in-flight entertainment maintenance, major overhauls and engine diagnostic services. Emirates' team of engineers and technicians are licensed by a number of regulatory authorities in all categories, including the UAE's General Civil Aviation Authority, the UK's Civil Aviation Authority, the European Aviation Safety Authority and the U.S. Federal Aviation Authority.

The Emirates Engine Maintenance Centre (the "**EEMC**") is a state-of-the-art environment friendly maintenance facility with the capability to repair and overhaul both GE 90 and GP 7200 engines. The EEMC has an integrated state-of-the-art line-hoisting system to handle module change and module overhaul work and a modern 'test cell' facility, which can test and certify engines with a thrust level up to 115,000 lbs. The EEMC has regulatory approvals from the European Aviation Safety Authority and the GCAA and has the capacity to perform 250-300 full engine shop visits per annum.

In 2017, for the first time in its history, Emirates' Engineering facility offered third party base maintenance services to other airlines. It recently performed a "C" check (a maintenance check that an aircraft undergoes following six years of operation) and full repaint on a Singapore Airlines' A380 and during 2018, is expected to repaint eight of the Qantas A380 fleet. The EEMC facilities have the capacity to perform any level of maintenance on Boeing 777 and A380 aircraft types from simple servicing to complex cabin reconfiguration and is expected to continue to increase the percentage of revenue generating work for Emirates. In 2017, Emirates showcased an environmentally friendly aircraft cleaning technique "aircraft drywash" that has enabled it to save millions of litres of water every year.

Arrangements with Other Airlines

Emirates is not a member of any global airline alliance, although it enters into codeshare and interline arrangements with other airlines and entered into a cooperation agreement with flydubai (as described further below in "— *Cooperation with flydubai*"), a master coordination agreement with Qantas (as described further below in "— *Cooperation with Qantas*") and a strategic operational partnership with Cargolux (as described further below in *"—Cooperation with Cargolux"*).

Codeshare

A codeshare agreement allows an airline to sell tickets on flights operated by another airline, coded with the flight number of the selling airline. The operating airline will also continue to sell seats on such flights, coded with its own flight number. This means that flights operated by a single airline are included within both airlines' route networks, and flights on that route may be sold by both airlines in exchange for an agreed amount or portion of the overall fare.

As of 30 September 2017, Emirates had codeshare arrangements with 21 partners in 18 countries, extending its own organic network by approximately 260 destinations. Amongst others, Emirates currently operates codeshare fights with Malaysia Airlines, GOL Linhas Aereas Inteligentes, Jetblue, Bangkok Airways, Jetstar Group and Alaska Airlines. Emirates Skywards members are able to earn and/or redeem miles with 16 airlines, including a number of codeshare partners.

Sales of flights under these codeshare agreements are promoted through the combined marketing efforts of the partner airlines. In addition, codeshare agreements are intended to increase the attractiveness to passengers of booking connected flights, while giving passengers a broader range of departure times and choice of routes. Emirates continues to seek appropriate opportunities to enter into codeshare and frequent flyer arrangements with other airlines.

Cooperation with Qantas

On 6 September 2012, Emirates entered into a master coordination agreement with Qantas pursuant to which the parties agreed to engage in global commercial cooperation for a period of ten years commencing on 31 March 2013. The proposed commercial cooperation includes planning, scheduling and capacity coordination, in particular to European, Middle Eastern and North African destinations; sales, marketing, reservation priority and pricing coordination; coordination of frequent flyer programmes; and coordination of passenger-related issues intended to provide a superior, consistent level of service to customers including ground services and lounge access. In connection with the implementation of this cooperation, Emirates and Qantas offering significant benefits to passengers, including improved connectivity and schedule choice over an expanded network and reciprocal frequent flyer benefits.

The implementation of this commercial cooperation was approved by the Australian Competition and Consumer Commission (the "**ACCC**"), and the New Zealand Ministry of Transport (the "**NZ MOT**") for an initial term of five years. These approvals are due to expire at the end of March 2018 and the parties have submitted applications for re-authorisation of the cooperation. The ACCC and the NZ MOT are expected to give decisions in the middle of March 2018. The Competition Commission of Singapore (the "**CCS**") has also approved the commercial cooperation.

Cooperation with flydubai

Emirates operates a cooperation agreement with flydubai, the low cost airline owned by the Government of Dubai, relating to the coordination of some of their international passenger and cargo operations. More specifically, the cooperation offers passengers greater frequency and easier access to more global destinations with the advantage of connecting baggage to the final destination.

Cooperation with Cargolux

In 2017, Cargolux and Emirates entered into a strategic operational partnership with the two carriers working closely on a number of operational areas including block space and code share agreements, aircraft charter (Emirates has chartered a Boeing 747 freighter aircraft from Cargolux), hub connectivity between Dubai and Luxembourg and cargo handling cooperation.

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 governs the revenue sharing between airlines of the price paid by the passenger for the overall journey.

As of 30 September 2017, Emirates had interline agreements in place with 126 other airlines including Scandinavian Airlines System, Iberia, Air Seychelles, Oman Air and Lufthansa. In addition to these traditional airline interline agreements, Emirates had four intermodal interline arrangements with various partners, including an air-rail agreement with Renfe (providing Emirates' customers with rail connections to cities across Spain from our gateways in Madrid and Barcelona).

Airline Sales and Distribution

Emirates sells seats on its flights through all major distribution channels, the most significant of which are travel agents (including dnata) through global distribution systems, Emirates' sales offices and Internet sites in particular www.emirates.com. Global distribution systems are computerised systems used by the travel industry to store and retrieve information, and conduct transactions, relating to airline travel. Emirates operates a passenger service system ("**PSS**"), developed by in-house, which includes a reservation services system and departure control system. Emirates is continuously investing in its PSS system to enhance Emirates' ability to open new distribution channels and improve customer experience in line with changes to global technology trends and also to market its innovative product offerings across distribution channels more effectively.

Other Businesses

The Group's other business includes a range of ancillary operations, including the sale of consumer goods, food and beverages, catering operations and hotel operations. Together, these businesses accounted for 5.2 per cent., 4.7 per cent. and 4.6 per cent. of the Group's revenue in each of financial year 2017, 2016 and 2015 and 4.5 per cent. of the Group's total revenue in the six months ended 30 September 2017.

Destination and Leisure Management Business

Hotel Operations

The Group owns, either directly or, in the case of Premier Inns, through a joint venture in which Emirates has a 51.0 per cent. share, a number of hotel and resort properties, all of which are managed by third parties. These properties are the Al Maha, a Luxury Collection Desert Resort & Spa, Dubai Marriott Harbour Hotel & Suites, Le Méridien Al Aqah Beach Resort, JW Marriott Marquis Hotel Dubai and Premier Inns in the UAE and Emirates *One & Only* Wolgan Valley in Australia (the first hotel in the world to achieve carbon neutral certification from an internationally accredited greenhouse gas certification scheme).

Retail Businesses

The Group is also engaged in a number of retail and distribution businesses, including:

- Emirates High Street, a wholly owned subsidiary, which is an online store which stocks a large selection of products, including luxury goods and experience packages. Customers can use Skywards Miles, a credit card, or a combination of both, to buy products. Shipping of these products is available to over 60 countries worldwide;

- establishing, managing and franchising a portfolio of restaurants, cafes, bars and leisure facilities in the GCC and Australia through Emirates Leisure Retail, including acting as the UAE master franchisee for Costa Coffee;

- the marketing, sale and distribution of beverages through Maritime & Mercantile International, which has 15 outlets across Dubai and overseas joint ventures in, amongst other places, Oman, the Maldives, Tanzania and Ethiopia and a joint venture with Heineken International, called "Sirocco", which manages the sales and marketing of a range of premium global beverages in the Middle East; and

- business to business travel product origination and marketing through EmQuest, a division of Emirates, which manages a large network of brands, content and services that are designed to meet the needs of tour operators, travel agents, car rental companies, hotels and airlines throughout the Middle East and Africa. EmQuest was also appointed as the exclusive national distribution company for the Sabre global distributions system for the UAE and certain countries in Africa with effect from January 2009.

Emirates Leisure Retail and Maritime & Mercantile International companies operating in the UAE are majority-owned by Emirates and those operating in countries outside the UAE are wholly owned by Emirates.

Catering Operations

The Group provides in-flight catering and support services to more than 125 airlines at DIA through its 90.0 per cent. owned subsidiary, Emirates Flight Catering Company LLC ("**EKFC**"). As of 30 September 2017, EKFC has the capacity to produce 250,000 meals per day and to handle 290 tonnes of laundry. During financial year ended 31 March 2017, EKFC served over 60 million meals to customers at 63 airports around the world and during January 2018, served 546 flights daily, including those operated by Emirates.

Aviation Training and Education

Emirates has operated the Emirates Aviation College in Dubai since 2002. The Aviation College offers a wide range of qualifications and training relating to the aviation industry to both local and international students.

The Group also operates flight training facilities in Dubai and India through joint ventures with CAE Inc. of Canada. Emirates-CAE Flight Training LLC ("**ECFT**") in Dubai, in which Emirates has a 51 per cent. ownership share, provides aviation related courses, primarily aimed at flight deck crew and maintenance personnel. ECFT is located at the Emirates Aviation College and is qualified to both Joint Aviation Authorities and Federal Aviation Administration standards. ECFT operates 18 full-flight simulators, offering a range of simulated aircraft types and type-rated courses, covering business jets, as well as narrow-body and wide-body commercial jets. Emirates is also involved in two joint ventures: one with CAE, providing flight training services to third parties in Bangalore, and the other with CAE and Interglobe providing flight training services in Delhi.

In November 2017, Emirates launched the Emirates Flight Training Academy (the "**EFTA**") at Al Maktoum International Airport. The academy has facilities to accommodate up to 600 students at any one time and will be used by Emirates to train UAE nationals and international students. As of 31 December 2017, the EFTA took delivery of a fleet 15 modern training aircraft (twelve Cirrus SR22 and three Embraer Phenom 100EV aircraft) and is expected to take delivery of another twelve training aircraft. The EFTA signed an agreement with TRU Simulation + Training Inc., a Textron Inc. company, to supply six new Flight Simulation Training Devices with mini-motion systems for the academy.

Emirates set up the Emirates Aviation University (the "**EAU**") and it opened its doors to students in 1991 as a small college and became a fully-fledged university in 2014, offering more than 40 programmes in various fields of study. The EAU offers undergraduate and postgraduate courses to a wide range of students. Located in an impressive campus of 27,027 square metres at Dubai International Academic City, it is within driving distance of most areas in Dubai. The university is run and managed by Emirates. The EAU is licensed and recognised by the UAE Ministry of Education-Higher Education Affairs, the UAE Knowledge and Human Development Authority and the GCAA.

Marketing and Intellectual Property

Marketing

Emirates believes that it has been successful in promoting the Emirates business and brand through a cohesive strategy covering public relations, sponsorships, events, advertising, merchandise, internal communications and Internet-based initiatives.

Emirates has a firmly established brand presence in global sports, having built an enviable portfolio of some of the world's most prominent sporting clubs and events, spanning football, tennis, rugby, cricket, golf, Formula 1 racing, America's Cup sailing, horseracing, Australian Rule Football and cycling. In particular, the Group's sponsorships have included a significant number of sporting events, including being the Official Worldwide Partner and Official Airline of Rugby World Cup 2019, title sponsor of the annual Emirates Airline Dubai Rugby 7s and serving as the official shirt sponsor of leading European and international clubs, including AC Milan, Real Madrid, Paris Saint-Germain and Arsenal. In tennis, Emirates is the official partner of three grand slam events, including the Australian Open, the French Open and the US Open. In horse racing, Emirates sponsors the Dubai Show Jumping Championship and the His Highness Sheikh Mohammed Bin Zayed Al Nahyan Global Arabian Horse Flat Racing Festival. Emirates also supports several major golf tournaments held across the globe; it is the official airline of the BMW PGA Championship (England), the Maybank Malaysian Open and the BMW International Open (Germany). Emirates is the partner of the International Cricket Council ("**ICC**") and all its major events, including the Cricket World Cup 2015, the ICC World Twenty20 and the ICC Champions Trophy. In 2012, Emirates became the naming-rights sponsor of the Emirates Arena, Glasgow's latest world-class sporting facility.

Emirates sponsors the New York Philharmonic, expanding its portfolio of cultural sponsorships, which includes the San Francisco Symphony, the Melbourne and Sydney Symphony Orchestras in Australia, the Emirates Airline Dubai Jazz Festival, Emirates Airline Festival of Literature and the Dubai international Film Festival.

Intellectual Property

"Emirates" and its logo (represented in Arabic script), "Skywards", "Emirates SkyCargo", "Emirates Holidays" and certain of the Group's other product and company names are trade or service marks or registered service marks. The Group has registered these marks in the UAE in addition to over 120 other countries worldwide. In relation to its licensed proprietary software (see "— *Information Technology*"), the Group takes appropriate steps to protect its intellectual property, including through typical contractual provisions in the licence agreements.

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 25 January 2018, the Governments of Dubai and the UAE had entered into 178 ASAs or memoranda of understanding or similar agreements 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.

In 2015, the three major United States airlines tried to restrict the US-UAE air service agreement by raising various allegations in relation to state subsidies against Emirates. Emirates comprehensively responded to these allegations in June 2015, by publishing a rebuttal document.

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.

The European Union General Data Protection Regulation enters into force across the European Economic Area ("**EEA**"), from 25 May 2018. It overhauls various data protection regimes across the EEA. It will also apply to a large number of businesses established outside of the EEA, including Emirates. Emirates has established a Data Privacy Office to bring the business into compliance.

The UAE is party to the Cape Town Convention on International Interests in Mobile Equipment and the related Protocol on Matters Specific to Aircraft Equipment (the "**Cape Town Convention**"). The Cape Town Convention aims to protect the interest of the sellers, purchasers and creditors through the creation of an International Registry ("**IR**"). The GCAA acts as the direct entry point for the purposes of issuing codes that creditors require to register interests on the IR. In all financing arrangements post the implementation of the Cape Town Convention, Emirates has assisted its creditors in obtaining the required "authorising entry point" codes to register the relevant international interest on the IR.

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. In the UAE, 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 Emirates' passenger aircraft are registered with the GCAA. Some of Emirates' freighter aircraft that are sub-leased are not registered in the UAE but instead are registered in the country from which they principally operate.

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. The Group and its employees hold all applicable operational certificates and licences required from the GCAA.

The 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.

The United Arab Emirates Ministry of Finance's (the "**MoF**") Federal Decree – Law No. (8) of 2017 on Value Added Tax (the "**VAT**") became effective on 1 January 2018. The main VAT principles with regards to the application of VAT on certain sectors have been included in the law, however specific details with regards to the application are subject to the implementing regulations. Emirates' dedicated tax department now oversees VAT compliance within the Group.

Environmental Regulation

In common with other airlines, Emirates is subject to stringent 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. Emirates 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.

Emirates' fleet, is one of the youngest in the world and therefore generates less emissions and noise in its operations. Emirates focuses on maximising its fuel efficiency and minimising the attendant emissions as well as increasing the efficient use of airspace to shorten flying times and cut fuel consumption.

The most significant environmental regulatory compliance obligation applying to Emirates is the European Union Emissions Trading System ("**EU ETS**"). Under the EU ETS, all commercial airlines over a threshold size operating between airports within the European Economic Area are required to surrender allowances equivalent to the amount of carbon emissions created by those flights. See *"Risk Factors — Risks Relating to the Airline Industry and Emirates' Operations in the Middle East — Air traffic and the aviation industry are heavily regulated and Emirates' ability to comply with all applicable regulations is key to maintaining its operational and financial performance".*

A global scheme to cover carbon emissions from international aviation is in the process of development through the International Civil Aviation Organisation, the United Nations specialist agency for international aviation. The Carbon Offsetting and Reduction Scheme for International Aviation is designed to require aircraft operators to buy and cancel carbon offsets to cover their growth in international emissions after 2020. Aircraft operators are expected to begin collecting data in 2019. The scheme rules, however, are not expected to be finalised by the International Civil Aviation Organisation until later in 2018. They must be adopted by individual countries thereafter. In the first years of its operation, the industry's offsetting obligations under the scheme will be shared out across the industry through a 'sectoral' approach, reducing the burden on faster-growing operators.

Emirates is also impacted by other legislation. In the United Kingdom, Emirates is required to comply with the energy auditing provisions of the Energy Savings Opportunity Scheme, which is the implementing legislation of the European Union Energy Efficiency Directive in the United Kingdom. The company also faces emissions and noise charges in a range of locations.

Information Technology

The Group considers information technology ("**IT**") to be a core component of its commercial and operational needs and success. Extensive use of IT is made in all areas, including infrastructure, back office functions (such as revenue accounting) and core components, such as the airlines passenger reservations system. The Group is continually investing in IT solutions for a range of its business needs and to further take advantage of offerings that can assist streamline operations.

The Group's principal IT team is based at Emirates Technology Centre in Deira, although it operates from multiple locations within Dubai, including Group headquarters (located on Airport Road). IT functions as a shared service within the Emirates Group provided by a mixture of dnata employees and outsourced contractors assigned to the Group on a full time basis and to make it safer.

Emirates IT strategy involves a mixture of off-the-shelf software products (with, where applicable appropriate customisations) utilising both on premise and off premise hosting infrastructure, custom built developments (either by third party vendors or by the Group's IT department), and more recently, managed services of infrastructure by third parties and use of cloud offerings (while maintaining appropriate safeguards).

In 2016 and 2017, the Group moved two of its core IT infrastructure (data centre infrastructure and mainframe) to IBM, as a managed service, pursuant to the first of its kind agreements in the Middle East region, while retaining control over the location and physical security related to same. Part of this deal is for IBM to transform the mostly virtualised server landscape into a private cloud set-up. This enables the Group to have two off-site data storage and back-up systems, owned and operated by the Group, within Dubai, and maintain a comprehensive disaster recovery and business continuity plan, while realising benefits from managed services such as on-demand cloud storage, on-demand compute, equipment refreshes and efficiencies in production.

The Group otherwise undertakes significant investment in major IT projects internally which look to harness and integrate new technologies, such as artificial intelligence, and machine learning into applications and software solutions as relevant. Examples of this include the Group's innovation lab, which has driven agreements with Carnegie Mellon University, Silicon Valley campus and the Data Science Lab with Oxford University around the use of data science in data analytics and the establishment of the INTELAK incubator with other UAE based corporates to foster travel related technology start-up ideas. The Group itself also undertakes significant internal projects with an IT focus, such as Empact, which was run over a period of four years and has delivered continuous improvements to the airlines passenger reservation system.

Insurance

The Group 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 Lloyd's of London and other international aviation insurance markets, through a reputable international broker based in London. Insurance arrangements are made in a manner consistent with best international airline industry practice. Emirates has never been refused insurance coverage in any insurance market.

Litigation

Emirates is currently a party to litigation relating to payment of compensation to passengers who miss their connecting flight outside of the European Union. The outcome of this litigation is not expected to have a material impact on Emirates' business. See *"Risk Factors — Risks Relating to Emirates — Emirates is exposed to ongoing litigation"*.

Corporate Responsibility

The Emirates Airline Foundation is a non-profit charity organisation that aims to help disadvantaged children by providing them with the basics such as food, medicine, housing and education. Its board of directors consists of senior Emirates Group management who decide which projects to target with funds donated by passengers and staff. Emirates staff volunteers participate and oversee the management of the Foundation.

The Foundation's projects include:

- the Emirates Friendship Hospital Ship, which is a floating hospital that provides vital medical assistance to more than two million people living in isolated regions of Bangladesh that are frequently affected by monsoon flooding;

- the Philippines-based Virlanie Foundation, which cares for children in need of special protection - those who are among the poorest of the poor, the abandoned, abused, exploited, neglected, and orphaned.

- Sponsorship of the drop-in centre for Beyond the Orphanage, an organisation based in Ethiopia that serves children in need, many of whom are affected by the HIV/AIDS crisis.

Environment

The Emirates Group has implemented a group-wide environmental policy and issues an annual environmental report to monitor its performance on several key measures. Emirates supports IATA's four-pillar strategy to reduce aviation-related CO2 emissions and has implemented numerous environmental initiatives such as a wide range of continuous efforts to improve the fuel efficiency of its fleet, recycling of materials use in Emirates' businesses, "dry washing" procedures that minimise the amount of water used in cleaning aircraft and the development of eco-resorts such as Emirates One & Only Wolgan Valley, as well as management of the Dubai Desert Conservation Reserve. Emirates has also taken a strong and public stance against the illegal trade in wildlife, being a founding signatory to the Buckingham Palace Declaration.

In February 2016, Emirates, in conjunction with Dubai Electricity and Water Authority ("**DEWA**"), successfully installed solar photovoltaic panels at the Emirates Engine Maintenance Centre in Dubai. The project was part of the Shams Dubai initiative launched by DEWA in line with the national Green Economy for Sustainable Development initiative to build a green economy in the UAE, and the UAE Vision 2021 to make the UAE one of the best countries in the world by 2021.

Fuel Efficiency

Fuel efficiency improvements provide a substantial opportunity for Emirates to reduce its environmental impact. Emirates continues to invest heavily in new and more fuel efficient aircraft, such as the Airbus A380 and the Boeing 777 and 787s, and operational improvements to increase the fuel efficiency of its operations, such as the implementation of more efficient flight paths and landing trajectories and the use of single-engine taxiing for aircraft on the ground, where possible, maximising use of ground-supplied power at the airport gate instead of the aircraft auxiliary power unit, managing the quantity of potable water loaded for a flight, reducing operating weight of the aircraft through use of modern lightweight equipment, optimised flight speeds & fuel policy, and aircraft operating techniques such as using idle reverse thrust on landing. Emirates' fuel efficiency for all passenger flights in financial year 2017 was 4.25 L/100PK (litres per 100 passenger kilometres). Emirates' combined fuel efficiency for that period was 0.3339 L/TK (litres per tonne kilometres).

Emissions

Total CO2 emissions from Emirates' passenger and cargo operations rose 8.7 per cent. in financial year 2017 compared to the previous financial year, reflecting the growth of Emirates' network and capacity.

Relationship with the Government

Emirates is 100 per cent. owned by the Government of Dubai through its commercial investment arm, ICD. Emirates is an independent company with its own profit targets and operational autonomy which is run by an independent and experienced management team. See "*Management and Employees*".

Emirates operates on a fully commercial basis and publishes annual independently audited consolidated financial statements.

Emirates has U.S.$218 million (AED 801 million) in capital, including U.S.$10 million received from the Government of Dubai in start-up seed capital in 1985 and U.S.$88 million invested in infrastructure, which included two Boeing 727 aircraft and the Emirates Training College building. This investment has been more than covered by total dividend payments, which, as of 30 September 2017 amounted to U.S.$3.9 billion. The Government of Dubai and the management of Emirates have consistently operated on the basis that Emirates is required to be self-sustainable and profitable. Apart from an individual aircraft financing guaranteed by the Government of Dubai in 1987 (which is no longer outstanding), neither ICD nor the Government of Dubai has ever acted as a guarantor for any of the loans or other financings raised by Emirates.

The Government of Dubai currently has no plans to offer shares in Emirates to the public.

Notwithstanding that the Group is a separate commercial enterprise operated 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. In particular:

- **The Government of Dubai**

  In 2007, the Government of Dubai adopted the Dubai Strategic Plan 2021 (the "**DSP 2021**"), which focuses on core areas of the people, the society, the experience, the place, the economy and the government. The DSP 2021 aims to reinforce Dubai's position by enhancing its standing as a global business centre to be among the top five centres for trade, logistics, finance and tourism.

  Emirates is an integral facilitator of the DSP 2021 as it is the major carrier of airline passenger and cargo traffic to, from and through Dubai, thereby playing a central role in helping to develop Dubai's travel and tourism industry, as well as contributing significantly to the trade, transport and logistics and financial and professional services industries.

- **Regional Air Transportation Regulators**

  Emirates' principal air transportation regulators in the UAE are the GCAA and the DCAA (see "— *Regulation*" above). Emirates enjoys constructive arms'-length relationships with both of these regulators, including participating in recent industry consultation processes with the GCAA and DCAA regarding the application of international aviation treaties to the UAE and the status of local aviation regulation.

- **Dubai Airports**

  Dubai Airports, wholly owned by the Government of Dubai, is the operator and manager of both DIA and Al Maktoum International Airport. Emirates is the busiest of the more than 86 airlines operating out of DIA. Since October 2008, Emirates has had its own dedicated terminal at DIA, Terminal 3, which is capable of accepting Airbus A380 aircraft, including the Concourse A that is solely dedicated to Airbus A380 aircraft. Emirates SkyCargo division is also one of the key tenants at Dubai Airports' Cargo City at DIA, operating out of the Cargo Mega Terminal. Emirates pays the full published landing charges at DIA and does not benefit from any form of volume-related discount. The opening of Concourse D attached to Terminal 1 at DIA, has increased the capacity of DIA to 90 million passengers per year. Concourse D welcomed its first flight on 24 February 2016. DIA has commenced work to increase the number of A380 gates at

Concourse C, bringing the total number of A380 gates at DIA to 47, more than any other airport in the world. The project is expected to be completed by the end of 2018.

MANAGEMENT AND EMPLOYEES

Senior Management

Decree No. 2 of 1985 establishing Emirates provides for Emirates to be represented, managed and operated by a Chairman appointed from time to time by the Government of Dubai. His Highness Sheikh Ahmed bin Saeed Al-Maktoum has been Chairman of Emirates from its inception.

Emirates 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 and Chief Executive
Sir Tim Clark	President – Emirates
Gary Chapman	President – Group Services & dnata
Adel Ahmad Al Redha	Executive Vice President - Chief Operations Officer
Thierry Antinori	Executive Vice President - Chief Commercial Officer
Abdulaziz Al Ali	Executive Vice President - Human Resources
Ali Mubarak Al Soori	Executive Vice President - Chairman's Office, Facilities and Projects Management and Non-Aircraft Procurement and Logistics
Nigel Hopkins	Executive Vice President - Service Departments
Christoph Mueller	Chief Digital and Innovation Officer

The business address of each of the members of senior management is Emirates Group Headquarters, Airport Road, P.O. Box 686, Dubai, UAE.

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 and Chief Executive of Emirates and Emirates Group. H.H. 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 Emirates, His Highness has served as President of the Dubai Civil Aviation Authority since 1985 and is also Second Vice 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 of flydubai, Chairman of Dubai Aerospace Enterprise, a member of the board of the Dubai Council for Economic Affairs, a member of the board of ICD 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 Bachelors 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).

Sir Tim Clark

Sir Tim Clark is the President of Emirates.

Prior to joining Emirates, Sir Tim Clark worked as a route planner at both Bahrain's Gulf Air and British Caledonian Airways. He joined Emirates in 1985 as Head of Airline Planning, the role in which he is attributed with establishing a number of key Emirates route networks. Sir Tim Clark became President of Emirates in 2003.

In addition to his work at Emirates, Sir Tim Clark is the Chairman of the Emirates Airline Foundation, a non-profit charity.

In the 2014 Queen's New Year's Honours list, Sir Tim Clark was invested as a Knight of the Most Excellent Order of the British Empire (KBE) for services to British prosperity and to the aviation industry.

Sir Tim Clark holds a Bachelors degree in economics from London University. He is also a Fellow of the Royal Aeronautical Society.

Gary Chapman

Mr Chapman is the President of Group Services and dnata. Mr Chapman manages the businesses under dnata and associated companies, in addition to the Emirates Group's Finance, Human Resources, Legal, IT, Internal Audit, Insurance, Performance Development and Medical Services.

Prior to joining the Emirates Group, Mr Chapman spent twelve years with a prominent Arab trading business involved in construction and the provision of support services to the oil industry.

Mr Chapman is also Chairman of Maritime & Mercantile International L.L.C. and Sirocco FZCO and is a member of the board of directors for Emirates Flight Catering Company L.L.C., Emirates-CAE Flight Training L.L.C., Premier Inn Hotels L.L.C. and dnata's Singapore Pte Ltd, as well as a number of other Emirates Group companies.

Mr Chapman qualified as a Chartered Accountant in New Zealand. Mr Chapman is a member of the New Zealand Order of Merit for services to New Zealand-UAE relations.

Adel Ahmad Al Redha

Mr Al Redha is the Executive Vice President - Chief Operations Officer, Emirates. Since joining Emirates in 1985, Mr Al Redha has been a pivotal player within the operations team in various capacities. He has progressed his career and widened responsibilities with the growth of the company. His experience over the years has covered all aspects of operations and logistics which includes engineering, flight operations, service delivery, airport services, network operations and aircraft procurement.

Mr Al Redha was appointed to his current role in 2013. In his various roles with the company, he was instrumental in introducing *ab-initio* cadet programmes, engineering apprenticeships, and air transport management for the UAE nationals pursuing a career in aviation. He also played a vital role in expanding the engineering and maintenance department including the state-of-the-art engine maintenance shop and the establishment of the Emirates Flight Training Academy.

He is a key member in the definition of aircraft specifications, and in-scoping the Emirates product in relation to cabin interiors and inflight entertainment. In addition, he has been instrumental in transforming into the digital process across all aspects of operations, most recently the introduction of paperless cockpit and use of biometric machines and automated passenger movement within the airport.

Mr Al Redha holds a Bachelor of Science degree in Engineering Technology/Aircraft Maintenance from the University of Northrop, USA, and a Masters degree in Air Transport from Cranfield University, UK.

Thierry Antinori

Mr Antinori is the Executive Vice President - Chief Commercial Officer, Emirates. Mr Antinori is responsible for commercial operations and products, Emirates Skywards and Emirates Skycargo. Mr Antinori joined Emirates in October 2011.

Prior to joining Emirates Airline, Mr Antinori began his career with Air France, responsible for regional sales and route management across Europe before becoming an executive consultant to the airline's executive board. In 1997, Mr Antinori joined Lufthansa where he was responsible for regional sales across several European markets before being appointed Executive Vice President Sales and then Executive Vice President Marketing & Sales, managing global sales and marketing and product management.

Mr Antinori holds a business management degree from ESSEC in Paris.

Abdulaziz Al Ali

Mr Al Ali is the Executive Vice President - Human Resources, Emirates Group.

In this capacity, Mr Al Ali is responsible for the Emirates Group's HR strategy, manages the overall provision of the human resources function, policies, training and development, hiring and retention. He is also responsible for the Emirates Group's medical services department, and Emirates Aviation University.

Mr Al Ali joined Emirates in 1988. Prior to his appointment to his current role in 2003, Mr Al Ali held a number of other senior positions at Emirates.

Mr Al Ali holds a Bachelors degree in Mathematics from Colchester University, UK and a Master of Science degree in Mathematics from the University of Wisconsin, Milwaukee, USA.

Ali Mubarak Al Soori

Mr Al Soori is the Executive Vice President - Chairman's Office, Facilities and Projects Management and Non-Aircraft Procurement and Logistics, Emirates Group. Mr Al Soori is responsible for directing the Emirates Group's varied procurement activities and has been a leading figure during the construction of various assets and facilities around the globe.

Mr Al Soori has overseen the constructions of multiple projects in the Emirates' Group property portfolio, including the Emirates Headquarters building, dnata Travel Centre and the Emirates Engineering Centre. Within the hospitality sector, Mr Al Soori oversaw the construction of JW Marriott Marquis Hotel, Dubai Marriott Harbour Hotels & Suites, Al Maha, A Luxury Collection Desert Resort and Spa, Le Meridien Al Aqah Beach Resort and Spa and the The Sevens sports complex in Dubai, as well as major overseas ventures including the Emirates One & Only Wolgan Valley in Australia's Blue Mountains. He is responsible for managing the Emirates Group property portfolio.

Mr Al Soori joined Emirates in 1986 as manager of the Chairman's Office and became Senior Vice President, Chairman's Office & Facilities Management in 2003. He was promoted to his current position in 2008.

Nigel Hopkins

Mr Hopkins is the Executive Vice President - Service Departments, Emirates Group. Mr Hopkins' principal responsibilities relate to the Finance, Treasury, IT, Legal and Insurance services within the Emirates Group.

Mr Hopkins joined Emirates in 1994 and was appointed to his current position in June 2005. Prior to his promotion, he held a number of finance roles within the Group, most recently Senior Vice President of Finance where he headed up the Emirates Group Finance team. Prior to joining Emirates Group, Mr Hopkins worked at British Airways for ten years.

Mr Hopkins is a Fellow of the UK Association of Chartered Certified Accountants.

Christoph Mueller

Christoph Mueller joined the Emirates Group as Chief Digital and Innovation Officer in September 2016. One of Mr Mueller's priorities will be to harness, direct and lead our enterprise change management and a group-wide transformation; having been involved in large scale change management and turnaround projects throughout his career.

Previously he was the Group Chief Executive Officer of Malaysia Airlines and CEO of Aer Lingus. Prior to that, he held positions as Executive Aviation Director at Tui Travel plc. and was Group CFO of DHL worldwide and CEO of Sabena. He has also held senior management positions in Lufthansa, Daimler Benz Aerospace and Airbus.

Conflicts

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

Employees

Emirates believes that it has an excellent relationship with its employees as shown by its average work force attrition rate of approximately 6.67 per cent. (on a year-on-year basis) over the five financial years ended 31 March 2017, (and approximately 3.5 per cent. excluding cabin crew which, as an industry norm, have higher attrition rates). Emirates believes that it provides its employees with competitive compensation packages and benefits. Emirates' work force attrition rate is calculated on the basis of only those employees who have resigned and does not count those employees who leave for other reasons such as retirement. The Group operates an employee profit share scheme on an annual basis, under which all permanent employees of the Group participate and share in certain profits of the Group, provided the established profit target is attained.

The table below shows a breakdown of the Group's average employee strength for each of the financial years 2017, 2016 and 2015.

	Financial year ended 31 March		
	2017	**2016**	**2015**
Cabin crew	24,440	21,722	19,328
Flight deck crew	4,169	3,868	3,687
Engineering	3,392	3,215	2,702
Other	13,771	13,352	13,182
Total employees in the UAE	**45,772**	**42,157**	**38,899**
Overseas stations	5,856	5,866	5,672
Total Emirates	**51,628**	**48,023**	**44,571**
Subsidiary companies	13,140	13,182	12,154
Average employee strength	64,768	61,205	56,752

Employee productivity for Emirates, measured in terms of revenue per airline employee, was AED 1.580 million in financial year 2017, AED 1.717 million in financial year 2016 and AED 1.939 million in financial year 2015. Capacity per airline employee was 1,171 thousand ATKM in financial year 2017 compared to 1,174 thousand ATKM in financial year 2016 and 1,141 thousand ATKM in financial year 2015. Load carried per airline employee was 761 thousand RTKM in financial year 2017 compared to 769 thousand RTKM in financial year 2016 and 767 thousand RTKM in financial year 2015.

Emirates has a number of in-house training schemes designed to ensure that all of its staff are trained to the highest industry standards and obtain all relevant certificates and licences required in order to perform their duties.

In line with UAE and Dubai government policy to encourage the employment of UAE nationals, Emirates has for a significant period of time operated dedicated recruitment and training programmes for the recruitment and retention of UAE national employees, including a number of high school graduate programmes, diploma graduate programmes and university/college graduate programmes. Emirates also adopted the UAE Government's *Absher* programme for the recruitment of UAE national employees.

In accordance with UAE law, the Group 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.

With respect to its UAE national employees, Emirates also contributes to the UAE's General Pension and Social Security Authority scheme calculated as a percentage of the UAE national employees' salaries.

For non-UAE national employees in certain senior management grades, the Group contributes a percentage of their salaries into a Provident Fund scheme established in the Isle of Man. Employees in these higher grades who remain with Emirates for five years or more have the option to elect for either the UAE end of service benefits or their entitlement under the Provident Fund scheme to be paid to them at the time they leave Emirates. Employees who are members of the Provident Fund scheme are able to select investment options for their Provident Fund contributions from various options provided under the scheme.

AIRLINE INDUSTRY OVERVIEW

Introduction

The global airline industry generally follows economic cycles and, over the longer term, RPKMs have generally grown in line with world GDP. Although GDP was one of the primary drivers of growth in the past, other factors including the steady decrease in the real cost of air travel, in part due to the expansion of low fare carriers and lower oil prices in recent years, together with increasing connectivity and consumer spending, are likely to continue to contribute increasingly to traffic growth.

The airline industry has always been, by its nature, cyclical. It has endured some major crises over the last 30 years, including financial losses following the terrorist attacks in New York and Washington, D.C. on 11 September 2001, 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, like the Icelandic volcanic ash clouds over Europe in early 2010. Despite its cyclical nature, the aviation sector has shown that it is resilient. By virtue of its adaptability, annual world traffic growth has fallen only three times in modern aviation history — in 1991 around the first Gulf War, following the 2001 terrorist attacks in the United States and in 2009 during the financial crisis. In fact, air travel has grown at an annual average rate of more than 5 per cent. per year over the last several decades. Overall, it has undergone a structural transformation in response to what is a dynamic marketplace, by consolidating where required and expanding in new markets.

Historically, the rights of airlines to fly have been governed by over 5000 bilateral air service agreements between individual countries regulating routes, capacity, frequency, fares and other operational matters. These air service agreements limited the market size for the benefit of national carriers and sometimes also involved revenue sharing. However, since the early 1980s, deregulation of international air transport (sometimes referred to as "open skies") in some regions, notably the United States and European Union has allowed airlines to freely expand and develop more comprehensive route networks. New international carriers emerged to compete with the legacy airlines. In addition, low fare carriers entered the market, and have radically expanded the market both in terms of the range and frequency of services and especially in passenger numbers. 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 generated attractively lower fares in those deregulated markets. Although economic growth still plays a major role, lower fares have increasingly played an important part in stimulating traffic growth. Lower prices have also created new traffic by attracting travellers accustomed to 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 allowed carriers to offer passengers global networks, much greater connectivity and better manage levels of competition. They also continue to grow with the introduction of new members. Over the last decade, as a result of various factors including the financial crisis of late 2008 and 2009, overcapacity and historic operating inefficiencies, some airlines (such as Alitalia, Air Berlin and Monarch) have filed for bankruptcy protection or ceased to operate. There has been significant consolidation through corporate mergers and acquisitions (for example British Airways-Iberia, Air France-KLM, Delta-Northwest and United-Continental). Such mergers have however been accompanied by the application of competition law and regulations, specifically in respect of anticompetitive arrangements, abuse of dominant position issues and collusive behaviour. In parallel, other government-owned airlines have looked afresh at the prospect of privatization and an increasing number of have been entering into stronger and more focused bilateral partnerships, either outside or alongside 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 capacity and revenue 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 A350-1000, Boeing 777-200LR and Boeing 787-9 aircraft). The new ultra long-range aircraft (for example, the Airbus A380 and Boeing 777-200LR aircraft, have an extended range of over 8,000 nautical miles and can fly non-stop for over 16 hours) provided airlines with the ability to link any two destinations in their global network with one single stop at their hub (for example in relation to Emirates, New York to Sydney, with one stop in Dubai). Currently, the Airbus A380 ultra long-range is the largest passenger aircraft in production, with some of the lowest per-seat-kilometre costs in the industry and a range of up to 8,477 nautical miles.

Ongoing aircraft developments and next generation models will continue to allow new markets to be established. Other developments, including electronic commerce and blockchain technology, have allowed and will continue to allow airlines to reduce operating costs, particularly those relating to ticket sales and distribution. "Big Data" technology is also reshaping the industry, where analytics can take historical information and predict demand up to a year in advance, assist decision-making on opening new routes, scheduling changes and codesharing alliances.

Recent Traffic Trends

On 1 February 2018, IATA announced a 7.6 per cent. increase (year on year) in demand (measured in RPKMs). Airlines responded to such strong demand in 2017 by adding 1,351 new city-pair connections, taking delivery of 1,683 new jet and turboprop aircraft, increasing utilization of existing fleets, and raising overall load factors to record levels. Full year 2017 capacity measured in ASKMs increased by 6.3 per cent., and overall load factor climbed 0.9 percentage points to 81.4 per cent. Despite it being a challenging year for the Middle East region, due to factors, including the temporary ban on large portable electronic devices in the aircraft cabin, as well as the proposed United States travel bans affecting some countries in the region, traffic and capacity increased by 6.6 per cent. and 6.4 per cent. respectively, compared to 2016, and the load factor edged up 0.1 percentage point to 74.7 per cent.

Within these general trends, different regions have experienced different growth patterns. This variance has resulted in the steady movement of the aviation industry's geographic centre of gravity over the last 4 decades from the middle of the North Atlantic to the east of the Mediterranean. This marked shift is due mainly to the rapid growth of air travel in developing markets such as Asia but also to the rise of the Middle East based airline 'superconnectors' operating at the crossroads of trade and transportation. Their geographical advantage, the long-range capability of their fleets and vast airport bases designed for large numbers of passenger transfers have allowed Middle Eastern carriers (including Emirates) to take a large share of the formerly profitable Europe–Asia traffic (from those continents' legacy airlines) and consolidate traffic connecting through their hubs.

According to the IATA WATS 2017, in terms of total (international and domestic) 2016 RPKMs, Emirates was the 4th leading airline with 270,797 million RPKMs, ahead of Lufthansa (149,702 million RPKMs, including operations of Lufthansa CityLine and Lufthansa-marketed operations by Air Dolomiti, Eurowings, Germanwings, Privatair, Tyrolean Airways and AeroLogic), China Southern Airlines (205,720 million RPKMs, including operations of Xiamen Airlines and Chonqing Airlines), British Airways (144,028 million RPKMs, including operations of BA CityFlyer) and Ryanair (142,740 million RPKMs, including passengers booked but not flown). In terms of total (international and domestic) FTKMs, Emirates with 12,270 million FTKMs was ranked second only to Federal Express

(15,712 million FTKMs) and ahead of United Parcel Service (11,264 million FTKMs), Qatar Airways (9,221 million FTKMs), Lufthansa (7,384 million FTKMs, including the same operations identified above for RPKMs) and Singapore Airlines (6,345 million FTKMs).

By the first quarter 2017, DIA had surpassed London Heathrow as the busiest aviation hub in the world in terms of international passengers, reflecting Emirates' RPKM ranking. A report released by the Airports Council International (ACI), the trade association of the world's airports, showed that Dubai logged more than 87.5 million passengers in 2016, making it the leading global hub for international passengers, ahead of London Heathrow, Hong Kong, Amsterdam, Paris and Singapore airports.

As a whole, 2017 was a successful year for DIA, winning 'Best Airport in the Middle East' at the Business Traveller Middle East Awards, and the 'Middle East's Leading Airport' at the World Travel Awards. The Dubai Government also announced in 2017 that it has secured U.S.$3 billion in long-term financing for the expansion of both DIA and the new Dubai World Central - Al Maktoum International airports. The expansion of Dubai World Central - Al Maktoum International airport, means it will become the world's largest by size and passenger capacity when completed in approximately 2050, with the capacity to handle in excess of 220 million passengers and approximately 16 million tonnes of cargo per year.

Regional Outlook and Traffic Forecasts

With the anticipated movement of the air transport centre of gravity from West to East, the geographic position of the current Gulf hubs will continue to offer a strategic advantage to several airlines in the region. ICAO's long term traffic forecasts to 2032 project total passenger traffic in the Middle East to grow by 5.2 per cent. annually, the second fastest among all regions after Asia/Pacific at 6.4 per cent., ahead of Africa at 3.8 per cent., Latin America/Caribbean at 3.5 per cent., North America at 3.5 per cent. and Europe at 3.0 per cent. (whereas world growth is projected to be 4.6 per cent. annually). In terms of freight traffic growth, the Middle East will be the fastest growing region at 7.1 per cent. annually, ahead of Asia/Pacific at 5.1 per cent., Latin America/Caribbean at 2.9 per cent., Europe at 2.6 per cent., North America at 2.5 per cent., and Africa at 2.1 per cent. (whereas world growth is projected to be 4.3 per cent. annually).

According to Boeing's Current Market Outlook 2017-2036, demand forecasts overall for the next 20 years are robust. By 2036, air passenger traffic will be 2.5 times larger than it is now (while other sources predict air freight traffic will more than double).

Boeing also projects annual growth in traffic flows to, from and within the Middle East of:

- 7.6 per cent. (in respect of African traffic flows to and from the Middle East);
- 5.3 per cent. (in respect of European traffic flows to and from the Middle East);
- 5.0 per cent. (in respect of Middle Eastern traffic flows to and from North America);
- 5.4 per cent. (in respect of Middle Eastern traffic flows to and from South Asia);
- 6.9 per cent. (in respect of Middle Eastern traffic flows to and from Southeast Asia); and
- 5.2 per cent. (in respect of traffic flows within the Middle East region).

Primary Industry Sensitivities

The sensitivities of the airline industry are primarily changes in jet fuel prices, labour, borrowing costs, insurance charges and of course, passenger demand. Each of those factors is influenced by a number of different variables, including, but not limited to, the state of the world economy and by political events. According to IATA WATS 2017, and perhaps unsurprisingly, fuel is the single largest cost item for airlines, accounting for around 20 per cent. of total operating costs. Maintenance & overhaul costs account for almost 10 per cent., passenger services 9 per cent. and crew salaries around 8 per cent. From year to year, fuel costs tend to be the most volatile, driven by fluctuations in the world oil price.

Environmental issues in the form of more stringent noise and emission standards, including the EU carbon emissions trading scheme have added new operating costs for airlines. However the adoption of a Resolution by the 2016 ICAO Assembly on a global market-based measure to address CO2 emissions from international aviation as of 2021, has resulted in the EU deciding to limit the geographic scope of the EU ETS to intra-EEA flights from 2017 onwards. Under the Carbon Offsetting Scheme for International Aviation (CORSIA), aircraft operators will be required to purchase offsets, or "emission units" from 1 January 2021, for the growth in CO2 emissions covered by the scheme. According to IATA, while the costs of CORSIA will be significant, a global system will be more cost-effective for the airline industry to adjust to in comparison with increases in costs applied through national or regional schemes, which would create differing compliance requirements and the risk of market distortions.

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 and/or collection at the principal office of the Principal Paying Agent (as defined in the Conditions).

Purchase of Services Agreement

On the Issue Date, Emirates (in its capacity as Seller) and the Trustee will enter into a purchase of services agreement (the "**Purchase of Services Agreement**"), pursuant to which Emirates 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 ATKMs, in the amounts set out in the Purchase of Services Agreement) (including all rights, title, 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 Emirates' total available passenger capacity (measured in ATKMs) for each Distribution Period ("**Allotted Rights to Travel**"); and (ii) certain additional Rights to Travel (measured in ATKMs, in the amount set out in the Purchase of Services Agreement) (including all rights, title, interests, benefits and entitlements, present and future, in, to and under the Rights to Travel) (the "**Additional Rights to Travel**"), out of Emirates' total available passenger capacity (measured in ATKMs) for the last Distribution Period.

An aggregate of 1,907,924,426 Allotted Rights to Travel will be purchased by the Trustee as described in the previous paragraph, and will be sold by the Service Agent 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 Partial Dissolution Distribution Amounts due under the Certificates. An aggregate of 286,188,664 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.$597,444,000, that the acquisition cost per ATKM equates to U.S.$0.272 (or AED 1.00 per ATKM at a fixed exchange rate of AED3.6725 = U.S.$1.00). For the purposes thereof, Emirates will represent, warrant and agree that such acquisition cost per ATKM represents the cost of each ATKM as reported in its published annual report in respect of its financial year ended 31 March 2017 (less such approximate amount determined by Emirates 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, Emirates and the Trustee will enter into a service agency agreement (the "**Service Agency Agreement**"), pursuant to which Emirates will be appointed as service agent (in such capacity the "**Service Agent**") by the Trustee (as principal), and which will be governed by English law. The Service Agent will manage the aggregate Allotted Rights to Travel (measured in ATKMs) held by the Trustee or by Emirates on its behalf that have not been sold pursuant to the Service Agency Agreement, the Purchase Undertaking or the Sale Undertaking (the "**Outstanding Rights to Travel**") and the Additional Rights to Travel.

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, Allotted Rights to Travel (materialised in the form of passenger air transportation tickets issued by Emirates 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$0.385 (per ATKM) (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 pursuant to the Sale Undertaking or the effective sale of Change of Control Rights to Travel pursuant to the Purchase Undertaking, 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 such number of Allotted Rights to Travel (measured in ATKMs) 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 Partial 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 or a portion of the relevant Allotted Rights to Travel (measured in ATKMs); or (ii) all or a portion of the relevant Allotted Rights to Travel (measured in ATKMs) for at least the Minimum Sale Price (in respect of each ATKM).

The Service Agent will be required to establish 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; and second, provided that no Potential Dissolution Event or 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 ATKMs) are sold for less than the Minimum Sale Price in breach of the terms of the Service Agency Agreement (the difference between the aggregate Sales Proceeds of such Allotted Rights to Travel and 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 Interim Incentive Payments (as described below), the Service Agent will pay to the Trustee by way of indemnity on an after tax basis) the Trustee for 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 immediately following Distribution Determination Date (or, if earlier, by no later than the Business Day immediately preceding the Dissolution Date) to ensure that the Trustee receives on each Distribution Determination Date 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 Dissolution Date in respect of such Certificates).

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 in an amount no greater than the Required Amount 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 for the account of the Service Agent);

(b) the Service Agent will be entitled to deduct amounts standing to the credit of the Reserve Account at any time during the Period as an interim incentive fee (each, an "**Interim Incentive Payment**") for acting as Service Agent, provided that it shall re-credit all such amounts to the Reserve Account if so required to fund a Shortfall or a Sales Shortfall; 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 Interim Incentive Payment (which has 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 (together with any Interim Incentive Payment).

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 ATKMs available to Emirates and RTKMs recorded by Emirates, 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), in each case as provided in the Conditions, to the extent that the Additional Rights to Travel have not been sold to Emirates pursuant to the Purchase Undertaking or the Sale 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, Emirates will enter into a purchase undertaking in favour of the Trustee and the Delegate (the "**Purchase Undertaking**") pursuant to which Emirates 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, which will be governed by English law.

Pursuant to the Purchase Undertaking, Emirates will irrevocably grant to the Trustee and the Delegate (on behalf of the Certificateholders) the following rights:

(a) provided that a Dissolution Event has occurred and is continuing and a Dissolution Notice has been delivered in accordance with the Conditions, to require Emirates 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, title, 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 ATKMs) (determined as at the Dissolution Event Redemption Date) and (ii) the Minimum Sale Price);

(b) to require Emirates, 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, title, 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 and (ii) the Minimum Sale Price; and

(c) provided that a Change of Control has occurred, to require Emirates, at any time prior to the Change of Control Put Right Date, to purchase on the Change of Control Put Right Date the number of Outstanding Rights to Travel (measured in ATKMs) 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, title, 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, Emirates 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) paying the Sale Exercise Price into the Transaction Account 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, enter into a sale agreement so as to evidence the relevant purchase.

Emirates will further undertake in the Purchase Undertaking that if Emirates does not fulfil or is not able to fulfil, for any reason, its obligations to 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), Emirates shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee (i) (in the case of the Outstanding Rights to Travel and the Additional Rights to Travel) for the purposes of redemption in full of the Certificates; (ii) (in the case of any Surplus Allotted Rights to Travel) to ensure that the Trustee receives on the relevant Distribution Determination Date the Required Amount payable by it in accordance with the Conditions on the immediately following Periodic Distribution Date; and (iii) (in the case of the relevant number of Change of Control Rights to Travel) for the purposes of redemption in full of the relevant Certificates; and, accordingly, the amount payable under any such indemnity claim under (i), (ii) or (iii) will equal the Relevant Amount, the Sale Exercise Price or the Change of Control Exercise Price, respectively.

Sale Undertaking

On the Issue Date, the Trustee will enter into a sale undertaking in favour of Emirates (the "**Sale Undertaking**") pursuant to which the Trustee will irrevocably undertake to sell to Emirates all or part of the Outstanding Rights to Travel upon Emirates exercising its rights thereunder, which will be governed by English law. Emirates 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) if the Trustee or Emirates delivers any Certificates that it (or, in the case of Emirates) its subsidiaries purchase for cancellation pursuant to Condition 8(f).

Pursuant to the Sale Undertaking, the Trustee will irrevocably grant to Emirates the following rights:

(a) provided that a Tax Event has occurred, to require the Trustee to sell to Emirates the Outstanding Rights to Travel (measured in ATKMs) (together with all of the Trustee's rights, title, 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

(a) to require the Trustee to transfer and convey to Emirates the Cancellation Rights to Travel (being such number of Outstanding Rights to Travel (measured in ATKMs) 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, title, 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 Emirates 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 22 March 2018 between Emirates, 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 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 by the Obligor pursuant to the Service Agency Agreement, the Purchaser Undertaking or the Sale Undertaking (as the case may be); (ii) 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 (iii) 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 Conditions. 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 shall by way of security for its performance under the Declaration of Trust irrevocably and unconditionally appoint the Delegate to be its delegate and attorney and in its name, on its behalf and as its act and deed, to exercise all of the present and future rights, powers, trusts, authorities and discretions vested in the Trustee by the relevant provisions of the Declaration of Trust (including but not limited to the authority to request instructions from any Certificateholders and the power to sub-delegate and to make any determinations to be made under the Declaration of Trust). The appointment of such delegate by the Trustee is intended to be in the interests of the Certificateholders and, subject to certain provisions of the Declaration of Trust, does not affect the Trustee's continuing role and obligations as trustee.

Pursuant to the Declaration of Trust:

(a) upon the occurrence and continuation of a Dissolution Event, and upon receiving notice thereof under the Declaration of Trust, the Delegate shall as soon as reasonable practicable give notice (a "**Dissolution Notice**") of the occurrence of the Dissolution Event to the Certificateholders and, if so requested in writing by Certificateholders holding at least 25 per cent. of the then aggregate face amount of the Certificates outstanding (subject in either case to being indemnified and/or secured and/or pre-funded to its satisfaction), give 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; and upon receipt of such notice, the Trustee (failing which the Delegate) shall deliver an Exercise Notice under the Purchase Undertaking and shall use the proceeds of such exercise to redeem the Certificates at the Dissolution Distribution Amount on the date specified in the Dissolution Notice; and

(b) upon the occurrence and continuation of a Dissolution Event, and upon receiving notice thereof under the Declaration of Trust, the Delegate may or shall upon being directed to do so by Certificateholders holding at least 25 per cent. of the then aggregate face amount of the Certificates outstanding (subject, in either case, to being indemnified and/or secured and/or pre-funded to its satisfaction) (i) enforce the provisions of the Purchase Undertaking against the Obligor and/or (ii) take such other steps as 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 and Partial Dissolution Distribution Amounts (if any) 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 Conditions.

Emirates will undertake in the Declaration of Trust that if Emirates does not fulfil or is not able to fulfil, for any reason, its obligations under the Purchase Undertaking to 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), Emirates shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee (i) (in the case of the Outstanding Rights to Travel and the Additional Rights to Travel) for the purposes of redemption in full of the Certificates; (ii) (in the case of any Surplus Allotted Rights to Travel) to ensure that the Trustee receives on the relevant Distribution Determination Date the Required Amount payable by it in accordance with the Conditions on the immediately following Periodic Distribution Date; and (iii) (in the case of the relevant number of Change of Control Rights to Travel) for the purposes of redemption in full of the relevant Certificates; and, accordingly, the amount payable under any such indemnity claim under (i), (ii) or (iii) will equal the Relevant Amount, the Sale Exercise Price or the Change of Control Exercise Price, respectively.

Agency Agreement

The Agency Agreement will be entered into on 22 March 2018 between the Trustee, Emirates, 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, *inter alia*, to authenticate and deliver the Global Certificate and, if any, each Individual Certificate; the Principal Paying Agent has agreed to be appointed as agent of the Trustee and has agreed, *inter alia*, to pay all sums due under such Global Certificate; and the Transfer Agent has agreed to be appointed as agent of the Trustee and has agreed, *inter alia*, to effect requests to transfer all of part of the Individual Certificate and issue Individual 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.

Emirates shall cause to be deposited into the Transaction Account established and maintained in London 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.

Shari'a Compliance

Each Transaction Document provides that each of Zahidi Limited (to the extent it is a party to the relevant Transaction Document) and Emirates (to the extent it is a party to the relevant Transaction Document), as the case may be, agrees that it has accepted the Shari'a compliant nature of the Transaction Documents to which it is a party and, to the extent permitted by law, further agrees that:

(a) it shall not claim that any of its obligations under the Transaction Documents to which it is a party (or any provision thereof) is *ultra vires* or not compliant with the principles of Shari'a;

(b) it shall not take any steps or bring any proceedings in any forum to challenge the Shari'a compliance of the Transaction Documents to which it is a party; and

(c) none of its obligations under the Transaction Documents to which it is a party shall in any way be diminished, abrogated, impaired, invalidated or otherwise adversely affected by any finding, declaration, pronouncement, order or judgment of any court, tribunal or other body that the Transaction Documents to which it is a party are not compliant with the principles of Shari'a.

TAXATION

The following is a general description based on the Trustee and Emirates' understanding of certain Cayman Islands, United Arab Emirates, European Union and United States 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

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Certificates. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances and does not consider tax consequences other than those arising under Cayman Islands law.

Under existing Cayman Islands laws, payments 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.

Subject as set out below, no capital or stamp duties are levied in the Cayman Islands on the issue or redemption of the Certificates. However, an instrument transferring title to the Certificates, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty. An annual registration fee is payable by the Trustee to the Cayman Islands Registrar 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

The following is a general summary of the current tax law and practice in Dubai and the UAE (to the extent applicable in Dubai) and does not constitute legal or tax advice. Prospective investors in the Certificates are advised to consult their own tax advisers with respect to the tax consequences under the tax laws of the country in which they are resident, of the purchase ownership or disposition of the Certificates or any interest therein.

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 Emirates 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 Emirates under the Transaction Documents to which it is a party, Emirates 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) Emirates 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.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Trustee may be a foreign financial institution for these purposes. A number of jurisdictions (including the Cayman Islands) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Certificates, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Certificates, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Certificates, such withholding would not apply prior to 1 January 2019 and Certificates characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Certificates.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT is Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Certificates (including secondary market transactions) in certain circumstances.

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 the 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.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. 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 21 March 2018 between the Trustee, Emirates, Abu Dhabi Islamic Bank PJSC, BNP Paribas, Citigroup Global Markets Limited, Dubai Islamic Bank PJSC, Emirates NBD Bank PJSC, First Abu Dhabi Bank P.J.S.C., HSBC Bank plc, J.P. Morgan Securities plc, Noor Bank PJSC and Standard Chartered Bank (together, the "**Joint Lead Managers**"), Sharjah Islamic Bank P.J.S.C. and Union National Bank P.J.S.C. (the "**Co-Lead Managers**" and, together with the Joint Lead Managers, the "**Managers**") the Trustee has agreed to issue and sell to the Managers U.S.$600,000,000 in aggregate face amount of the Certificates and, subject to certain conditions, the Managers have jointly and severally agreed to subscribe for the Certificates. Certain Managers may retain a certain proportion of such Certificates in their portfolios with an intention to hold to maturity and/or to trade. The holding of Certificates by these parties may adversely affect the liquidity of the Certificates and any sale of a material number of such Certificates in the future may also affect the prices of the Certificates in the secondary market. See "*Risk Factors – Risks Relating to the Certificates – The secondary market generally*".

The Subscription Agreement provides that the obligations of the Managers to pay for and accept delivery of the Certificates are subject to the approval of certain legal matters by their counsel and certain other 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 Emirates 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 Emirates and/or their affiliates in the ordinary course of business for which they may receive fees.

In addition, in the ordinary course of their business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans or *Shari'a* compliant financings) for their own account and for the accounts of their customers (for the avoidance of doubt, Abu Dhabi Islamic Bank PJSC, Dubai Islamic Bank PJSC and Noor Bank PJSC may make, hold and/or trade only Shari'a compliant investments, securities and financial instruments). Such investments and securities activities may involve securities and/or instruments of Emirates and its affiliates.

To the extent that the Managers or their affiliates have a financing relationship with Emirates and its affiliates they may routinely hedge their credit exposure to Emirates and its affiliates consistent with their customary risk management policies. Typically, such Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Certificates (for the avoidance of doubt, Abu Dhabi Islamic Bank PJSC, Dubai Islamic Bank PJSC and Noor Bank PJSC may enter into only *Shari'a* compliant hedging arrangements). Any such short positions could adversely affect future trading prices of the Certificates. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the purposes of this paragraph, the term "affiliates" shall also include parent companies.

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 or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer or sell the Certificates (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the Securities Act, and it will have sent to each dealer to which it sells Certificates during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Certificates within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Certificates are being offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Certificates, an offer or sale of Certificates within the United States by a dealer that is not participating in the offering may violate the registration requirements of 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 Emirates; 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

Each Manager has represented and agreed that no invitation or offer, whether directly or indirectly, to subscribe for the Certificates has been or will be made to any member of the public in the Cayman Islands.

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**") rulebook; and

(b) made only to persons who meet the "Professional Client" criteria set out in Rule 2.3.3 of the DFSA Conduct of Business Module of the DFSA rulebook.

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 or who is a Saudi person (a "**Saudi Investor**") who acquires Certificates pursuant to any offering should note that the offer of Certificates is a private placement under Article 11 or Article 12 of the "Offers 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 3-151-2016 dated 21 December 2016 (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 11 of the KSA Regulations or by way of a limited offer under Article 12 of the KSA Regulations. Each Manager has represented and agreed that any offer of Certificates to a Saudi Investor will be made in compliance with Article 11 or Article 12 of the KSA Regulations.

The offer of Certificates shall not therefore constitute a "public offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 18 of the KSA Regulations. Any Saudi Investor who has acquired Certificates pursuant to a private placement under Article 11 or Article 12 of the KSA Regulations may not offer or sell those Certificates to any person unless the offer or sale is made through an authorised person appropriately licensed by the CMA and: (i) the Certificates are offered or sold to a Sophisticated Investor (as defined in Article 11 of the KSA Regulations); (ii) the price to be paid for the Certificates in any one transaction is equal to or exceeds SAR 1 million or an equivalent amount; or (iii) the offer or sale is otherwise in compliance with Article 18 of the KSA Regulations.

Kingdom of Bahrain

Each Manager has represented and agreed that it has not offered or sold, and will not offer or sell, the 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 excluding that person's principal place of residence;

(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 (including the Qatar Financial Centre)

Each Manager has represented and agreed that it has not offered, sold or delivered, and will not offer, 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; 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.

Malaysia

Each Manager has represented and agreed that:

(a) the 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 ("**CMSA**"); 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) and Schedule 8 or Section 257(3), read together with Schedule 9 or Section 257(3) of the CMSA, subject to any law, order, regulation, or official directive of the Central Bank of Malaysia, the SC 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

Neither the Trustee nor Emirates nor any Manager has made any representation that any action will be taken in any jurisdiction by the Managers or the Trustee or Emirates 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 the Obligor in any jurisdiction as the result of any of the foregoing actions.

GENERAL INFORMATION

Listing

Application has been made to the Irish Stock Exchange for the Certificates to be admitted to the Official List and to be admitted to trading on the Main Securities Market. The listing of the Certificates on the Official List and admission of the Certificates to trading on the Main Securities Market is expected to be granted on or around 22 March 2018. The total expenses related to the admission to trading on the Main Securities Market are €6,790.

It is expected that the Certificates which are to be admitted to the DFSA Official List and to trading on Nasdaq Dubai will be admitted as and when issued, subject only to the issue of the Global Certificate initially representing the Certificates. Application has been made to the DFSA for the Certificates to be admitted to the DFSA Official List and to Nasdaq Dubai for the Certificates to be admitted to trading on Nasdaq Dubai. The listing of the Certificates on the DFSA Official List and admission of the Certificates to trading on Nasdaq Dubai is expected to be granted on or around 25 March 2018. The total expenses relating to the admission to trading on Nasdaq Dubai are U.S.$7,000.

Irish Listing Agent

Maples and Calder 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 of the Irish Stock Exchange or to trading on the regulated market of the Irish Stock Exchange for the purposes of the Prospectus Directive.

Authorisation

The issue of the Certificates has been duly authorised by a resolution of the Board of Directors of the Trustee dated 21 February 2018. Zahidi Limited, in its capacity as issuer and 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.

Emirates has obtained all necessary consents, approvals and authorisations in connection with the Transaction Documents; the entry into and performance of the Transaction Documents to which Emirates is a party was authorised by a written decision of the Chairman of Emirates on 7 March 2018.

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 177621498 and ISIN XS1776214980.

The address of Euroclear is Euroclear Bank SA/NV, 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 the Trustee and no material adverse change in the prospects of the Trustee, in each case, since the date of its incorporation.

There has been no significant change in the financial or trading position of Emirates or of the Group since 30 September 2017, and no material adverse change in the financial position or prospects of Emirates or of the Group since 31 March 2017.

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) in 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 the Trustee.

Neither Emirates nor any member of the Group is nor has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Emirates 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 Emirates or the Group.

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, and rendered unqualified audit reports on, the consolidated financial statements of the Group for the years ended 31 March 2017 and 31 March 2016. PricewaterhouseCoopers, Dubai Branch, has no material interest in the Trustee, Emirates or the Group. 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 the period of 12 months starting on the date on which this Prospectus is made available to the public, 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 and/or collection at the principal office of the Principal Paying Agent:

(a) the Transaction Documents;

(b) the memorandum and articles of association of the Trustee;

(c) Decree Number (2) of 1985 concerning the establishment of Emirates;

(d) Decree Number (7) of 1991 amending Decree Number (2) of 1985;

(e) the Interim Financial Statements;

(f) the 2016 Financial Statements and the 2017 Financial Statements; and

(g) a copy of this Prospectus together with any supplement to this Prospectus.

This Prospectus will be available for viewing on (i) the website of the Central Bank (http://www.centralbank.ie) and (ii) the website of the DFSA (https://www.dfsa.ae).

Shari'a Approvals

The transaction structure relating to the Certificates (as described in this Prospectus) has been approved by the Executive Committee of the Fatwa & *Shari'a* Supervisory Board of Abu Dhabi Islamic Bank PJSC, the Shari'a Supervisory Committee of BNP Paribas, the *Shari'a* Supervisory Board of Citi Islamic Investment Bank E.C., the Executive Committee of the Fatwa and Sharia Supervision Board of Dubai Islamic Bank PJSC and Dar Al Sharia Legal & Financial Consultancy LLC, the Shariah Board of First

Abu Dhabi Bank P.J.S.C., the Central Shariah Committee of HSBC Bank Middle East Limited, the J.P. Morgan Shariah Supervisory Committee, the Shari'a Supervisory Committee of Noor Bank PJSC 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.

A description of the members of the Executive Committee of the Fatwa & *Shari'a* Supervisory Board of Abu Dhabi Islamic Bank PJSC, the Shari'a Supervisory Committee of BNP Paribas, the *Shari'a* Supervisory Board of Citi Islamic Investment Bank E.C., the Executive Committee of the Fatwa and *Shari'a* Supervision Board of Dubai Islamic Bank PJSC, the Shariah Board of First Abu Dhabi Bank P.J.S.C., the Central Shariah Committee of HSBC Bank Middle East Limited, the J.P. Morgan Shariah Supervisory Committee, the Shari'a Supervisory Committee of Noor Bank PJSC and the *Shari'a* Supervisory Committee of Standard Chartered Bank is set out below:

The Executive Committee of the Fatwa & Shari'a Supervisory Board of Abu Dhabi Islamic Bank PJSC

Dr. Jassim Ali Al Shamsi (Board and Executive Committee Member)

Dr. Jassim holds a PhD in Civil Law as well as a Sharia diploma from the College of Law, Ain Shams University. He also holds a Licentiate in Sharia & Law from the UAE University. He is currently the Dean of Faculty of Sharia & Law in the UAE University. In addition to his extensive knowledge of Sharia law, he is a member of the board of the Accounting and Auditing Organization for Islamic Financial Institutions ("**AAOIFI**"), and Ajman Islamic bank and other regional Islamic Banks. He has been instructing in UAE University for more than 20 years and has extensive knowledge of structuring Islamic finance transactions and development of products that adhere to Sharia.

Sheikh Nizam Yaquby (Board and Executive Committee Member)

Sheikh Nizam Yaquby studied traditional Islamic studies under the guidance of eminent Islamic scholars from different parts of the world. He has a BA in economics and comparative religions from McGill University, Canada. He has served in Bahrain Mosques from 1981 to 1990 where he taught Tafsir, Hadith and Fiqh in Bahrain since 1976. In addition to advising Citi Islamic Investment Bank E.C. and other Islamic finance institutions and funds, Sheikh Nizam Yaquby is a member of the Islamic Fiqh Academy and Auditing and Accounting Organisation for Islamic Financial Institutions. He has published several articles and books on various Islamic subjects including banking and finance.

Sheikh Esam Mohamed Ishaq

Sheikh Ishaq is currently a member of the Shari'ah Supervisory Boards at Arcapita and Al Baraka Islamic Bank in Bahrain, and Meezan Islamic Bank in Pakistan. He is also a member of the Shari'a Supervisory Board of the International Islamic Financial Market (IIFM) and vice-chairman of the governance and ethics board in AAOIFI. He has also served as Shari'ah Advisor to Bahrain Development Bank. Sheikh Ishaq provides instruction in Fiqh, Aqeeda and Tafseer courses in both English and Arabic at centres across Bahrain, including Al Fateh Mosque. He is Chairman of the Muslim Educational Committee of Bahrain, and a member of the Board of Trustees at Al Imam Islamic School in Manama. He holds a Bachelor's degree in Political Science from McGill University, Montreal, Canada.

The Shari'a Supervisory Committee of BNP Paribas

Sheikh Nizam Yaquby

Please see the description of Sheikh Nizam Yaquby set out above.

Sheikh Dr. Abdulsattar Abu Ghuddah (Vice Chairman, Chairman of Executive Committee)

Sheikh Dr. Abu Ghuddah holds a PhD in Comparative Jurisprudence from Al-Azhar University, a Bachelors in Sharia from Damascus University, a Bachelors of Law from Damascus University, a Masters in Sharia from Al-Azhar University and a Masters in Al-Hadith Sciences from Al-Azhar University. Sheikh Dr. Abu Ghuddah is Chairman and General Secretary of the Unified Sharia Board of Al-Baraka Banking Group, an expert and a former reporter of the Jurisprudence Encyclopaedia at the Kuwaiti Ministry of Awqaf & Islamic affairs, and a visiting professor at Saleh Kamel's Center for Islamic Economic Studies, Al-Azhar University.

He is also a member of the International Islamic Fiqh Academy in Jeddah, the Zakat International Sharia Board, the Accounting Standards Council and the Sharia Council of the AAOIFI. He also serves as vice chairman of the Sharia Board of Dubai Financial Market (DFM), an executive member of the Sharia Board of the Central Bank of Syria, a member of the Sharia Committee of the Central Bank of Bahrain, vice chairman of the Sharia Board of the Abu Dhabi Islamic Bank, a member of the Sharia Board of the Sharjah Islamic Bank, chairman of the Sharia Board of Abu Dhabi National Takaful Co., a member of the Sharia Board of Takaful Re Limited, chairman of the Al Hilal Bank Sharia Board, in addition to being the chairman or a member of many other Sharia boards, including those of Standard Chartered Bank, Dow Jones Islamic Market Indices, Credit Agricole CIB, SAMBA Financial Group, Qatar Islamic Bank and Jordan Islamic Bank.

Dr. Mohd Daud Bakar

Dr. Bakar was previously the deputy vice-chancellor at the International Islamic University Malaysia. He received his first degree in Shariah from University of Kuwait in 1988 and obtained his PhD from University of St. Andrews, United Kingdom in 1993. In 2002, he went on to complete his external Bachelor of Jurisprudence at University of Malaya. He has published a number of articles in various academic journals and has made numerous presentations at conferences both locally and overseas.

Dr. Bakar is currently the chairman of the Shariah Advisory Council of the Central Bank of Malaysia, the SACSC and the Shariah Supervisory Council of Labuan Financial Services Authority. He is also a member of the Sharia board of Dow Jones Islamic Market Index (New York), Oasis Asset Management (Cape Town, South Africa), The National Bank of Oman, Financial Guidance (USA), BNP Paribas (Bahrain), Morgan Stanley (Dubai), Jadwa-Russell Islamic Fund (Kingdom of Saudi Arabia), Bank of London and Middle East (London), Noor Bank (Dubai), Islamic Bank of Asia (Singapore), and in other financial institutions both locally and abroad. Dr. Bakar also actively advises on capital markets product structuring such as sukuk.

The Shari'a Supervisory Board of Citi Islamic Investment Bank E.C.

Dr. Nazih Hammad

Dr. Nazih Hammad is a graduate of Faculty of *Shari'a* at University of Damascus, Syria and holds a PhD in Islamic Jurisprudence from Cairo University, Egypt. He has taught in the Faculty of *Shari'a* at Um Alqura University, Makkah for 17 years. In addition to advising Citi Islamic Investment Bank E.C. and other Islamic finance institutions and funds, he is a member of the Islamic Fiqh Academy, Auditing and Accounting Organisation for Islamic Financial Institutions and Fiqh Islamic Council of North America. Dr. Nazih Hammad is the author of several research papers and books on Islamic jurisprudence and banking and finance.

Sheikh Nizam Yaquby

Please see the description of Sheikh Nizam Yaquby set out above.

Dr. Mohammed Ali Elgari

Dr. Elgari is a former Professor of Islamic Economics at King Abdulaziz University, Jeddah, Saudi Arabia and a former Director of the Center for Research in Islamic Economics, in the same university. He serves as an expert at the Islamic jurisprudence academy of the Organisation of Islamic Cooperation and the Islamic Jurisprudence Academy of the Islamic World League and a member of the Shariah Council of AAOIFI. He is a member of the editorial board of several academic publications in the field of Islamic finance and jurisprudence among them, the Journal of the Jurisprudence Academy (of the IWL), the Journal of Islamic Economic Studies (IDB), the Journal of Islamic Economic (IAIE, London), and the advisory board of Harvard Series in Islamic Law, Harvard Law School.

Dr. Elgari is a member of numerous Shariah boards of Islamic banks and takaful companies internationally. He authored several books in Islamic finance and published numerous articles on the subject both in Arabic and English. Dr. Elgari is also a frequent speaker at conferences worldwide. Dr. Elgari holds a PhD in Economics from the University of California.

The Executive Committee of the Fatwa and Shari'a Supervision Board of Dubai Islamic Bank PJSC

Professor Dr. Hussain Hamid Hassan

Dr. Hussain completed his PhD in the Faculty of Sharia from Al Azhar University, Egypt, Master's degree in Comparative Jurisprudence from the University of New York, USA and graduated in Law and Economics from the University of Cairo, Egypt.

Dr. Hussain is a prominent scholar and teacher, having established Islamic universities and Islamic faculties in various parts of the world including Makkah, Islamabad, Kazakhstan and Libya.

For over 50 years, he has been adviser to the Presidents and leaders of various Islamic Republics, including acting as an adviser to Presidents of the Islamic Republic of Pakistan and to the Prime Minister of the Republic of Kyrgyzstan. He is also the President of the United States Muslim Jurists Association.

Besides Dubai Islamic Bank PJSC, Dr. Hussain is the Chairman of the *Sharia* supervisory boards of several Islamic financial Institutions including Islamic Development Bank, Ajman Bank, Amlak Finance, Deutsche Bank, Liquidity Management Centre, Dubai Financial Markets, AMAN Takaful Company, Methaq Takaful Insurance Company-Abu Dhabi, Jordan Dubai Islamic Bank, Abu Dhabi Islamic Bank Egypt, Dubai Islamic Bank Pakistan, Bank Al Salam-Bahrain, Bank Sohar-Oman and various other financial institutions. He is also a member of the Sharia Board of AAOIFI, the Islamic Financial Services Board, the Fiqh Academy of Muslim World League and the International Fiqh Academy of the Organisation of Islamic Countries.

Dr. Hussain is the author of 21 books and over 400 articles on Islamic Fiqh, jurisprudence, Islamic banking and insurance, and frequently presides over Islamic academic and financial conferences, seminars and workshops in different parts of the world. He has supervised the translation of the Holy Quran into Russian and the translation of 200 Islamic books into various languages.

Dr. Mohamed Abdul Hakim Zoeir

Dr. Zoeir holds a PhD in Islamic Economics and is a member of the *Sharia* boards of many Islamic banks across the Middle East and Africa. He is the author of a number of research papers and studies in the field of Islamic finance and banking.

Dr. Zoeir is also Chief Editor of Islamic Economics magazine.

Dr. Muhammad Qaseem

Dr. Qaseem holds a PhD (Islamic Studies) from the Faculty of Usul ud Dinis, University of Karachi. He has been a member of the *Sharia* boards of many other institutions. Dr. Qaseem has taught various courses for a number of B.A. and M.A. programmes of the International Islamic University, Islamabad.

Dr. Muhammad Abdulrahim Sultan Al Olama

Dr. Al Olama holds a PhD in Islamic jurisprudence, is an assistant professor at various universities and is a member of numerous academic committees. He has published a number of articles and reports, in addition to his contributions to seminars and conferences in the Islamic finance arena held around the world.

Dr. Youssif Abdullah Saleh Al Shubaily

Dr. Al Shubaily holds a PhD in comparative Fiqh and is a professor in Saudi Arabia. He has contributed and presented numerous courses and training sessions to judges in Saudi Arabia. Dr. Al Shubaily has worked in the Islamic Institution in Washington, served as a member of the Sharia board of many other institutions and has more than 17 published reports and research papers.

The Shariah Board of First Abu Dhabi Bank P.J.S.C.

Dr. Mohd Daud Bakar

Please see the description of Dr. Mohd Daud Bakar set out above.

Dr. Mohamed Ali Elgari

Please see the description of Dr. Mohammed Ali Elgari set out above.

Professor Dr. Abdul Aziz Al Qassar

Professor Dr. Abdul Aziz Al Qassar is a Professor of Comparative Jurisprudence at the Faculty of Sharia and Islamic Studies at Kuwait University. He received a doctorate degree in Comparative Jurisprudence from the Faculty of Sharia and Law, Al-Azhar University, Cairo, Arab Republic of Egypt in 1997.

He has been a faculty member at the Faculty of Sharia and Islamic Studies at Kuwait University since 1997, and has served as Associate Dean for Academic Affairs and Graduate Studies and Research at the Faculty of Sharia and Islamic Studies at Kuwait University from 2001 to 2005. He has also served as a member of the Fatwa and Sharia boards in many institutions and Islamic banks in Kuwait and abroad, a lecturer in Islamic finance and has produced various research and religious studies regarding Islamic jurisprudence and contemporary financial transactions.

The Central Shariah Committee of HSBC Bank Middle East Limited

Dr. Mohamed Ali Elgari

See the description of Dr. Mohamed Ali Elgari set out above.

Sheikh Nizam Yaquby

Please see the description of Sheikh Nizam Yaquby set out above.

Dr. Aznan Hasan

Dr. Aznan Hasan is an Associate Professor in Islamic Law at Ahmad Ibrahim Kulliyyah of Laws, International Islamic University Malaysia and has taught Islamic law there since 2003. He is also President of the Association of Shariah Advisors in Islamic Finance and has been Deputy Chairman of the Shariah Advisory Council, Securities Commission of Malaysia since July 2010. He was a member of the Shariah Advisory Council, Bank Negara Malaysia (from November 2006 to August 2008 and from November 2010 to October 2013). He is also the Chairman of the Shariah Supervisory Board, Shariah Advisory Committee, Barclays DIFC (April 2011 to present). He is Shariah adviser to Maybank Islamic in Malaysia and has been advising ABSA Islamic Banking, South Africa since July 2010.

The J.P. Morgan Shariah Supervisory Committee

Sheikh Dr. Abdulsattar Abu Ghuddah (Vice Chairman, Chairman of Executive Committee)

Please see the description of Sheikh Dr. Abdulsattar Abu Ghuddah set out above.

Dr. Mohamed Ali Elgari

Please see the description of Dr. Mohammed Ali Elgari set out above.

Sheikh Dr.Waleed Bin Hadi

Sheikh Waleed bin Hadi holds a Masters in Shariah and Law from Omdurman Islamic University (Sudan), and a PhD in Shariah from Imam Muhammad Bin Saud al-Islamiyyah University- Riyadh. He started his career as a Judge at the Shariah Court, Qatar. He has written various books and articles on Islamic Faith, Hadith, Usul al-Fiqh, Islamic Economy, Islamic Finance and Shariah Audit.

The Shari'a Supervisory Committee of Noor Bank PJSC

Dr. Mohamed Ali Elgari

Please see the description of Dr. Mohammed Ali Elgari set out above.

Dr. Mohd Daud Bakar

Please see the description of Dr. Mohd Daud Bakar set out above.

Amjad Naser

Amjad Naser is currently the Head of Shari'a at Noor Bank as well as a member of the Shari'a Supervisory Committee of Noor Bank. Amjad represents Noor Bank in several Islamic regulatory bodies like the Islamic Banking Committee of UAE Banking Federation, the AAOIFI and the Islamic Centre for Reconciliation and Arbitration (ICRA). Amjad graduated from Yarmouk University, Jordan and is a certified Shari'a Advisor & Auditor, and also a certified Islamic Professional Accountant from AAOIFI. Amjad has worked with some of the prominent Shari'a scholars in Islamic finance for a number of years and has gained significant knowledge and experience in Shari'a practices. As a founder member of Noor Investment Group, Amjad played a vital role in the setting up of Noor Bank, Noor Takaful, Noor Awqaf and Noor Trade. Amjad plays a significant role in designing products and structuring deals and providing sharia consultations, drawing from his more than 23 years of experience both in sharia and banking sciences.

Shari'a Supervisory Committee of Standard Chartered Bank

Sheikh Dr. Abdulsattar Abu Ghuddah

Please see the description of Sheikh Dr. Abdulsattar Abu Ghuddah set out above.

Dr. Mohammed Ali Elgari

Please see the description of Dr. Mohammed Ali Elgari set out above.

Sheikh Nizam Yaqguby

Please see the description of Sheikh Nizam Yaqguby set out above.

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Emirates

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017 (UNAUDITED)

Emirates

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017 (UNAUDITED)

Report on review of interim condensed consolidated financial statements to the Owner of Emirates

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Emirates and its subsidiaries (together referred to as "Emirates"), which comprise the interim consolidated statement of financial position as of 30 September 2017 and the interim consolidated income statement, interim consolidated statements of comprehensive income, changes in equity and cash flows for the six month period then ended and the notes to the interim condensed consolidated financial statements. Management is responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with International Accounting Standard 34, 'Interim Financial Reporting' ('IAS 34') as issued by the International Accounting Standards Board ('IASB'). Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

PricewaterhouseCoopers
5 November 2017

Douglas O'Mahony

Registered Auditor Number 834
Dubai, United Arab Emirates

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Emirates

INTERIM CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Note	Unaudited Sep 2017 AED m	Unaudited Sep 2016 AED m
Revenue	7	43,896	41,253
Other operating income	8	652	645
Operating costs	9	(42,225)	(40,536)
Operating profit		**2,323**	**1,362**
Finance income	10	134	145
Finance costs	10	(768)	(674)
Share of results of investments accounted for using the equity method		62	61
Profit before income tax		**1,751**	**894**
Income tax expense		(14)	(21)
Profit for the period		**1,737**	**873**
Profit attributable to non-controlling interests		80	87
Profit attributable to Emirates' Owner		**1,657**	**786**

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

Profit for the period		**1,737**	**873**
Items that are or may be reclassified subsequently to the interim consolidated income statement			`
Currency translation differences	14	4	3
Cash flow hedges	14	24	677
Other comprehensive income for the period		**28**	**680**
Total comprehensive income for the period		**1,765**	**1,553**
Total comprehensive income attributable to non-controlling interests		80	87
Total comprehensive income attributable to Emirates' Owner		**1,685**	**1,466**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Emirates
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017

	Note	Unaudited Sep 2017 AED m	Audited Mar 2017 AED m
ASSETS			
Non-current assets			
Property, plant and equipment	12	86,257	86,898
Intangible assets		1,442	1,441
Investments accounted for using the equity method		634	676
Advance lease rentals		4,841	4,421
Loans and other receivables		196	238
Derivative financial instruments		28	38
Deferred income tax asset		12	10
		93,410	**93,722**
Current assets			
Inventories		2,258	2,238
Trade and other receivables		10,722	9,922
Derivative financial instruments		7	8
Short term bank deposits		9,027	6,706
Cash and cash equivalents		5,708	8,962
		27,722	**27,836**
Total assets		**121,132**	**121,558**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

	Note	Unaudited Sep 2017 AED m	Audited Mar 2017 AED m
EQUITY AND LIABILITIES			
Capital and reserves			
Capital	13	801	801
Other reserves	14	(113)	(141)
Retained earnings		35,505	33,848
Attributable to Emirates' Owner		**36,193**	**34,508**
Non-controlling interests		584	586
Total equity		**36,777**	**35,094**
Non-current liabilities			
Trade and other payables		405	683
Borrowings and lease liabilities	15	39,822	40,171
Deferred revenue		916	979
Deferred credits		2,657	2,227
Derivative financial instruments		156	192
Provisions	19	3,907	3,825
Deferred income tax liability		4	5
		47,867	**48,082**
Current liabilities			
Trade and other payables		23,495	25,193
Income tax liabilities		28	19
Borrowings and lease liabilities	15	10,614	10,831
Deferred revenue		1,390	1,486
Deferred credits		303	253
Derivative financial instruments		2	3
Provisions	19	656	597
		36,488	**38,382**
Total liabilities		**84,355**	**86,464**
Total equity and liabilities		**121,132**	**121,558**

The interim condensed consolidated financial statements were approved and signed by:

Timothy Clark

Timothy Clark
President

Nigel Hopkins
Executive Vice President - Service Departments

Emirates

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017 (UNAUDITED)

	Attributable to Emirates' Owner					
	Capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	AED m	AED m	AED m	AED m	AED m	AED m
1 April 2016	801	(1,179)	32,287	31,909	496	32,405
Profit for the period	-	-	786	786	87	873
Other comprehensive income	-	680	-	680	-	680
Total comprehensive income for the period	**-**	**680**	**786**	**1,466**	**87**	**1,553**
Dividends	-	-	-	-	(65)	(65)
Transactions with Owners	**-**	**-**	**-**	**-**	**(65)**	**(65)**
30 September 2016	**801**	**(499)**	**33,073**	**33,375**	**518**	**33,893**
1 April 2017	801	(141)	33,848	34,508	586	35,094
Profit for the period	-	-	1,657	1,657	80	1,737
Other comprehensive income	-	28	-	28	-	28
Total comprehensive income for the period	**-**	**28**	**1,657**	**1,685**	**80**	**1,765**
Dividends	-	-	-	-	(82)	(82)
Transactions with Owners	**-**	**-**	**-**	**-**	**(82)**	**(82)**
30 September 2017	**801**	**(113)**	**35,505**	**36,193**	**584**	**36,777**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Emirates

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017 (UNAUDITED)

	Note	Unaudited Sep 2017	Unaudited Sep 2016
		AED m	AED m
Operating activities			
Profit before income tax		1,751	894
Adjustments for:			
Depreciation and amortisation	9	4,537	4,064
Finance costs - net	10	634	529
Loss on disposal / write-off of property, plant and equipment		71	29
Share of results of investments accounted for using the equity method		(62)	(61)
Net provision for impairment of trade and other receivables		10	(1)
Provision for post-employment benefits		369	370
Net movement on derivative financial instruments		(2)	24
Employee benefit payments		(308)	(295)
Income tax paid		(37)	(36)
Change in inventories		(20)	(96)
Change in receivables and advance lease rentals		(1,124)	(1,279)
Change in provisions, payables, deferred credits and deferred revenue		(1,673)	(392)
Net cash generated from operating activities		**4,146**	**3,750**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

	Note	Unaudited Sep 2017	Unaudited Sep 2016
		AED m	AED m
Investing activities			
Additions to property, plant and equipment	21	(1,185)	(3,604)
Additions to intangible assets		(82)	(176)
Proceeds from sale of property, plant and equipment		41	24
Investments in associates and joint ventures		-	(129)
Movement in short term bank deposits		(2,321)	1,542
Finance income		105	141
Dividends from investments accounted for using the equity method		104	47
Net cash used in investing activities		**(3,338)**	**(2,155)**
Financing activities			
Proceeds from loans	17	735	1,908
Repayment of bonds and loans		(1,614)	(5,116)
Aircraft finance lease costs		(569)	(481)
Other finance costs		(103)	(163)
Repayment of lease liabilities		(2,434)	(2,127)
Dividend paid to Emirates' Owner		-	(2,100)
Dividend paid to non-controlling interests		(82)	(65)
Net cash used in financing activities		**(4,067)**	**(8,144)**
Net change in cash and cash equivalents		**(3,259)**	**(6,549)**
Cash and cash equivalents at beginning of the period		8,958	12,165
Effect of exchange rate changes		3	-
Cash and cash equivalents at end of the period		**5,702**	**5,616**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

1. General information

Emirates comprises Emirates and its subsidiaries. Emirates was incorporated, with limited liability, by an Emiri Decree issued by H. H. Sheikh Maktoum bin Rashid Al-Maktoum on 26 June 1985 and is wholly owned by the Investment Corporation of Dubai ("the parent company"), a Government of Dubai entity. Emirates commenced commercial operations on 25 October 1985 and is designated as the International Airline of the UAE.

Emirates is incorporated and domiciled in Dubai, UAE. The address of its registered office is Emirates Group Headquarters, PO Box 686, Dubai, UAE.

The main activities of Emirates comprise:

- commercial air transportation which includes passenger and cargo services
- wholesale and retail of consumer goods
- catering operations
- hotel operations
- food and beverages sales

The interim condensed consolidated financial statements were approved by management on 5 November 2017.

The interim condensed consolidated financial statements have been reviewed, not audited.

2. Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 September 2017 have been prepared in accordance with IAS 34, Interim Financial Reporting. The interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 March 2017, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

All amounts are presented in millions of UAE Dirhams (AED).

3. Accounting policies

The accounting policies and significant judgements made are consistent with those of the consolidated financial statements for the year ended 31 March 2017, except as stated below.

At the date of authorisation of these interim condensed consolidated financial statements, certain amendments to the existing standards have been published and are mandatory for the current accounting period. These amendments did not have a material impact on the interim condensed consolidated financial statements and are set out below:

- Amendment to IAS 7, Statement of Cash Flows (effective from 1 January 2017)
- Annual improvements 2014-2016 cycle (effective from 1 January 2017)

At the date of authorisation of these interim condensed consolidated financial statements, certain new accounting standards have been published that are mandatory for accounting periods commencing after 1 April 2018 or later periods, but have not been early adopted. Management is currently assessing the following standards which are likely to have an impact on Emirates.

- IFRS 9, Financial Instruments (effective from 1 January 2018)
- IFRS 15, Revenue from Contracts with Customers (effective from 1 January 2018)
- IFRS 16, Leases (effective from 1 January 2019)

There are no other IFRSs or IFRIC interpretations, that are either effective or not yet effective, that would be expected to have a material impact on Emirates.

4. Critical accounting estimates and judgements

In the preparation of the interim condensed consolidated financial statements, a number of estimates and associated assumptions have been made relating to the application of accounting policies and reported amounts of assets, liabilities, income and expenses.

The key sources of estimates and associated assumptions are the same as those applied to the consolidated financial statements for the year ended 31 March 2017.

5. Seasonality

Whilst the airline industry is subject to seasonal demand patterns, the seasonal impact on Emirates' business between six month interim periods is not considered significant. However, due to the volatility in jet fuel prices, currencies and changing global economic conditions, the interim results for the six months ended 30 September 2017 may not necessarily be indicative of the annual results for the year ending 31 March 2018.

6. Financial risk management and fair value estimation

Financial risk factors

Emirates is exposed to a variety of financial risks which involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Emirates' aim is, therefore, to achieve an appropriate balance between risk and return and minimise potential adverse effects on Emirates' financial performance.

As there has been no change in the risk management policies, the interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 March 2017.

Fair value estimation

The levels of fair value hierarchy are defined as follows:

Level 1: Measurement is made by using quoted prices (unadjusted) from an active market.
Level 2: Measurement is made by means of valuation methods 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 into Level 2 of the fair value hierarchy.

Derivatives comprise forward exchange contracts, interest rate swaps and commodity swaps. The forward exchange contracts have been fair valued using forward exchange rates that are quoted in an active market. Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves. Commodity swaps are fair valued using a futures contract price quoted in an active market.

7. Revenue

	Unaudited Sep 2017	Unaudited Sep 2016
	AED m	AED m
Passenger	35,901	33,994
Cargo	5,796	5,087
Consumer goods	695	736
Catering operations	329	327
Food and beverage	316	275
Hotel operations	312	306
Excess baggage	218	192
Others	329	336
	43,896	**41,253**

8. Other operating income

Other operating income comprises AED 41 m (Sep 2016: AED 148 m) from liquidated damages and other compensation received in connection with aircraft, AED 136 m (Sep 2016: AED 92 m) being the amortisation of gain on sale and leaseback of aircraft, aircraft engines and parts, AED 125 m (Sep 2016: Nil) being net foreign exchange gain and income of AED 350 m (Sep 2016: AED 405 m) from ancilliary services and activities incidental to Emirates' operations.

9. Operating costs

	Unaudited Sep 2017	Unaudited Sep 2016
	AED m	AED m
Jet fuel	11,185	9,838
Employee	6,322	6,448
Aircraft operating leases	5,672	5,052
Depreciation and amortisation	4,537	4,064
Sales and marketing	3,072	2,744
Handling	2,739	3,045
In-flight catering and other operating costs	1,650	1,681
Overflying	1,448	1,462
Facilities and IT related costs	1,238	1,222
Aircraft maintenance	1,106	1,445
Landing and parking	1,105	1,073
Cost of goods sold	683	693
Crew layover	560	539
Foreign exchange loss - net	-	214
Corporate overheads	908	1,016
	42,225	**40,536**

10. Finance income and costs

	Unaudited Sep 2017	Unaudited Sep 2016
	AED m	AED m
Finance income		
Finance income from related parties	89	79
Interest income on short term bank deposits	45	66
	134	**145**
Finance costs		
Aircraft finance lease costs	(590)	(488)
Interest expense on bonds and term loans	(73)	(80)
Other finance costs - net	(105)	(106)
	(768)	**(674)**

11. Segment information (unaudited)

Emirates' leadership team monitors the operating results of its business units for the purpose of making decisions about resource allocation and performance assessment. The airline business unit, which provides commercial air transportation including passenger, cargo services and excess baggage, is the main reportable segment. Catering operations is another reportable segment which provides in-flight and institutional catering services. 'Other' represents entities not allocated to a reportable segment and comprises of various businesses.

The performance of the airline and catering operations is evaluated based on segment profit or loss and is measured consistently with profit for the year in the interim condensed consolidated financial statements.

Segment revenue is measured in a manner consistent with that in the interim consolidated income statement, with the exception of notional revenues and costs in the airline segment arising from the usage of transportation services e.g. leave passage of staff and duty travel of staff and consultants that are eliminated when preparing the interim condensed consolidated financial statements. This adjustment is presented as a reconciling item. The breakdown of revenue from external customers by nature of business activity is provided in Note 7.

Segment assets include inter-segment loans and receivables, which are eliminated on consolidation. This consolidation adjustment is presented as a reconciling item.

The segment information for the period ended 30 September 2017 is as follows:

	Airline AED m	Catering operations AED m	Other AED m	Recon-ciliation AED m	Total AED m
Sep 2017					
Total segment revenue	42,501	1,324	1,340	(167)	44,998
Inter-segment revenue	-	(995)	(107)	-	(1,102)
Revenue from external customers	42,501	329	1,233	(167)	43,896
Segment profit for the period	1,483	115	139	-	1,737
Sep 2017					
Segment assets	113,057	3,352	5,416	(693)	121,132

The segment information for the period ended 30 September 2016 is as follows:

	Airline AED m	Catering operations AED m	Other AED m	Recon-ciliation AED m	Total AED m
Sep 2016					
Total segment revenue	39,906	1,402	1,305	(177)	42,436
Inter-segment revenue	-	(1,075)	(108)	-	(1,183)
Revenue from external customers	39,906	327	1,197	(177)	41,253
Segment profit for the period	561	163	149	-	873
Sep 2016					
Segment assets	105,100	3,299	5,401	(537)	113,263

12. Property, plant and equipment (unaudited)

	Aircraft	Aircraft engines and parts	Land and buildings	Other property, plant and equipment	Capital projects	Total
	AED m	AED m	AED m	AED m	AED m	AED m
Cost						
1 April 2017	76,175	6,899	14,033	15,154	9,017	121,278
Additions	1	69	3	1,700	2,151	3,924
Transfer from capital projects	2,670	-	896	219	(3,785)	-
Disposals / write offs	(248)	(101)	(7)	(913)	-	(1,269)
Currency translation differences	-	-	7	5	-	12
30 September 2017	**78,598**	**6,867**	**14,932**	**16,165**	**7,383**	**123,945**
Accumulated depreciation						
1 April 2017	19,569	1,844	3,937	9,030	-	34,380
Charge for the period	2,409	203	295	1,549	-	4,456
Disposals / write offs	(218)	(26)	-	(907)	-	(1,151)
Currency translation differences	-	-	2	1	-	3
30 September 2017	**21,760**	**2,021**	**4,234**	**9,673**	**-**	**37,688**
Net book amount						
30 September 2017	**56,838**	**4,846**	**10,698**	**6,492**	**7,383**	**86,257**

13. Capital (unaudited)

Capital represents the permanent capital of Emirates.

14. Other reserves (unaudited)

	Cash flow hedge reserve	Translation reserve	Total
	AED m	AED m	AED m
1 April 2016	**(1,181)**	**2**	**(1,179)**
Currency translation differences	-	3	3
Net gain on fair value of cash flow hedges	272	-	272
Transferred to the consolidated income statement	405	-	405
30 September 2016	**(504)**	**5**	**(499)**
1 April 2017	**(143)**	**2**	**(141)**
Currency translation differences	-	4	4
Net loss on fair value of cash flow hedges	(32)	-	(32)
Transferred to the consolidated income statement	56	-	56
30 September 2017	**(119)**	**6**	**(113)**

15. Borrowings and lease liabilities

	Unaudited Sep 2017 AED m	Audited Mar 2017 AED m
Non-current		
Bonds (Note 16)	3,258	3,561
Term loans (Note 17)	3,235	3,443
Lease liabilities (Note 18)	33,329	33,167
	39,822	**40,171**
Current		
Bonds (Note 16)	606	606
Term loans (Note 17)	1,152	1,514
Lease liabilities (Note 18)	8,850	8,707
Bank overdrafts	6	4
	10,614	**10,831**
	50,436	**51,002**

16. Bonds

	Unaudited Sep 2017 AED m	Audited Mar 2017 AED m
Balance brought forward	**4,187**	**8,878**
Repayments during the period	(305)	(4,682)
Currency translation differences	-	(9)
Balance carried forward	**3,882**	**4,187**
Less: Transaction costs	(18)	(20)
	3,864	**4,167**
Bonds are repayable as follows:		
Within one year (Note 15)	**606**	**606**
Between 2 and 5 years	2,431	2,429
After 5 years	827	1,132
Total over one year (Note 15)	**3,258**	**3,561**
Bonds are denominated in the following currencies:		
Fixed interest rate bonds		
US Dollars	3,882	4,187
	3,882	**4,187**
Less: Transaction costs	(18)	(20)
	3,864	**4,167**
The fair values of the bonds are as follows:		
US Dollars	3,932	4,244
	3,932	**4,244**

The fair value of the bonds is based on listed prices and falls into level 1 of the fair value hierarchy.

17. Term loans

	Unaudited Sep 2017 AED m	Audited Mar 2017 AED m
Balance brought forward	**5,031**	**2,965**
Additions during the period	735	3,010
Repayments during the period	(1,309)	(944)
Balance carried forward	**4,457**	**5,031**
Less: Transaction costs	(70)	(74)
	4,387	**4,957**
Loans are repayable as follows:		
Within one year (Note 15)	**1,152**	**1,514**
Between 2 and 5 years	1,438	1,528
After 5 years	1,797	1,915
Total over one year (Note 15)	**3,235**	**3,443**

The fair value of the term loans amounts to AED 4,396 m (Mar 2017: AED 4,947 m). The fair value is determined by discounting projected cash flows using the interest rate yield curve for the remaining term to maturities and currencies adjusted for credit spread. The fair value of the term loans falls into level 2 of the fair value hierarchy.

18. Lease liabilities

Finance leases

	Unaudited Sep 2017 AED m	Audited Mar 2017 AED m
Gross lease liabilities:		
Within one year	9,997	9,906
Between 2 and 5 years	22,725	22,503
After 5 years	15,687	15,642
	48,409	**48,051**
Future interest	(6,230)	(6,177)
Present value of finance lease liabilities	**42,179**	**41,874**
The present value of finance lease liabilities is repayable as follows:		
Within one year (Note 15)	**8,850**	**8,707**
Between 2 and 5 years	19,348	19,122
After 5 years	13,981	14,045
Total over one year (Note 15)	**33,329**	**33,167**

The fair value of lease liabilities amounts to AED 41,647 m (Mar 2017: AED 41,302 m). The fair value is determined by discounting projected cash flows using the interest rate yield curve for the remaining term to maturities and currencies adjusted for credit spread. The fair value of lease liabilities falls into level 2 of the fair value hierarchy.

18. Lease liabilities (continued)

Operating leases

	Unaudited Sep 2017 AED m	Audited Mar 2017 AED m
Future minimum lease payments are as follows:		
Aircraft fleet	81,804	80,266
Others	2,546	2,504
	84,350	**82,770**
Within one year	11,231	10,913
Between 2 and 5 years	38,696	37,508
After 5 years	34,423	34,349
	84,350	**82,770**

19. Provisions

	Unaudited Sep 2017 AED m	Audited Mar 2017 AED m
Non-current		
Retirement benefit obligations	1,358	1,297
Provision for aircraft return conditions	2,549	2,528
	3,907	**3,825**
Current		
Provision for aircraft return conditions	656	597
	656	**597**
	4,563	**4,422**

20. Commitments

Capital commitments

	Unaudited Sep 2017 AED m	Audited Mar 2017 AED m
Authorised and contracted:		
Aircraft	203,446	210,064
Non-aircraft	1,098	1,663
Joint ventures	24	38
	204,568	**211,765**
Authorised but not contracted:		
Non-aircraft	1,430	2,827
Joint ventures	13	17
	1,443	**2,844**
	206,011	**214,609**

21. Cash outflow on property, plant and equipment

For the purposes of the interim consolidated statement of cash flows, cash outflow on property, plant and equipment is analysed as follows:

	Unaudited Sep 2017 AED m	Unaudited Sep 2016 AED m
Additions to property, plant and equipment	3,924	4,575
Less: Assets acquired under finance leases	(2,739)	(971)
	1,185	**3,604**

22. Related party transactions

Emirates transacts with associates, joint ventures and companies controlled by Emirates and its parent within the scope of its ordinary business activities.

Emirates and dnata share central corporate functions such as information technology, facilities, human resources, finance, treasury, cash management, legal and other functions. Where such functions are shared, the costs are allocated between Emirates and dnata based on activity levels.

Other than these shared service arrangements, the following transactions have taken place on an arm's length basis.

	Unaudited Sep 2017 AED m	Unaudited Sep 2016 AED m
Trading transactions:		
(i) Sale of goods and services		
Sale of goods - Companies under common control	136	138
Sale of goods - Associates	17	18
Sale of goods - Joint ventures	16	12
Services rendered - Companies under common control	198	201
Services rendered - Joint ventures	7	15
Frequent flyer miles sales - Companies under common control	152	155
	526	**539**
(ii) Purchase of goods and services		
Purchase of goods - Companies under common control	2,554	2,303
Purchase of goods - Associates	111	108
Purchase of goods - Joint ventures	2	-
Services received - Companies under common control	1,681	1,506
Services received - Joint ventures	-	7
	4,348	**3,924**

INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF EMIRATES

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Emirates and its subsidiaries (together referred to as "Emirates") as at 31 March 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

What we have audited

Emirates' consolidated financial statements comprise:

- the consolidated income statement for the year ended 31 March 2017;
- the consolidated statement of comprehensive income for the year ended 31 March 2017;
- the consolidated statement of financial position as at 31 March 2017;
- the consolidated statement of changes in equity for the year ended 31 March 2017;
- the consolidated statement of cash flows for the year ended 31 March 2017; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of Emirates in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including amongst other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

The areas, in our professional judgement, that are of most significance to the audit ('Key audit matters') and where we focused most audit effort during the year were:

Key Audit Matters	• Timing of recognition and accuracy of passenger and cargo revenue • Accounting for the 'Skywards' frequent flyer programme • Lease classification and the related lease accounting • Accounting for aircraft return conditions

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of Emirates, the accounting processes and controls, and the industry in which Emirates operates.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Timing of recognition and accuracy of passenger and cargo revenue When a flight booking is made, passenger and cargo revenue is initially deferred on the statement of financial position and is measured based on the sales price to the customer, net of commissions and discounts. Revenue is recognised in the income statement when a passenger or the cargo has flown (refer to notes 2, 3 and 5 to the consolidated financial statements). The determination of the amount of revenue to be recognised for each flight requires complex IT systems and involves the exchange of information with industry systems and other airlines for a high volume of transactions. The timing of revenue recognition for unused tickets requires judgement due to the timeframe over which tickets can be utilised varying due to the large number of fare types sold by Emirates. Management has determined the value of unused revenue documents that will not be utilised based on ticket validity and historical expiry trends. We focused on this area as a result of the complexity of the internal IT systems and the significant level of judgement required by management in determining the timing of recognition of unused revenue documents.	We reviewed a sample of the terms and conditions attached to revenue documents by fare class and applied our understanding of those terms and conditions in evaluating management's judgements used to determine the timing of recognition of unused revenue documents. We performed detailed end-to-end walkthroughs of the finance and operational processes surrounding the revenue system, utilising our understanding from the prior years to reassess the design effectiveness of the key internal controls and identify changes, if any. We then conducted testing of the operating effectiveness of these controls to obtain sufficient, appropriate evidence that they operated throughout the year as intended. We tested the key IT systems that impact the recognition of revenue from passenger and cargo sales including the change control procedures and related application controls. We performed computer assisted audit techniques over the passenger and cargo revenue and appropriate substantive tests of manual journal entries posted into relevant revenue accounts in the sub-ledger and general ledger. We obtained data supporting Emirates' historical expiry trend in respect of unused revenue documents. In addition to performing controls based testing as described above, we tested a sample of revenue documents from the source data to ascertain whether they were accurately recorded. We then compared the historical expiry data to that used by Emirates in their calculation of the amount of revenue to recognise from unused revenue documents.

Key audit matter	How our audit addressed the Key audit matter
Accounting for the 'Skywards' frequent flyer programme Emirates operates a frequent flyer programme ('Skywards') in order to encourage and incentivise loyalty from its customers. Skywards members either earn Skywards miles after a flight has been paid for and flown, or from Skywards partners that purchase miles from Emirates to issue to their customers. Skywards miles can be redeemed for reductions in airfares as well as being used towards free flights, cabin class upgrades and other non-airline rewards. The fair value of unused miles issued to Skywards members when flights are flown, and consideration received for miles issued to Skywards members from sales to partners with a total value of AED 2,465 million, is recognised in the statement of financial position as deferred revenue (refer to notes 2,3 and 27 to the consolidated financial statements). The fair value per mile is calculated using a model incorporating a number of factors including historical sector average fares, fares for upgrades, ticket and upgrade availability and redemption patterns. An estimate is also made of the number of miles that will expire based on historical expiry patterns and anticipated future changes to the programme. We focused on this area because of the significant level of judgement exercised by management in determining the underlying assumptions within the model.	We tested management's model supporting the calculation of Skywards deferred revenue as follows: • we assessed the process and related controls by which deferred revenue is calculated; • we tested automated controls and key interfaces around the systems used to initially record the Skywards miles for each member and ensured that data from the systems is accurately recorded in the model; • we re-performed calculations within the model; • we tested the key assumptions within the model including agreeing historical expiry trends supporting the expiry percentage to underlying reports, discussing anticipated future changes to the Skywards programme that may impact expiry trends with appropriate senior management, testing ticket and upgrade availability to internal supporting evidence and agreeing a sample of fares to published market fares; and • we performed sensitivity analysis on the key assumptions and variables used in the model.
Lease classification and the related lease accounting Emirates operates aircraft under both finance and operating lease arrangements and during the year entered into sale and leaseback transactions on new aircraft deliveries (refer to notes 2, 3, 20 and 23 to the consolidated financial statements). In determining the appropriate lease classification, IAS 17 - "Leases" is applied by Emirates and the substance of the transaction rather than just the legal form is considered. Factors considered include but are not limited to the following: • whether the lease transfers ownership of the asset to Emirates by the end of the lease term; • whether Emirates has the option to purchase the asset at the price that is sufficiently lower than the fair value on exercise date; • whether the lease term is for the major part of the economic life of the aircraft; and • whether the present value of the minimum lease payments amounts to substantially all of the fair value of the leased aircraft. Profits or losses on sale and leaseback transactions are either recognised immediately or deferred in accordance with the finance and operating leases accounting policy set out in note 2 to the consolidated financial statements. We focused on this area because the accounting implications for leases including the presentation within the consolidated financial statements are substantially different depending on the classification determined, and because of the inherent level of management judgement within the assessment together with the materiality of the related balances.	We evaluated management's assessment of lease classification under IFRS to determine whether a lease is considered to be finance or operating in nature. We examined the lease agreements for aircraft deliveries during the year to identify: • whether the lease transfers ownership of the aircraft to Emirates by the end of the lease term; • whether Emirates has the option to purchase the aircraft at a price that is sufficiently lower than the fair value on exercise date; and • whether the lease term is for the major part of the economic life of the aircraft. We undertook independent calculations to assess: • whether the rate of return implicit in the lease is calculated reasonably; and • whether the present value of the minimum lease payments amounts to substantially all of the fair value of the leased aircraft. In the case of sale and lease back transactions on new aircraft resulting in an operating lease, we compared the fair values of aircraft to the purchase price and recalculated the profit or loss on these transactions. We tested whether management appropriately accounted for the profit or loss arising on these transactions. We tested that the related disclosures in the consolidated financial statements are consistent with the requirements of IFRS.

Key audit matter	How our audit addressed the Key audit matter
Accounting for aircraft return conditions Emirates operated 154 aircraft under operating lease arrangements as at 31 March 2017 (2016: 156). Under the terms of the operating lease arrangements with the lessors, Emirates is contractually committed to either return aircraft and engines in a certain condition or to compensate the lessor based on the actual condition of the aircraft and engines at the date of return. Accordingly, a provision of AED 3,125 million for the cost associated with these aircraft return conditions is recorded during the lease term and is included within Provisions (refer to notes 2, 3, 24 and 26 of the consolidated financial statements). The provision is calculated using a model which incorporates a number of assumptions, requiring significant judgement, including the: • past and expected future utilisation and maintenance patterns of the aircraft and engines; • expected cost of the maintenance at the time it is estimated to occur; and • discount rate applied to the future liability. We focused on this area because of the significant level of judgement exercised by management in determining the underlying assumptions within the model.	We obtained the aircraft return provision model prepared by management, together with a summary of the underlying assumptions. We obtained a sample of the relevant operating lease agreements and tested management's extraction of the inputs to the model. We tested the completeness of the provision by ensuring that all relevant operating leases were included in the model. We tested the mathematical accuracy of the calculation. The following key assumptions were discussed and corroborated with senior engineering personnel: • the past and expected future utilisation and maintenance patterns of the aircraft; • the expected cost of each maintenance event at the time it is expected to occur; and • the discount rate applied to the future liability. We compared historical utilisation to flying records and future utilisation assumptions were considered in light of past experience. Assumed maintenance costs were assessed against historical actual costs incurred and existing long term maintenance agreements. Future maintenance patterns were assessed against internal maintenance plans. We ensured the discount rate applied by management to the future liability was within an acceptable range with reference to the time value of money applicable to Emirates and the risks specific to the liability. Along with performing sensitivity analysis on reasonably possible changes in assumptions we also compared provisions held for aircraft and engines returned during the year to the compensation paid out to the lessors or actual costs incurred to establish if past provisions were reasonable.

Other information

Management is responsible for the other information. The other information comprises Emirates financial highlights and Emirates financial commentary (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing Emirates' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Emirates or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Emirates' financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Emirates' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Emirates' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Emirates to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Emirates to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Emirates audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers
4 May 2017

Paul Suddaby
Registered Auditor Number 309
Dubai, United Arab Emirates

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 AED m	2016 AED m
Revenue	5	83,739	83,500
Other operating income	6	1,322	1,544
Operating costs	7	(82,626)	(76,714)
Operating profit		**2,435**	**8,330**
Finance income	8	281	220
Finance costs	8	(1,383)	(1,329)
Share of results of investments accounted for using the equity method	13	157	142
Profit before income tax		**1,490**	**7,363**
Income tax expense	9	(40)	(45)
Profit for the year		**1,450**	**7,318**
Profit attributable to non-controlling interests		200	193
Profit attributable to Emirates' Owner		**1,250**	**7,125**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017

Profit for the year		**1,450**	**7,318**
Items that will not be reclassified to the consolidated income statement			
Remeasurement of retirement benefit obligations	25	311	9
Items that are or may be reclassified subsequently to the consolidated income statement			`
Currency translation differences	19	-	1
Cash flow hedges	19	1,038	(1,010)
Share of other comprehensive income of investments accounted for using the equity method	19	-	(2)
Other comprehensive income for the year		**1,349**	**(1,002)**
Total comprehensive income for the year		**2,799**	**6,316**
Total comprehensive income attributable to non-controlling interests		200	193
Total comprehensive income attributable to Emirates' Owner		**2,599**	**6,123**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

	Note	2017 AED m	2016 AED m
ASSETS			
Non-current assets			
Property, plant and equipment	11	86,898	82,836
Intangible assets	12	1,441	1,317
Investments accounted for using the equity method	13	676	522
Advance lease rentals	14	4,421	2,580
Loans and other receivables	15	238	494
Derivative financial instruments	35	38	-
Deferred income tax asset	29	10	3
		93,722	**87,752**
Current assets			
Inventories	16	2,238	2,106
Trade and other receivables	17	9,922	9,321
Derivative financial instruments	35	8	12
Short term bank deposits	33	6,706	7,823
Cash and cash equivalents	33	8,962	12,165
		27,836	**31,427**
Total assets		**121,558**	**119,179**

	Note	2017 AED m	2016 AED m
EQUITY AND LIABILITIES			
Capital and reserves			
Capital	18	801	801
Other reserves	19	(141)	(1,179)
Retained earnings		33,848	32,287
Attributable to Emirates' Owner		**34,508**	**31,909**
Non-controlling interests		586	496
Total equity		**35,094**	**32,405**
Non-current liabilities			
Trade and other payables	30	683	513
Borrowings and lease liabilities	20	40,171	40,845
Deferred revenue	27	979	1,596
Deferred credits	28	2,227	1,090
Derivative financial instruments	35	192	440
Provisions	24	3,825	3,762
Deferred income tax liability	29	5	4
		48,082	**48,250**
Current liabilities			
Trade and other payables	30	25,193	26,532
Income tax liabilities		19	35
Borrowings and lease liabilities	20	10,831	9,260
Deferred revenue	27	1,486	1,316
Deferred credits	28	253	139
Derivative financial instruments	35	3	737
Provisions	24	597	505
		38,382	**38,524**
Total liabilities		**86,464**	**86,774**
Total equity and liabilities		**121,558**	**119,179**

The consolidated financial statements were approved on 4 May 2017 and signed by:

Sheikh Ahmed bin Saeed Al-Maktoum
Chairman and Chief Executive

Timothy Clark
President

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

	Attributable to Emirates' Owner					
	Capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	AED m	AED m	AED m	AED m	AED m	AED m
1 April 2015	801	(168)	27,253	27,886	400	28,286
Profit for the year	-	-	7,125	7,125	193	7,318
Other comprehensive income	-	(1,011)	9	(1,002)	-	(1,002)
Total comprehensive income	**-**	**(1,011)**	**7,134**	**6,123**	**193**	**6,316**
Non-controlling interest on acquisition of a subsidiary	-	-	-	-	21	21
Dividends	-	-	(2,100)	(2,100)	(118)	(2,218)
Transactions with Owners	**-**	**-**	**(2,100)**	**(2,100)**	**(97)**	**(2,197)**
31 March 2016	**801**	**(1,179)**	**32,287**	**31,909**	**496**	**32,405**
Profit for the year	-	-	1,250	1,250	200	1,450
Other comprehensive income	-	1,038	311	1,349	-	1,349
Total comprehensive income	**-**	**1,038**	**1,561**	**2,599**	**200**	**2,799**
Dividends	-	-	-	-	(110)	(110)
Transactions with Owners	**-**	**-**	**-**	**-**	**(110)**	**(110)**
31 March 2017	**801**	**(141)**	**33,848**	**34,508**	**586**	**35,094**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 AED m	2016 AED m
Operating activities			
Profit before income tax		1,490	7,363
Adjustments for:			
Depreciation and amortisation	7	8,304	8,000
Finance costs - net		1,102	1,109
Net gain on sale of property, plant and equipment & intangible assets		(23)	(367)
Share of results of investments accounted for using the equity method	13	(157)	(142)
Net provision for impairment of trade and other receivables		(1)	21
Provision for post-employment benefits	7	741	733
Net movement on derivative financial instruments		22	(5)
Gain on sale of investments accounted for using the equity method		-	(12)
Employee benefit payments		(597)	(585)
Income tax paid		(70)	(62)
Change in inventories		(132)	(168)
Change in receivables and advance lease rentals		(2,122)	(2,234)
Change in provisions, payables, deferred credits and deferred revenue		1,868	454
Net cash generated from operating activities		**10,425**	**14,105**

	Note	2017 AED m	2016 AED m
Investing activities			
Additions to property, plant and equipment	34	(4,382)	(9,504)
Additions to intangible assets	12	(269)	(374)
Proceeds from sale of property, plant and equipment		117	6,535
Investments in associates and joint ventures	13	(137)	(19)
Acquisition of a subsidiary, net of cash acquired		-	(23)
Movement in short term bank deposits		1,117	665
Finance income		285	231
Dividends from investments accounted for using the equity method	13	140	128
Net cash used in investing activities		**(3,129)**	**(2,361)**
Financing activities			
Proceeds from loans	22	3,010	1,213
Repayment of bonds and loans		(5,626)	(1,703)
Aircraft finance lease costs		(995)	(918)
Other finance costs		(257)	(294)
Repayment of lease liabilities		(4,424)	(4,055)
Dividend paid to Emirates' Owner		(2,100)	(2,100)
Dividend paid to non-controlling interests		(110)	(118)
Net cash used in financing activities		**(10,502)**	**(7,975)**
Net change in cash and cash equivalents		**(3,206)**	**3,769**
Cash and cash equivalents at beginning of year		12,165	8,393
Effects of exchange rate changes		(1)	3
Cash and cash equivalents at end of year	33	**8,958**	**12,165**

The accompanying notes are an integral part of these consolidated financial statements.

1. General information

Emirates comprises Emirates and its subsidiaries. Emirates was incorporated, with limited liability, by an Emiri Decree issued by H. H. Sheikh Maktoum bin Rashid Al-Maktoum on 26 June 1985 and is wholly owned by the Investment Corporation of Dubai ("the parent company"), a Government of Dubai entity. Emirates commenced commercial operations on 25 October 1985 and is designated as the International Airline of the UAE.

Emirates is incorporated and domiciled in Dubai, UAE. The address of its registered office is Emirates Group Headquarters, PO Box 686, Dubai, UAE.

The main activities of Emirates comprise:

- commercial air transportation which includes passenger and cargo services
- wholesale and retail of consumer goods
- catering operations
- hotel operations
- food and beverage sales

2. Summary of significant accounting policies

A summary of the significant accounting policies, which have been applied consistently in the preparation of these consolidated financial statements, is set out below.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) pronouncements. The consolidated financial statements are prepared under the historical cost convention except for those financial assets and financial liabilities (including derivative instruments) that are measured at fair value as stated in the accounting policies below.

All amounts are presented in millions of UAE Dirhams (AED).

Standards and amendments to published standards that are relevant to Emirates

Effective and adopted in the current year

At the date of authorisation of these consolidated financial statements, certain new amendments to the existing standards have been published and are mandatory for the current accounting period. These amendments did not have a material impact on the consolidated financial statements and are set out below :

- Annual improvements 2012-2014 cycle (effective from 1 January 2016)
- Amendments to IAS 1, Disclosure initiatives (effective from 1 January 2016)

Not yet effective and have not been early adopted

At the date of authorisation of these consolidated financial statements, certain new accounting standards and amendment have been published that are mandatory for accounting periods commencing after 1 April 2017 or later periods, but have not been early adopted. Management is currently assessing the following standards and amendment which are likely to have an impact on Emirates.

Amendment to IAS 7, Statement of cash flows (effective from 1 January 2017)

In January 2016, the IASB amended IAS 7 to require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

IFRS 9, Financial Instruments (effective from 1 January 2018)

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces a new expected credit loss model.

The new guidance has also substantially reformed the existing hedge accounting rules. It provides a more principles-based approach that aligns hedge accounting closely with risk management policies.

IFRS 15, Revenue from Contracts with Customers (effective from 1 January 2018)

IFRS 15 replaces IAS 18 which covers contracts for sale of goods and rendering of services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard provides a single principles-based five-step model to be applied to all contracts with customers.

2. Summary of significant accounting policies (continued)

IFRS 16, Leases (effective from 1 January 2019)

IFRS 16 specifies how to recognise, measure, present and disclose leases. The standard replaces the existing lease classification model of operating and finance leases and provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value.

Basis of consolidation

Subsidiaries are those entities (including structured entities) over which Emirates has control. Control is exercised when Emirates is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over that entity. Subsidiaries are fully consolidated from the date on which control is transferred to Emirates and are de-consolidated from the date that control ceases. Inter-company transactions, balances and unrealised gains and losses arising on transactions between Emirates and its subsidiaries are eliminated.

The acquisition method of accounting is used to account for business combinations by Emirates. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, liabilities incurred to the former owners of the subsidiary, fair value of contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets, including intangible assets acquired, liabilities and contingent liabilities incurred or assumed in a business combination, are measured initially at their fair values at the acquisition date. Any non-controlling interest in the subsidiary is recognised on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of subsidiaries' identifiable net assets.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the consolidated income statement.

If the business combination is achieved in stages, the acquisition date carrying value of Emirates' previously held equity interest in the subsidiary is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the consolidated income statement.

Emirates treats transactions with non-controlling interests that do not result in loss of control as transactions with the owners. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid is recorded in equity.

Associates are those entities in which Emirates has significant influence but not control or joint control, generally accompanying a shareholding between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investments in associates are accounted for by applying the equity method and include goodwill (net of accumulated impairment loss, if any) identified on acquisition, after initially being recorded at cost.

Joint ventures are contractual arrangements which establish joint control and where Emirates has rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Investments in joint ventures are accounted for by applying the equity method and include goodwill (net of accumulated impairment loss, if any) identified on acquisition, after initially being recognised at cost.

When Emirates share of losses in an equity-accounted investment equals or exceed its interest in the entity, including any other unsecured long term receivables, Emirates does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

All material unrealised gains and losses arising on transactions between Emirates and its associates and joint ventures are eliminated to the extent of Emirates' interest.

Accounting policies of subsidiaries, associates and joint ventures have been changed where necessary to ensure consistency with Emirates' accounting policies.

When Emirates ceases to have control, any retained interest in the entity or business is remeasured to its fair value at the date when control is lost, with the change in the carrying amount recognised in the consolidated income statement. The fair value becomes the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity or business are accounted for as if the related assets or liabilities have been directly disposed off. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement. If the ownership in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement where appropriate.

2. Summary of significant accounting policies (continued)

Revenue

Passenger (including excess baggage) and cargo sales are recognised as revenue when the transportation is provided. Revenue documents (e.g. tickets or airway bills) sold but unused are held in the consolidated statement of financial position under current liabilities as passenger and cargo sales in advance. Unused revenue documents are recognised as revenue based on their terms and conditions and historical trends.

Revenue from the sale of consumer goods, food and beverages and catering operations is recognised when risks and rewards of ownership are transferred to the customer and is stated net of discounts and returns.

All other revenues, including revenue from hotel operations are recognised net of discounts and taxes when services are provided.

Frequent flyer programme

Emirates operates a frequent flyer programme that provides a variety of awards to programme members based on a mileage credit for flights on Emirates and other airlines that participate in the programme. Members can also accrue miles by utilising the services of non-airline programme participants.

Emirates accounts for award credits as a separately identifiable component of the sales transaction in which they are granted. The consideration in respect of the initial sale is allocated to award credits based on their fair value and is accounted for as a liability (deferred revenue) in the consolidated statement of financial position. The fair value is determined using estimation techniques that take into account the fair value of awards for which miles could be redeemed. Miles accrued through utilising the services of programme partners and paid for by the participating partners are also accounted for as deferred revenue until they are utilised. A liability is not recognised for miles that are expected to expire.

Revenue is recognised in the consolidated income statement only when Emirates fulfils its obligations by supplying free or discounted goods or services on redemption of the miles accrued.

Finance income

Interest income is recognised on a time proportion basis using the effective interest method.

Liquidated damages

Income from claims for liquidated damages is recognised in the consolidated income statement as other income or a reduction to operating costs when a contractual entitlement exists, amounts can be reliably measured and receipt is virtually certain. When such claims do not relate to compensations for loss of income or are not towards incremental operating costs, the amounts are taken to the consolidated statement of financial position and recorded as a reduction in the cost of the related asset.

Foreign currency translation

Emirates' consolidated financial statements are presented in UAE Dirhams (AED), which is also the company's functional currency. Subsidiaries, associates and joint ventures determine their own functional currency and items included in the financial statements of these companies are measured using that functional currency.

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the end of the reporting period. The resultant foreign exchange gains and losses, other than those on qualifying cash flow hedges deferred in other comprehensive income, are recognised in the consolidated income statement.

Where functional currencies of subsidiaries are different from AED, income and cash flow statements of subsidiaries are translated into UAE Dirhams at average exchange rates for the year that approximate the cumulative effect of rates prevailing on the transaction dates and their assets and liabilities are translated at the exchange rates ruling at the end of reporting period. The resulting exchange differences are recognised in other comprehensive income.

Share of results of investments accounted for using the equity method are translated into UAE Dirhams at average exchange rates for the year whereas Emirates' share of net investments is translated at the exchange rate prevailing at the end of the reporting period. Translation differences relating to investments in associates, joint ventures and monetary assets and liabilities that form part of a net investment in a foreign operation are recognised in other comprehensive income. When investments in associates, joint ventures or net investment in a foreign operation are disposed of, the translation differences recorded in equity are recognised in the consolidated income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rates prevailing at the end of reporting period.

2. Summary of significant accounting policies (continued)

Income tax

The tax expense for the period comprises current and deferred tax.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where Emirates operates and generates taxable income.

Deferred income tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Also deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill in a business combination. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Cost consists of purchase cost, together with any incidental expenses of 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 Emirates and the cost can be measured reliably. Repairs and maintenance are charged to the consolidated income statement during the period in which they are incurred.

Land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost, less estimated residual values, over the estimated useful lives of the assets or the lease term, if shorter.

The estimated useful lives and residual values are:

Aircraft – new	15 - 18 years (residual value nil - 10%)
Aircraft – used	5 years (residual value nil)
Aircraft engines and parts	5 - 15 years (residual value nil - 10%)
Buildings	15 - 40 years
Other property, plant and equipment	3 - 20 years or over the lease term, if shorter

Major overhaul expenditure is depreciated over the shorter of the period to the next major overhaul, the remaining lease term or the useful life of the asset concerned.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 Emirates' policies.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised in the consolidated income statement.

Borrowing costs

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 borrowed specifically 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 recognised as an expense when incurred.

Manufacturers' credits

Emirates receives credits from manufacturers in connection with the acquisition of certain aircraft and engines. Depending on their nature, these credits are either recorded as a reduction to the cost of the related aircraft and engines or reduced from ongoing operating expenses. Where the aircraft are held under operating leases, these credits are deferred and recognised on a straight-line basis over the period of the related lease as deferred credits.

2. Summary of significant accounting policies (continued)

Finance and operating leases

Where property, plant and equipment have been financed by lease agreements under which substantially all of the risks and rewards incidental to ownership are transferred to Emirates, they are classified as finance leases. Finance leases are capitalised at the commencement of the lease at the lower of the present value of the minimum lease payments or the fair value of the leased asset. The corresponding lease obligations are included under liabilities. Lease payments are treated as consisting of capital and interest elements. The interest element is charged to the consolidated income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Property, plant and equipment acquired under finance leases are depreciated in accordance with Emirates' 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 in respect of operating leases, are charged to the consolidated income statement on a straight-line basis over the period of the lease.

Gains and losses arising on sale and leaseback transactions resulting in an operating lease and where the sale price is at fair value, are recognised immediately in the consolidated income statement. Where the sale price is below fair value, any losses are immediately recognised in the consolidated income statement, except where the loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. Where the sale price is above fair value, the excess over fair value is classified as a deferred credit and amortised over the period for which the asset is expected to be used.

In the case of profits arising on sale and leaseback transactions resulting in finance leases, the excess of sale proceeds over the carrying amount is deferred and amortised over the lease term.

Lease classification is made at the inception of the lease. Lease classification is changed only if, at any time during the lease, the parties to the lease agreement agree to change the provisions of the lease (without renewing it) in a way that it would have been classified differently at inception had the changed terms been in effect at that time. The revised agreement is considered as a new agreement and accounted for prospectively over the remaining term of the lease.

Goodwill

Goodwill represents the excess of the aggregate of the consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets at the date of acquisition.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate a potential impairment and is carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to cash generating units or a group of cash generating units that are expected to benefit from the business combination in which the goodwill arose. An impairment loss is recognised when the carrying value of the cash generating units or a group of cash generating units exceeds its recoverable amount. Impairment losses on goodwill are not reversed.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Other intangible assets

Intangible assets are capitalised at cost only when future economic benefits are probable. Cost includes the purchase price together with any directly attributable expenditure.

In the case of internally developed computer software, development expenditure is capitalised if costs can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable, and there exists an intent and ability to complete the development and to use or sell the asset. Other research and development expenditure not meeting the criteria for capitalisation are recognised in the consolidated income statement as incurred.

Intangible assets are amortised on a straight-line basis over their estimated useful lives which are:

Service rights	15 years
Trade names	20 years
Contractual rights	15 years
Computer software	5-7 years

The intangible assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2. Summary of significant accounting policies (continued)

Impairment of non-financial assets

Goodwill is not subject to amortisation and is tested annually for impairment. Other non-financial assets 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 costs 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 are reviewed at the end of each reporting period for possible reversal of the impairment loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such amounts are initially recognised at fair value including transaction costs and carried at amortised cost using the effective interest method. The amounts are derecognised when rights to receive cash flows have expired or have been transferred along with substantially all the risks and rewards of ownership.

At the end of each reporting period, an assessment is made whether there is any objective evidence of impairment. Where necessary, the carrying amount is written down through the consolidated income statement to the present value of expected future cash flows discounted at the effective interest rate computed at initial recognition.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Derivatives are designated as 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 or dealer quotes for similar instruments, discounted cash flow models and option pricing models as appropriate. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Emirates' criteria to account for a derivative financial instrument as a hedge include:

- formal documentation of the hedging instruments, hedged items, hedging objective, strategy and basis of measuring effectiveness all of which are prepared prior to applying hedge accounting; and
- documentation showing that the hedge effectiveness is assessed on an ongoing basis and is determined to have been highly effective in offsetting the risk of the hedged item throughout the reporting period.

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 other comprehensive income. When the forecasted transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income are re-classified and included in the initial carrying amount of the asset or liability. These gains and losses are ultimately recognised in the consolidated income statement in the same period during which the asset or liability affects profit or loss. In all other cases, amounts previously recognised in other comprehensive income are transferred to the consolidated income statement in the period during which the forecasted transaction affects the consolidated income statement and are presented in the same line item as the gains and losses from hedged items.

When a cash flow hedging instrument expires or is sold, terminated or exercised, or when a hedge no longer meets the criteria for hedge accounting under IAS 39, any cumulative gain or loss existing in equity at that time is retained in equity and is ultimately recognised in the consolidated income statement when the forecasted transaction occurs. If a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement. The gain or loss on the ineffective portion is recognised in the consolidated income statement.

Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised immediately in the consolidated income statement.

Inventories

Inventories are stated at the lower of cost and estimated net realisable value. Cost is determined on the weighted average cost basis with the exception of consumer goods inventory which is determined on a first-in-first-out basis.

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Where there is objective evidence of amounts that are not collectible, a provision is made for the difference between the carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

2. Summary of significant accounting policies (continued)

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Provisions

Provisions are made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated.

Provision for aircraft return conditions

Provision for aircraft return conditions represents the estimate of the cost to meet the contractual lease end obligations on certain aircraft and engines held under operating leases. The present value of the expected cost is recognised during the lease term considering the existing fleet plan and long-term maintenance schedules.

Retirement benefit obligations

Emirates operates or participates in various end of service benefit plans, which are classified either as defined contribution or defined benefit plans.

A defined contribution plan is a pension scheme under which Emirates pays fixed contributions and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to settle the benefits relating to the employees' service in the current and prior periods. Contributions to the pension fund are charged to the consolidated income statement in the period in which they fall due.

A defined benefit plan is a plan which is not a defined contribution plan. The liability recognised in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets at that date. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting estimated future cash outflows using market yields at the end of the reporting period of high quality corporate bonds that are denominated in currency in which the benefits will be paid and have terms approximating to the estimated term of the post-employment benefit obligations.

Actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments are recognised in equity through the consolidated statement of comprehensive income in the period in which they arise.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial assets and financial liabilities

Financial assets are derecognised only when the contractual rights to the cash flows expire or substantially all the risks and rewards of ownership are transferred along with the contractual rights to receive cash flows. Financial liabilities are derecognised only when they are extinguished i.e. when the obligations specified in the contract are discharged or cancelled or expire.

Cash and cash equivalents

Cash and cash equivalents comprise cash and liquid funds with an original maturity of three months or less. Other bank deposits with maturity less than a year are classified as short term bank deposits. Bank overdrafts are shown within current borrowings and lease liabilities in the consolidated statement of financial position.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is considered to be the Emirates' leadership team who makes strategic decisions and is responsible for allocating resources and assessing performance of the operating segments.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

Dividend distribution

Dividend distribution to Equity holders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved.

3. Critical accounting estimates and judgements

In the preparation of these consolidated financial statements, a number of estimates and associated assumptions have been made relating to the application of accounting policies and reported amounts of assets, liabilities, income and expense. The estimates and associated assumptions are assessed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following narrative addresses the accounting policies that require subjective and complex judgements, often as a result of the need to make estimates.

Passenger and cargo revenue recognition

Passenger and cargo sales are recognised as revenue when transportation is provided. The value of unused revenue documents are held in the consolidated statement of financial position under current liabilities as passenger and cargo sales in advance. Unused revenue documents are recognised in the consolidated income statement as revenue based on their terms and conditions and historical trends.

Frequent flyer programme

Emirates accounts for award credits as a separately identifiable component of the sales transaction in which they are granted. The consideration in respect of the initial sale is allocated to award credits based on their fair value and is accounted as a liability (deferred revenue) in the consolidated statement of financial position.

Estimation techniques are used to determine the fair value of mile credits and reflect the weighted average of a number of factors i.e. fare per sector, flight upgrades and partner rewards using historical trends. Adjustments to the fair value of miles are also made for miles not expected to be redeemed by members and the extent to which the demand for an award cannot be met for the dates requested.

A level of judgement is exercised by management due to the diversity of inputs that go into determining the fair value of miles. No reasonably possible change in any single assumption will result in a material change to the deferred revenue.

Depreciation of property, plant and equipment

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 or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

Finance and operating leases

A lease is classified as a finance lease when substantially all the risks and rewards of ownership are transferred to Emirates. In determining the appropriate classification, the substance of the transaction rather than the legal form is considered. Factors considered include but are not limited to the following: whether the lease transfers ownership of the asset to the lessee by the end of the lease term; the lessee has the option to purchase the asset at a price that is sufficiently lower than the fair value on exercise date; the lease term is for the major part of the economic life of the asset and the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.

Where Emirates enters into the sale and leaseback transactions for aircraft, the timing and amount of profit recognised on these transactions is subject to the fair value of the aircraft at the time of sale. Judgement is required to estimate the fair value due to diversity of inputs that goes into the determination of aircraft value which includes references to third party valuations.

Provision for aircraft return conditions

The measurement of the provision for aircraft return conditions includes assumptions relating to expected costs, escalation rates, discount rates commensurate with the expected obligation maturity and long-term maintenance schedules. An estimate is therefore made at each reporting date to ensure that the provision corresponds to the present value of the expected costs to be borne by Emirates. A significant level of judgement is exercised by management given the long-term nature and diversity of assumptions that go into the determination of the provision. No reasonably possible change in any single assumption will result in a material change to the provision.

3. Critical accounting estimates and judgements (continued)

Valuation of defined benefit obligations

The present value of the defined benefit obligations is determined on actuarial basis using various assumptions that may differ from actual developments in the future. These assumptions include the determination of the discount rate and expected salary increases which are reviewed at each reporting date. Due to the complexities involved in the valuation and its long-term nature, defined benefit obligations are sensitive to changes in these assumptions. A sensitivity analysis of changes in defined benefit obligations due to a reasonably possible change in these assumptions is set out in Note 25.

4. Fair value estimation

The levels of fair value hierarchy are defined as follows:

Level 1: Measurement is made by using quoted prices (unadjusted) from an active market.
Level 2: Measurement is made by means of valuation methods 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 into level 2 of the fair value hierarchy (Note 35).

Derivatives comprise forward exchange contracts, interest rate swaps and commodity swaps. The forward exchange contracts have been fair valued using forward exchange rates that are quoted in an active market. Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves. Commodity swaps are fair valued using a future contract price quoted in an active market.

5. Revenue

	2017	2016
	AED m	AED m
Passenger	68,398	68,029
Cargo	10,592	11,140
Consumer goods	1,638	1,462
Hotel operations	738	700
Catering operations	678	680
Food and beverage	616	531
Excess baggage	392	413
Others	687	545
	83,739	**83,500**

6. Other operating income

Other operating income comprises AED 312 m (2016: AED 361 m) from liquidated damages and other compensation received in connection with aircraft, AED 205 m (2016: AED 448 m) being the gain on sale and leaseback of aircraft, aircraft engines and parts, and income of AED 805 m (2016: AED 735 m) from ancillary services and activities incidental to Emirates' operations.

7. Operating costs

	2017	2016
	AED m	AED m
Jet fuel	20,968	19,731
Employee (see (a) below)	12,864	12,452
Aircraft operating leases	10,509	8,085
Depreciation and amortisation (Notes 11 & 12)	8,304	8,000
Handling	5,885	5,646
Sales and marketing	5,698	5,893
In-flight catering and other operating costs	3,343	3,143
Overflying	2,851	2,711
Aircraft maintenance	2,738	2,513
Facilities and IT related costs (see (b) below)	2,470	2,347
Landing and parking	2,057	1,992
Cost of goods sold	1,499	1,335
Crew layover	1,082	971
Foreign exchange loss - net	340	5
Corporate overheads	2,018	1,890
	82,626	**76,714**

(a) Employee costs include AED 741 m (2016: AED 733 m) in respect of post-employment benefits (Note 25).

(b) Facilities and IT related costs include non-aircraft operating lease charges amounting to AED 705 m (2016: AED 665 m).

8. Finance income and costs

	2017	2016
	AED m	AED m
Finance income		
Interest income on short term bank deposits	122	151
Finance income from related parties (Note 37)	159	69
	281	**220**
Finance costs		
Aircraft finance lease costs	(1,019)	(934)
Interest expense on bonds and term loans	(147)	(285)
Other finance costs - net	(217)	(110)
	(1,383)	**(1,329)**

9. Income tax expense

	2017	2016
	AED m	AED m
The components of income tax expense are:		
Current income tax expense	40	44
Deferred income tax expense (Note 29)	-	1
	40	**45**

Emirates has secured tax exemptions by virtue of double taxation agreements and airline reciprocal arrangements in most of the jurisdictions in which it operates. Therefore, the income tax expense relates only to certain overseas stations of Emirates' operations and its subsidiaries where Emirates is subject to income tax. Providing information on effective tax rates is therefore not meaningful.

10. Segment information

Emirates' leadership team monitors the operating results of its business units for the purpose of making decisions about resource allocation and performance assessment. The airline business unit, which provides commercial air transportation including passenger, cargo services and excess baggage, is the main reportable segment. Catering operations is another reportable segment which provides in-flight and institutional catering services. Other represents entities not allocated to a reportable segment and comprises of various businesses.

The performance of the airline and catering operations is evaluated based on segment profit or loss and is measured consistently with profit for the year in the consolidated financial statements.

Segment revenue is measured in a manner consistent with that in the consolidated income statement, with the exception of notional revenues and costs in the airline segment arising from the usage of transportation services e.g. leave passage of staff and duty travel of staff and consultants that are eliminated when preparing the consolidated financial statements. This adjustment is presented as a reconciling item. The breakdown of revenue from external customers by nature of business activity is provided in Note 5.

Segment assets include inter-segment loans and receivables, which are eliminated on consolidation. This consolidation adjustment is presented as a reconciling item.

The segment information for the year ended 31 March 2017 is as follows:

	Airline AED m	Catering operations AED m	Other AED m	Recon-ciliation AED m	Total AED m
Total segment revenue	80,621	2,761	3,012	(354)	86,040
Inter-segment revenue	-	(2,083)	(218)	-	(2,301)
Revenue from external customers	80,621	678	2,794	(354)	83,739
Segment profit for the year	664	285	501	-	1,450
Finance income	279	7	1	(6)	281
Finance costs	(1,382)	-	(7)	6	(1,383)
Income tax (expense) / credit	(45)	-	5	-	(40)
Depreciation and amortisation	(7,971)	(140)	(193)	-	(8,304)
Share of results of investments accounted for using the equity method	-	-	157	-	157
Segment assets	113,388	3,274	5,569	(673)	121,558
Investments accounted for using the equity method	-	-	676	-	676
Additions to property, plant and equipment	11,788	465	110	-	12,363
Additions to intangible assets	269	-	-	-	269
Additions to advance lease rentals	2,438	-	-	-	2,438

10. Segment information (continued)

The segment information for the year ended 31 March 2016 is as follows:

	Airline AED m	**Catering operations** AED m	**Other** AED m	**Recon-ciliation** AED m	**Total** AED m
Total segment revenue	80,723	2,646	2,525	(339)	85,555
Inter-segment revenue	-	(1,966)	(89)	-	(2,055)
Revenue from external customers	80,723	680	2,436	(339)	83,500
Segment profit for the year	6,523	371	424	-	7,318
Finance income	219	6	1	(6)	220
Finance costs	(1,329)	-	(6)	6	(1,329)
Income tax (expense) / credit	(55)	-	10	-	(45)
Depreciation and amortisation	(7,689)	(123)	(188)	-	(8,000)
Share of results of investments accounted for using the equity method	-	-	142	-	142
Segment assets	111,418	3,056	5,308	(603)	119,179
Investments accounted for using the equity method	-	-	522	-	522
Additions to property, plant and equipment	15,698	553	98	-	16,349
Additions to intangible assets	374	-	77	-	451
Additions to advance lease rentals	2,029	-	-	-	2,029

Geographical information

	2017 AED m	**2016** AED m
Revenue from external customers:		
Europe	23,878	24,022
East Asia and Australasia	22,595	22,399
Americas	12,489	12,011
Gulf and Middle East	8,677	8,396
Africa	8,683	9,071
West Asia and Indian Ocean	7,417	7,601
	83,739	**83,500**

Revenue from inbound and outbound airline operations between the UAE and the overseas point are attributed to the geographical area in which the respective overseas points are located. Revenue from other segments are reported based upon the geographical area in which sales are made or services are rendered.

The major revenue earning asset is the aircraft fleet, which is registered in the UAE. Since the aircraft fleet is deployed flexibly across Emirates' route network, providing information on non-current assets by geographical areas is not considered meaningful.

No single external customer contributes 10% or more of Emirates' revenues.

11. Property, plant and equipment

	Aircraft	Aircraft engines and parts	Land and buildings	Other property, plant and equipment	Capital projects	Total
	AED m	AED m	AED m	AED m	AED m	AED m
Cost						
1 April 2015	63,780	5,586	11,868	13,407	11,273	105,914
Additions	416	351	84	2,582	12,916	16,349
Transfer from capital projects	9,487	518	922	286	(11,213)	-
Disposals / write-offs	(7,600)	(160)	(2)	(1,705)	-	(9,467)
Currency translation differences	-	-	2	10	-	12
31 March 2016	**66,083**	**6,295**	**12,874**	**14,580**	**12,976**	**112,808**
Accumulated depreciation						
1 April 2015	12,932	1,611	2,869	7,958	-	25,370
Charge for the year	4,205	342	509	2,844	-	7,900
Disposals / write-offs	(1,570)	(105)	(2)	(1,631)	-	(3,308)
Currency translation differences	-	-	1	9	-	10
31 March 2016	**15,567**	**1,848**	**3,377**	**9,180**	**-**	**29,972**
Net book amount						
31 March 2016	**50,516**	**4,447**	**9,497**	**5,400**	**12,976**	**82,836**

11. Property, plant and equipment (continued)

	Aircraft	Aircraft engines and parts	Land and buildings	Other property, plant and equipment	Capital projects	Total
	AED m	AED m	AED m	AED m	AED m	AED m
Cost						
1 April 2016	66,083	6,295	12,874	14,580	12,976	112,808
Additions	5	31	9	3,363	8,955	12,363
Transfer from capital projects	10,402	992	1,149	370	(12,913)	-
Disposals / write-offs	(315)	(419)	-	(3,156)	-	(3,890)
Currency translation differences	-	-	1	(3)	(1)	(3)
31 March 2017	**76,175**	**6,899**	**14,033**	**15,154**	**9,017**	**121,278**
Accumulated depreciation						
1 April 2016	15,567	1,848	3,377	9,180	-	29,972
Charge for the year	4,283	405	560	2,926	-	8,174
Disposals / write-offs	(281)	(409)	-	(3,074)	-	(3,764)
Currency translation differences	-	-	-	(2)	-	(2)
31 March 2017	**19,569**	**1,844**	**3,937**	**9,030**	**-**	**34,380**
Net book amount						
31 March 2017	**56,606**	**5,055**	**10,096**	**6,124**	**9,017**	**86,898**

The net book amount of property, plant and equipment includes AED 54,148 m (2016: AED 48,472 m) in respect of assets held under finance leases.

The net book amount of aircraft includes an amount of AED 3,953 m (2016: AED 2,369 m) in respect of assets provided as security against term loans.

Land of AED 861 m (2016: AED 630 m) is carried at cost and is not depreciated.

Property, plant and equipment includes interest capitalised during the year amounting to AED 226 m (2016: AED 235 m). The interest on general borrowings for qualifying assets was capitalised using an annual weighted average capitalisation rate of 4.0% (2016: 4.9%).

Capital projects include pre-delivery payments of AED 5,855 m (2016: AED 8,529 m) in respect of aircraft due for delivery between 2017 and 2028 (Note 32).

Management has reviewed the residual values and useful lives of major items of property, plant and equipment and has revised the useful life of its B777-200LR which comprise of six aircraft from 15 years (residual value of 10%) to 18 years (nil residual value). The effect of this change does not have any material impact on depreciation charge for the year.

12. Intangible assets

	Goodwill	Service rights	Trade names	Contractual rights	Computer software	Total
	AED m	AED m	AED m	AED m	AED m	AED m
Cost						
1 April 2015	563	162	19	20	951	1,715
Additions	-	70	-	-	304	374
Disposals / write-offs	-	-	-	-	(29)	(29)
Acquisition	41	-	-	36	-	77
31 March 2016	**604**	**232**	**19**	**56**	**1,226**	**2,137**
Accumulated amortisation and impairment						
1 April 2015	7	109	5	8	611	740
Amortisation for the year	-	11	1	3	85	100
Disposals / write-offs	-	-	-	-	(20)	(20)
31 March 2016	**7**	**120**	**6**	**11**	**676**	**820**
Net book value						
31 March 2016	**597**	**112**	**13**	**45**	**550**	**1,317**

12. Intangible assets (continued)

	Goodwill	Service rights	Trade names	Contractual rights	Computer software	Total
	AED m	AED m	AED m	AED m	AED m	AED m
Cost						
1 April 2016	604	232	19	56	1,226	2,137
Additions	-	50	-	-	219	269
Disposals / write-offs	-	-	-	-	(97)	(97)
Currency translation differences	-	-	-	-	3	3
31 March 2017	**604**	**282**	**19**	**56**	**1,351**	**2,312**
Accumulated amortisation and impairment						
1 April 2016	7	120	6	11	676	820
Amortisation for the year	-	17	2	5	106	130
Disposals / write-offs	-	-	-	-	(81)	(81)
Currency translation differences	-	-	-	-	2	2
31 March 2017	**7**	**137**	**8**	**16**	**703**	**871**
Net book value						
31 March 2017	**597**	**145**	**11**	**40**	**648**	**1,441**

Computer software includes an amount of AED 215 m (2016: AED 280 m) in respect of projects under implementation.

For the purpose of testing goodwill impairment, the recoverable amounts for cash generating units have been determined on the basis of value-in-use calculations using cash flow forecasts approved by management covering a three year period. Cash flows beyond the three year period have been extrapolated using the terminal growth rates. The key assumptions used in the value-in-use calculations include a risk adjusted pre-tax discount rate of 12% (2016: 12%), gross margins consistent with historical trends and growth rates based on management's expectations for market development. The long term growth rate does not exceed the long term average growth rate for the markets in which the cash generating units operate. Any reasonably possible changes to the assumptions will not lead to an impairment. The goodwill allocated to the cash generating unit or group of cash generating units is as follows:

Cash generating unit	Location	Reportable segment	Goodwill	
			2017	**2016**
			AED m	AED m
Catering operations	UAE	Catering operations	369	369
Consumer goods	UAE	Others	200	200
Food and beverage	UAE	Others	25	25
Food and beverage	Australia	Others	3	3
			597	**597**

13. Investments in subsidiaries, associates and joint ventures

	Percentage of beneficial interest	Percentage of equity owned	Principal activities	Country of incorporation and principal operations
Principal subsidiaries				
Maritime & Mercantile International L.L.C.	68.7	68.7	Wholesale and retail of consumer goods	UAE
Maritime & Mercantile International Holding L.L.C.	100.0	100.0	Holding company	UAE
Emirates Leisure Retail Holding L.L.C.	100.0	100.0	Holding company	UAE
Emirates Leisure Retail L.L.C.	68.7	68.7	Food and beverage operations	UAE
Emirates Leisure Retail (Singapore) Pte Ltd.	100.0	100.0	Food and beverage operations	Singapore
Emirates Leisure Retail (Australia) Pty Ltd.	100.0	100.0	Food and beverage operations	Australia
Emirates Hotel L.L.C.	100.0	100.0	Hotel operations	UAE
Emirates Hotels (Australia) Pty Ltd.	100.0	100.0	Hotel operations	Australia
Emirates Flight Catering Company L.L.C.	90.0	90.0	In-flight and institutional catering	UAE
Incorporated during the year:				
Golden Globe (BVI) Ltd	100.0	100.0	Holding company	British Virgin Islands

None of the subsidiaries have non-controlling interests that are material to Emirates.

Principal joint ventures				
Emirates-CAE Flight Training L.L.C.	50.0	51.0	Flight simulator training	UAE
Premier Inn Hotels L.L.C.	51.0	51.0	Hotel operations	UAE
CAE Flight Training (India) Private Ltd.	50.0	50.0	Flight simulator training	India
CAE Middle East Holdings Limited	50.0	50.0	Flight simulator training	UAE
Independent Wine and Spirit (Thailand) Company Limited	49.0	49.0	Wholesale and retail of consumer goods	Thailand
Arabian Harts International Limited	50.0	50.0	Wholesale and retail of consumer goods	UAE

The investment in Arabian Harts International Limited was made during the year. Premier Inn Hotels L.L.C. and Independent Wine and Spirit (Thailand) Company Limited are subject to joint control and, therefore, these investments are accounted for as joint ventures.

13. Investments in subsidiaries, associates and joint ventures (continued)

Movement of investments accounted for using the equity method

	2017 AED m	2016 AED m
Balance brought forward	**522**	**544**
Investments during the year	137	19
Share of results	157	142
Dividends	(140)	(128)
Currency translation differences	-	(2)
Disposal during the year	-	(53)
Balance carried forward	**676**	**522**

No individual associate is material to Emirates. The aggregate financial information of associates is set out below:

	2017 AED m	2016 AED m
Share of results of associates	94	99
Share of total comprehensive income of associates	**94**	**99**
Aggregate carrying value of investments in associates	**55**	**49**

No individual joint venture is material to Emirates. The aggregate financial information of joint ventures is set out below:

	2017 AED m	2016 AED m
Share of results of joint ventures	63	43
Share of other comprehensive income of joint ventures	-	(2)
Share of total comprehensive income of joint ventures	**63**	**41**
Aggregate carrying value of investments in joint ventures	**621**	**473**

14. Advance lease rentals

	2017 AED m	2016 AED m
Balance brought forward	**2,886**	**1,082**
Additions during the year	2,438	2,029
Charge for the year	(423)	(225)
Balance carried forward	**4,901**	**2,886**
Advance lease rentals will be charged to the consolidated income statement as follows:		
Within one year (Note 17)	**480**	**306**
Over one year	**4,421**	**2,580**

Advance lease rentals are non-refundable in the event of the related lease being terminated prior to its expiry.

Advance lease rentals include AED 314 m (2016: AED 354 m) related to a company under common control.

15. Loans and other receivables

	2017 AED m	2016 AED m
Related parties (Note 37)	11	16
Other receivables	93	321
	104	**337**
Prepayments	134	157
	238	**494**

The amounts (excluding prepayments) are receivable as follows:

	2017 AED m	2016 AED m
Between 2 and 5 years	104	337
	104	**337**

Loans and other receivables (excluding prepayments) are denominated in the following currencies:

	2017 AED m	2016 AED m
UAE Dirhams	81	80
US Dollars	15	245
Others	8	12

The fair value of loans and other receivables (excluding prepayments) amounts to AED 103 m (2016: AED 336 m). Fair value is determined by discounting projected cash flows using the interest rate yield curve for the remaining term to maturity and currencies based on credit spreads applicable at the end of each reporting period. The fair value of loans and other receivables falls into level 2 of the fair value hierarchy.

The maximum exposure to credit risk at the reporting date is the carrying value of the loans and other receivables (excluding prepayments). At the end of the reporting period, loans and other receivables (excluding prepayments) were neither past due nor impaired.

16. Inventories

	2017 AED m	2016 AED m
In-flight consumables	1,065	885
Engineering	572	660
Consumer goods	449	405
Others	152	156
	2,238	**2,106**

In-flight consumables include AED 648 m (2016: AED 472 m) relating to items which are not expected to be consumed within twelve months after the reporting period.

17. Trade and other receivables

	2017 AED m	2016 AED m
Trade receivables - net of provision	4,644	4,480
Prepayments	2,748	2,289
Related parties (Note 37)	199	268
Advance lease rentals (Note 14)	480	306
Operating lease and other deposits	896	805
Other receivables	1,193	1,667
	10,160	**9,815**
Less: Receivables over one year (Note 15)	(238)	(494)
	9,922	**9,321**

Prepayments include an amount of AED 52 m (2016: AED 50 m) paid to companies under common control.

The carrying amount of trade and other receivables (excluding prepayments and advance lease rentals) approximate their fair value which falls into level 2 of the fair value hierarchy.

17. Trade and other receivables (continued)

Movements in the provision for impairment of trade receivables are as follows:

	2017	2016
	AED m	AED m
Balance brought forward	**104**	**97**
Charge for the year	63	51
Unused amounts reversed	(40)	(30)
Amounts written off as uncollectible	(39)	(13)
Currency translation differences	(5)	(1)
Balance carried forward	**83**	**104**

The impairment charge on trade receivables recognised in the consolidated income statement during the year mainly relates to ticketing agents who are in unexpected difficult economic situations and are unable to meet their obligations under the IATA agency programme. This charge is included in operating costs. Amounts charged to the provision account are written off when there is no expectation of further recovery.

The other classes of trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk of trade and other receivables at the reporting date is the carrying value of each class of receivable (excluding prepayments and advance lease rentals).

Ageing of trade receivables that are past due but not impaired is as follows:

	2017	2016
	AED m	AED m
Below 3 months	398	309
3-6 months	63	23
Above 6 months	24	19
	485	**351**

18. Capital

Capital represents the permanent capital of Emirates.

19. Other reserves

	Cash flow hedge reserve AED m	Translation reserve AED m	Total AED m
1 April 2015	**(171)**	**3**	**(168)**
Currency translation differences	-	1	1
Net loss on fair value of cash flow hedges	(1,111)	-	(1,111)
Share of other equity movement of investment accounted for using the equity method	-	(2)	(2)
Transferred to the consolidated income statement	101	-	101
31 March 2016	**(1,181)**	**2**	**(1,179)**
Net gain on fair value of cash flow hedges	478	-	478
Transferred to the consolidated income statement	560	-	560
31 March 2017	**(143)**	**2**	**(141)**

The amounts transferred to the consolidated income statement have been (debited)/credited to the following line items:

	2017 AED m	2016 AED m
Revenue	(41)	357
Operating costs	(359)	(238)
Finance costs	(160)	(220)
	(560)	**(101)**

20. Borrowings and lease liabilities

	2017 AED m	2016 AED m
Non-current		
Bonds (Note 21)	3,561	4,167
Term loans (Note 22)	3,443	2,659
Lease liabilities (Note 23)	33,167	34,019
	40,171	**40,845**
Current		
Bonds (Note 21)	606	4,685
Term loans (Note 22)	1,514	277
Lease liabilities (Note 23)	8,707	4,298
Bank overdraft (Note 33)	4	-
	10,831	**9,260**
	51,002	**50,105**
Borrowings and lease liabilities are denominated in the following currencies:		
US Dollars	47,283	45,957
UAE Dirhams	3,719	3,741
Singapore Dollars	-	407

The effective interest rate per annum on lease liabilities was 2.8% (2016: 2.6%), term loans was 3.1% (2016: 3.6%) and bonds was 4.5% (2016: 4.7%).

21. Bonds

	2017 AED m	2016 AED m
Balance brought forward	**8,878**	**9,481**
Repayments during the year	(4,682)	(610)
Currency translation differences	(9)	7
Balance carried forward	**4,187**	**8,878**
Less: Transaction costs	(20)	(26)
	4,167	**8,852**
Bonds are repayable as follows:		
Within one year (Note 20)	**606**	**4,685**
Between 2 and 5 years	2,429	2,427
After 5 years	1,132	1,740
Total over one year (Note 20)	**3,561**	**4,167**
Bonds are denominated in the following currencies:		
Fixed interest rate bonds		
US Dollars	4,187	8,471
Singapore Dollars	-	407
	4,187	**8,878**
Less: Transaction costs	(20)	(26)
	4,167	**8,852**
The fair values of the bonds are as follows:		
US Dollars	4,244	8,536
Singapore Dollars	-	410
	4,244	**8,946**

The fair value of the bonds is based on listed prices and falls into level 1 of the fair value hierarchy.

22. Term loans

	2017 AED m	2016 AED m
Balance brought forward	**2,965**	**2,845**
Additions during the year	3,010	1,213
Repayments during the year	(944)	(1,093)
Balance carried forward	**5,031**	**2,965**
Less: Transaction costs	(74)	(29)
	4,957	**2,936**
Loans are repayable as follows:		
Within one year (Note 20)	**1,514**	**277**
Between 2 and 5 years	1,528	1,780
After 5 years	1,915	879
Total over one year (Note 20)	**3,443**	**2,659**
Loans are denominated in the following currencies:		
US Dollars	4,540	2,461
UAE Dirhams	417	475

Contractual repricing dates are set at three to six month intervals. Term loans amounting to AED 3,512 m (2016: AED 1,884 m) are secured on aircraft.

The fair value of the term loans amounts to AED 4,947 m (2016: AED 2,982 m). The fair value is determined by discounting projected cash flows using the interest rate yield curve for the remaining term to maturities and currencies adjusted for credit spread. The fair value of the term loans falls into level 2 of the fair value hierarchy.

23. Lease liabilities

Finance leases

	2017 AED m	2016 AED m
Gross lease liabilities:		
Within one year	9,906	5,323
Between 2 and 5 years	22,503	21,866
After 5 years	15,642	17,257
	48,051	**44,446**
Future interest	(6,177)	(6,129)
Present value of finance lease liabilities	**41,874**	**38,317**
The present value of finance lease liabilities is repayable as follows:		
Within one year (Note 20)	**8,707**	**4,298**
Between 2 and 5 years	19,122	18,453
After 5 years	14,045	15,566
Total over one year (Note 20)	**33,167**	**34,019**
The present value of finance lease liabilities are denominated in the following currencies:		
US Dollars	38,576	35,051
UAE Dirhams	3,298	3,266

Lease liabilities amounting to AED 40,596 m (2016: AED 37,277 m) are secured on the related aircraft and aircraft engines.

The fair value of lease liabilities amounts to AED 41,302 m (2016: AED 38,709 m). The fair value is determined by discounting projected cash flows using the interest rate yield curve for the remaining term to maturities and currencies adjusted for credit spread. The fair value of lease liabilities falls into level 2 of the fair value hierarchy.

Some lease agreements provide for variable lease payments to the extent that the interest portion is linked to market interest rates, normally the LIBOR.

23. Lease liabilities (continued)

Operating leases

	2017 AED m	2016 AED m
Future minimum lease payments are as follows:		
Aircraft fleet	80,266	66,403
Others	2,504	2,242
	82,770	**68,645**
Within one year	10,913	9,472
Between 2 and 5 years	37,508	31,898
After 5 years	34,349	27,275
	82,770	**68,645**

The future minimum lease payments include AED 6,077 m (2016: AED 6,955 m) related to a company under common control. Such payments are on normal commercial terms.

Emirates is entitled to extend certain aircraft leases for a further period of one to six years at the end of the initial lease period.

Some lease agreements provide for variable lease payments to the extent that the interest portion is linked to market interest rates, normally the LIBOR.

24. Provisions

	2017 AED m	2016 AED m
Non-current		
Retirement benefit obligations (Note 25)	1,297	1,464
Provision for aircraft return conditions (Note 26)	2,528	2,298
	3,825	**3,762**
Current		
Provision for aircraft return conditions (Note 26)	597	505
	597	**505**
	4,422	**4,267**

25. Retirement benefit obligations

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its defined benefit obligations at 31 March 2017 in respect of employees' end of service benefits payable under relevant local regulations and contractual arrangements. The assessment assumed expected salary increases averaging 3.0% (2016: 4.5%) and a discount rate of 4.25% (2016: 4.0%) per annum. The present values of the defined benefit obligations at 31 March 2017 were computed using the actuarial assumptions set out above.

The liabilities recognised in the consolidated statement of financial position are:

	2017 AED m	**2016** AED m
Funded scheme		
Present value of defined benefit obligations	2,316	2,074
Less: Fair value of plan assets	(2,309)	(2,037)
	7	**37**
Unfunded scheme		
Present value of defined benefit obligations	**1,290**	**1,427**
Liability recognised in the consolidated statement of financial position	**1,297**	**1,464**

(i) Funded scheme

Senior employees based in the UAE participate in a defined benefit provident scheme to which Emirates contributes a specified percentage of basic salary based upon the employee’s grade and duration of service. Amounts contributed are invested in a trustee administered scheme and accumulate along with returns earned on investments. Contributions are made on a monthly basis irrespective of fund performance and are not pooled, but are separately identifiable and attributable to each participant. The fund comprises a diverse mix of managed funds and investment decisions are controlled directly by the participating employees.

Benefits receivable under the provident scheme are subject to vesting rules, which are dependent upon a participating employee's length of service. If at the time an employee leaves employment, the accumulated vested amount, including investment returns, is less than the end of service benefits that would have been payable to that employee under relevant local regulations, Emirates pays the shortfall amount directly to the employee. However, if the accumulated vested amount exceeds the end of service benefits that would have been payable to an employee under relevant local regulations, the employee receives either seventy five or one hundred percent of their fund balance depending on their length of service. Vested assets of the scheme are not available to Emirates or its creditors in any circumstances.

The liability of AED 7 m (2016: AED 37 m) represents the amount that will not be settled from plan assets and is calculated as the excess of the present value of the defined benefit obligation for an individual employee over the fair value of the employee's plan assets at the end of the reporting period.

The movement in the fair value of the plan assets is as follows:

	2017 AED m	**2016** AED m
Balance brought forward	**2,037**	**1,976**
Contributions received	302	288
Benefits paid	(153)	(153)
Change in fair value	123	(74)
Balance carried forward	**2,309**	**2,037**

25. Retirement benefit obligations (continued)

Contributions received include the transfer of accumulated benefits from unfunded schemes. Emirates expects to contribute approximately AED 308 m for existing plan members during the year ending 31 March 2018.

Actuarial gains and losses and the expected return on plan assets are not calculated given that investment decisions relating to plan assets are under the direct control of participating employees.

(ii) Unfunded schemes

End of service benefits for employees who do not participate in the provident scheme or other defined contribution plans follow relevant local regulations, which are mainly based on periods of cumulative service and levels of employees' final basic salaries. The liability recognised in the consolidated statement of financial position is the present value of the defined benefit obligation at the end of the reporting period.

The movement in the defined benefit obligation is as follows:

	2017 AED m	2016 AED m
Balance brought forward	**1,427**	**1,291**
Current service cost	206	193
Interest cost	59	55
Remeasurement		
- changes in experience / demographic assumptions	13	(9)
- changes in financial assumptions	(324)	-
Payments made during the year	(91)	(103)
Balance carried forward	**1,290**	**1,427**

Payments made during the year include transfer of accumulated benefits to Emirates' funded scheme.

(iii) Defined contribution plans

Emirates pays fixed contributions to certain defined contribution plans and has no legal or constructive obligation to pay further contributions to settle the benefits relating to employees' service in the current and prior periods.

The total amount recognised in the consolidated income statement is as follows:

	2017 AED m	2016 AED m
Defined benefit plan		
Funded scheme		
Contributions expensed	294	274
Net change in the present value of defined benefit obligations over plan assets	(30)	3
	264	**277**
Unfunded scheme		
Current service cost	206	193
Interest cost	59	55
	265	**248**
Defined contribution plan		
Contributions expensed	212	208
Recognised in the consolidated income statement	**741**	**733**

25. Retirement benefit obligations (continued)

The sensitivity of unfunded scheme to changes in the principal assumptions is set out below:

Assumption	**Change**	**Effect on unfunded scheme** AED m
Discount rate	+ 0.5%	(70)
	- 0.5%	78
Expected salary increases	+ 0.5%	81
	- 0.5%	(73)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. In calculating the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period.

The weighted average duration of the unfunded scheme is 14 years (2016: 16 years).

Through its defined benefit plans Emirates is exposed to a number of risks, the most significant of which are detailed below:

a) Change in discount rate: Retirement benefit obligations will increase due to a decrease in market yields of high quality corporate bonds.

b) Expected salary increases: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the retirement benefit obligations.

26. Provision for aircraft return conditions

Movements in the provision for aircraft maintenance are as follows:

	2017 AED m	**2016** AED m
Balance brought forward	**2,803**	**2,316**
Charge for the year	797	767
Unwinding of discount - net	156	82
Utilised on return of aircraft & aircraft engines	(475)	(62)
Unutilised amounts reversed	(156)	(300)
Balance carried forward	**3,125**	**2,803**
The provision is expected to be used as follows:		
Within one year (Note 24)	**597**	**505**
Over one year (Note 24)	**2,528**	**2,298**

27. Deferred revenue

	2017 AED m	**2016** AED m
Balance brought forward	**2,912**	**2,894**
Additions during the year	1,446	1,776
Recognised during the year	(1,893)	(1,758)
Balance carried forward	**2,465**	**2,912**
Deferred revenue is expected to be recognised as follows:		
Within one year	**1,486**	**1,316**
Over one year	**979**	**1,596**

Deferred revenue relates to the frequent flyer programme and represents the fair value of outstanding award credits. Revenue is recognised when Emirates fulfils its obligations by supplying free or discounted goods or services on the redemption of the award credits.

Deferred revenue is classified within current and non-current liabilities based on expected redemption patterns.

28. Deferred credits

	2017 AED m	2016 AED m
Balance brought forward	**1,229**	**256**
Additions during the year	1,456	1,041
Recognised during the year	(205)	(68)
Balance carried forward	**2,480**	**1,229**
Deferred credits will be recognised as follows:		
Within one year	**253**	**139**
Over one year	**2,227**	**1,090**

29. Deferred income tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same income tax authority. The offset amounts are as follows:

	2017 AED m	2016 AED m
Deferred income tax asset	10	3
Deferred income tax liability	(5)	(4)
	5	**(1)**
The movements in deferred taxes are as follows:		
Balance brought forward	**(1)**	**4**
Acquisition	-	(4)
Debited to the consolidated income statement (Note 9)	-	(1)
Tax consolidation settlements	6	-
Balance carried forward	**5**	**(1)**

A deferred tax asset has not been recognised in respect of carried forward tax losses amounting to AED 93 m (2016: AED 473 m).

30. Trade and other payables

	2017 AED m	2016 AED m
Trade payables and accruals	13,910	13,497
Passenger and cargo sales in advance	10,878	10,951
Related parties (Note 37)	1,088	497
Dividend payable	-	2,100
	25,876	**27,045**
Less: Payables over one year	(683)	(513)
	25,193	**26,532**

The carrying value of trade and other payables over one year approximate to their fair value.

31. Guarantees

	2017 AED m	2016 AED m
Performance bonds and letters of credit provided by banks in the normal course of business	383	371

Performance bonds and letters of credit include AED 94 m (2016: AED 124 m) provided by companies under common control on normal commercial terms.

32. Commitments

Capital commitments

	2017 AED m	2016 AED m
Authorised and contracted:		
Aircraft	210,064	236,375
Non-aircraft	1,663	3,107
Joint ventures	38	38
	211,765	**239,520**
Authorised but not contracted:		
Non-aircraft	2,827	3,553
Joint ventures	17	79
	2,844	**3,632**
	214,609	**243,152**

Commitments have been entered into for the purchase of aircraft for delivery as follows:

Financial year	**Aircraft**
2017-18	19
Beyond 2017-18	200

In addition, purchase options are held on 50 Boeing aircraft.

In the event that delivery of certain aircraft are not taken, penalties are payable by Emirates to the extent of AED 1,858 m (2016: AED 2,079 m).

Operational commitments

	2017 AED m	2016 AED m
Sales and marketing	2,036	2,809

33. Short term bank deposits and cash and cash equivalents

	2017 AED m	2016 AED m
Bank deposits	12,034	13,939
Cash and bank	3,634	6,049
Cash and bank balances	**15,668**	**19,988**
Less: Short term bank deposits - over 3 months	(6,706)	(7,823)
Cash and cash equivalents as per the consolidated statement of financial position	**8,962**	**12,165**
Bank overdraft (Note 20)	(4)	-
Cash and cash equivalents as per the consolidated statement of cash flows	**8,958**	**12,165**

Cash and bank balances earned an effective interest rate of 2.6% (2016: 2.2%) per annum.

Cash and bank balances include AED 10,014 m (2016: AED 11,188 m) held with companies under common control.

34. Cash outflow on property, plant and equipment

For the purposes of the consolidated statement of cash flows, cash outflow on property, plant and equipment is analysed as follows:

	2017 AED m	2016 AED m
Additions to property, plant and equipment	12,363	16,349
Less: Assets acquired under finance leases	(7,981)	(6,845)
	4,382	**9,504**

35. Derivative financial instruments

Description	2017		2016	
	Term	AED m	Term	AED m
Cash flow hedge				
Non-current assets				
Interest rate swaps	2018-2028	38		**-**
		38		**-**
Current assets				
Currency swaps and forwards		8		12
		8		**12**
Cash flow hedge				
Non-current liabilities				
Interest rate swaps	2017-2023	(192)	2016-2023	(440)
		(192)		**(440)**
Current liabilities				
Interest rate swaps		(2)		-
Currency swaps and forwards		(1)		(176)
Jet fuel swaps		-		(561)
		(3)		**(737)**

The notional principal amounts outstanding are:

	2017	2016
	AED m	AED m
Interest rate contracts	6,626	6,957
Currency contracts	868	5,090
Jet fuel price contracts	-	1,528

The notional principal amounts outstanding include AED 2,293 m (2016: AED 1,973 m) against derivatives entered with companies under common control.

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 maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the consolidated statement of financial position.

36. Classification of financial instruments

The accounting policies for financial instruments have been applied to the line items below:

Description	Loans and receivables	Derivative financial instruments	Financial liabilities at amortised cost	Total
	AED m	AED m	AED m	AED m
2017				
Assets				
Loans and other receivables (excluding prepayments)	104	-	-	104
Derivative financial instruments	-	46	-	46
Trade and other receivables (excluding prepayments and advance lease rentals)	6,828	-	-	6,828
Short term bank deposits	6,706	-	-	6,706
Cash and cash equivalents	8,962	-	-	8,962
Total	**22,600**	**46**	**-**	**22,646**
Liabilities				
Borrowings and lease liabilities	-	-	51,002	51,002
Provision for aircraft return conditions	-	-	3,125	3,125
Trade and other payables (excluding passenger and cargo sales in advance)	-	-	14,998	14,998
Derivative financial instruments	-	195	-	195
Total	**-**	**195**	**69,125**	**69,320**

36. Classification of financial instruments (continued)

Description	Loans and receivables	Derivative financial instruments	Financial liabilities at amortised cost	Total
	AED m	AED m	AED m	AED m
2016				
Assets				
Loans and other receivables (excluding prepayments)	337	-	-	337
Derivative financial instruments	-	12	-	12
Trade and other receivables (excluding prepayments and advance lease rentals)	6,883	-	-	6,883
Short term bank deposits	7,823	-	-	7,823
Cash and cash equivalents	12,165	-	-	12,165
Total	**27,208**	**12**	**-**	**27,220**
Liabilities				
Borrowings and lease liabilities	-	-	50,105	50,105
Provision for aircraft return conditions	-	-	2,803	2,803
Trade and other payables (excluding passenger and cargo sales in advance)	-	-	16,094	16,094
Derivative financial instruments	-	1,177	-	1,177
Total	**-**	**1,177**	**69,002**	**70,179**

37. Related party transactions and balances

Emirates transacts with associates, joint ventures and companies controlled by Emirates and its parent within the scope of its ordinary business activities.

Emirates and dnata share central corporate functions such as information technology, facilities, human resources, finance, treasury, cash management, legal and other functions. Where such functions are shared, the costs are allocated between Emirates and dnata based on activity levels.

Other than these shared service arrangements, the following transactions have taken place on an arm's length basis.

	2017 AED m	2016 AED m
Trading transactions:		
(i) Sale of goods and services		
Sale of goods - Companies under common control	276	229
Sale of goods - Joint ventures	24	15
Sale of goods - Associates	44	57
Services rendered - Companies under common control	426	413
Services rendered - Joint ventures	15	20
Frequent flyer miles sales - Companies under common control	300	280
	1,085	**1,014**
(ii) Purchase of goods and services		
Purchase of goods - Companies under common control	4,768	4,358
Purchase of goods - Associates	241	267
Services received - Companies under common control	3,132	3,079
Services received - Joint ventures	15	9
Purchase of goods - Joint ventures	-	3
	8,156	**7,716**

	2017 AED m	2016 AED m
Other transactions:		
(i) Finance income		
Companies under common control	157	66
Joint ventures	2	3
	159	**69**
(ii) Compensation to key management personnel		
Salaries and short term employee benefits	104	142
Post-employment benefits	15	14
Termination benefits	1	-
	120	**156**
(iii) Purchase of assets		
Company under common control	-	40

Emirates also uses a number of Government controlled public utilities for its operations in Dubai, where these entities are the sole providers of the relevant services. This includes the supply of electricity, water and airport services. These transactions are carried out on an arm's length basis.

37. Related party transactions and balances (continued)

	2017 AED m	2016 AED m
Year end balances		
(i) Receivables - sale of goods and services		
Associates	8	16
Joint ventures	17	10
Companies under common control	80	143
Receivable within one year	**105**	**169**
(ii) Receivables - other transactions		
Companies under common control	75	65
Receivable within one year	**75**	**65**

The amounts outstanding at year end are unsecured and will be settled in cash. No impairment charge has been recognised during the year in respect of amounts owed by related parties.

	2017 AED m	2016 AED m
(iii) Loans receivable		
Joint ventures	13	26
	13	**26**
Movement in the loans were as follows:		
Balance brought forward	**26**	**267**
Repayments during the year	(13)	(240)
Currency translation differences	-	(1)
Balance carried forward	**13**	**26**
Receivable within one year	**5**	**14**
Receivable over one year (Note 15)	**8**	**12**

Receivables from and loans to companies under common control relate to government entities, which are unrated. Management is of the opinion that the amounts are fully recoverable.

	2017 AED m	2016 AED m
(iv) Loans and advances to key management personnel		
Balance brought forward	**8**	**8**
Additions during the year	5	7
Repayments during the year	(7)	(7)
Balance carried forward	**6**	**8**
Receivable within one year	**3**	**4**
Receivable over one year (Note 15)	**3**	**4**

	2017 AED m	2016 AED m
(v) Payables - purchase of goods and services (Note 30)		
Associates	3	11
Companies under common control	1,064	486
	1,067	**497**
(vi) Other payables (Note 30)		
Companies under common control	21	-
	21	**-**

38. Financial risk management

Financial risk factors

Emirates is exposed to a variety of financial risks which involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Emirates' aim is, therefore, to achieve an appropriate balance between risk and return and minimise potential adverse effects on Emirates' financial performance.

Emirates' risk management procedures are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information. Emirates regularly reviews its risk management procedures and systems to reflect changes in markets, products and emerging best practice. Emirates uses derivative financial instruments to hedge certain risk exposures.

A risk management programme is carried out under guidelines that are approved by a steering group comprising senior management. Identification, evaluation and hedging financial risks is done in close cooperation with the operating units. Senior management is also responsible for the review of risk management and the control environment. The various financial risk elements are discussed below:

(i) Credit risk

Emirates is exposed to credit risk, which is the risk that a counterparty will cause a financial loss to Emirates by failing to discharge an obligation. Financial assets that potentially subject Emirates to credit risk consist principally of deposits with banks and other financial institutions, derivative counterparties as well as receivables from agents selling commercial air transportation. Emirates uses external ratings such as Standard & Poor's and Moody's or their equivalent in order to measure and monitor its credit risk exposures to financial institutions. In the absence of independent ratings, credit quality is assessed based on the counterparty's financial position, past experience and other factors.

Emirates manages limits and controls concentrations of risk wherever they are identified. In the normal course of business, Emirates places significant deposits with high credit quality banks and financial institutions. Transactions with derivative counterparties are similarly limited to high credit quality financial institutions. Exposure to credit risk is also managed through regular analysis of the ability of counterparties and potential counterparties to meet their obligations and by changing their limits where appropriate. Approximately 86% (2016: 82%) of cash and bank balances are held with financial institutions based in the UAE.

The sale of passenger and cargo transportation is largely achieved through International Air Transport Association (IATA) approved sales agents and online sales. 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.

Significant balances in other receivables are held with companies given a high credit rating by leading international rating agencies.

The table below presents an analysis of short term bank deposits and bank balances by rating agency designation at the end of the reporting period based on Standard & Poor's ratings or its equivalent for Emirates' main banking relationships:

	2017	2016
	AED m	AED m
AA- to AA+	315	288
A- to A+	12,578	6,233
BBB+	1,696	12,422

(ii) Market risk

Emirates is exposed to market risk, which 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 three types of risk - jet fuel price risk, currency risk and interest rate risk.

38. Financial risk management (continued)

Jet fuel price risk

Emirates is exposed to volatility in the price of jet fuel and closely monitors the actual cost against the forecast cost. To manage the price risk, Emirates considers the use of commodity futures, options and swaps to achieve a level of control over higher jet fuel costs so that profitability is not adversely affected.

Currency risk

Emirates is exposed to the effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. Exposure arises due to exchange rate fluctuations between the UAE Dirham and other currencies generated from Emirates' revenue earning activities. Long term debt obligations are mainly denominated in UAE Dirhams or in US Dollars to which the UAE Dirham is pegged. Additionally, some operating lease liabilities are denominated in Euro, Pound Sterling and Japanese Yen to provide a natural hedge against revenue inflows in these currencies. The liability relating to Singapore Dollar bond was settled during the year. Senior management monitors currency positions on a regular basis.

Emirates is in a net payer position with respect to the US Dollar and in a net surplus position for other currencies. Currency surpluses are converted to US Dollar and UAE Dirham funds. Currency risks arise mainly from Emirates' revenue earning activities in Euro, Pound Sterling, Australian Dollar, Indian Rupee, Chinese Yuan, Swiss Franc, South African Rand and Japanese Yen. Currency risks are hedged using forwards and options, as appropriate, as well as by way of a natural hedge between foreign currency inflows and outflows.

Emirates is also subject to the risk that countries in which it may earn revenues may impose restrictions or prohibition on the export of those revenues. Emirates seeks to minimise this risk by repatriating surplus funds to the UAE on a monthly basis. Cash and cash equivalents for the current year include AED 230 m (2016: AED 338 m) held in countries where exchange controls and other restrictions apply.

Interest rate risk

Emirates is exposed to the effects of fluctuations in the prevailing levels of interest rates on borrowings and investments. Exposure arises from interest rate fluctuations in the international financial markets with respect to interest cost on its long term debt obligations, operating lease rentals and interest income on its cash surpluses. The key reference rates based on which interest costs are determined are LIBOR and EIBOR for UAE Dirhams. Summarised quantitative data is available in Note 20 for interest cost exposures.

Borrowings taken at variable rates expose Emirates to cash flow interest rate risk while borrowings issued at fixed rates expose Emirates to fair value interest rate risk. Emirates targets a balanced portfolio approach, whilst nevertheless taking advantage of opportune market movements using appropriate hedging solutions including interest rate swaps. Variable rate debt and cash surpluses are mainly denominated in UAE Dirhams and US Dollars.

Sensitivity analysis of market risk

The following sensitivity analysis, relating to existing financial instruments, shows how profit and equity would change if the market risk variables had been different at the end of the reporting period with all other variables held constant and has been computed on the basis of assumptions and indices used and considered by other market participants.

	2017		2016	
	Effect on profit	**Effect on equity**	**Effect on profit**	**Effect on equity**
	AED m	AED m	AED m	AED m
Interest cost				
- 25 basis points				
UAE Dirhams	6	6	7	7
US Dollars	70	26	52	(1)
	76	**32**	**59**	**6**
+ 25 basis points				
UAE Dirhams	(6)	(6)	(7)	(7)
US Dollars	(70)	(26)	(52)	1
	(76)	**(32)**	**(59)**	**(6)**

38. Financial risk management (continued)

	2017		2016	
	Effect on profit	**Effect on equity**	**Effect on profit**	**Effect on equity**
	AED m	AED m	AED m	AED m
Interest income				
- 25 basis points	(5)	-	(7)	(7)
+ 25 basis points	5	-	7	7
Currency - Pounds Sterling				
+ 1%	1	-	-	(1)
- 1%	(1)	-	-	1
Currency - Euro				
+ 1%	3	-	4	(20)
- 1%	(3)	-	(4)	20
Currency - Australian Dollars				
+ 1%	1	(1)	1	(12)
- 1%	(1)	1	(1)	12
Currency - Japanese Yen				
+ 1%	-	-	-	(2)
- 1%	-	-	-	2
Currency - Singapore Dollars				
+ 1%	-	-	(4)	(4)
- 1%	-	-	4	4
Fuel price				
+ USD 5 on price	-	-	-	191
- USD 5 on price	-	-	-	(194)

(iii) Liquidity risk

Liquidity risk is the risk that Emirates is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn.

Emirates' liquidity management process as monitored by senior management, includes the following:

- Day to day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature.
- Maintaining rolling forecasts of Emirates' liquidity position on the basis of expected cash flows.
- Monitoring liquidity ratios against internal standards.
- Maintaining debt financing plans.
- Maintaining diversified credit lines including stand-by credit facility

Sources of liquidity are regularly reviewed by senior management to maintain a diversification by geography, provider, product and term.

38. Financial risk management (continued)

Summarised below in the table is the maturity profile of financial liabilities and net-settled derivative financial liabilities based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Less than 1 year AED m	2 - 5 years AED m	Over 5 years AED m	Total AED m
2017				
Borrowings and lease liabilities	12,319	27,257	19,143	58,719
Derivative financial instruments	105	69	-	174
Provision for aircraft return conditions	630	1,991	1,205	3,826
Trade and other payables (excluding passenger and cargo sales in advance)	14,315	683	-	14,998
	27,369	**30,000**	**20,348**	**77,717**
2016				
Borrowings and lease liabilities	10,675	26,704	20,166	57,545
Derivative financial instruments	995	283	4	1,282
Provision for aircraft return conditions	519	1,732	1,319	3,570
Trade and other payables (excluding passenger and cargo sales in advance)	15,581	513	-	16,094
	27,770	**29,232**	**21,489**	**78,491**

39. Capital management

Emirates' objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for its Owner and to maintain an optimal capital structure to reduce the cost of capital.

Emirates monitors the return on Owner's equity, which is defined as the profit attributable to the Owner expressed as a percentage of average Owner's equity. Emirates seeks to provide a better return to the Owner by borrowing and taking aircraft on operating leases to meet its growth plans. In 2017, Emirates achieved a return on Owner's equity funds of 3.8% (2016: 23.8%).

Emirates also monitors capital on the basis of a gearing ratio which is calculated as the ratio of borrowings and lease liabilities, net of cash assets to total equity. In 2017, this ratio is 100.7% (2016: 92.9%) and if aircraft operating leases are included, the ratio is 237.9% (2016: 215.9%).

Independent Auditor's Report to the Owner of Emirates

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Emirates and its subsidiaries (together referred to as "Emirates"), which comprise the consolidated statement of financial position as of 31 March 2016 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity'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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Emirates as of 31 March 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers
8 May 2016

Paul Suddaby
Registered Auditor Number 309
Dubai, United Arab Emirates

Consolidated Income Statement for the year ended 31 March 2016

	Note	2016	2015
		AED m	AED m
Revenue	5	83,500	86,728
Other operating income	6	1,544	2,091
Operating costs	7	(76,714)	(82,926)
Operating profit		**8,330**	**5,893**
Finance income	8	220	175
Finance costs	8	(1,329)	(1,449)
Share of results of investments accounted for using the equity method	13	142	152
Profit before income tax		**7,363**	**4,771**
Income tax expense	9	(45)	(43)
Profit for the year		**7,318**	**4,728**
Profit attributable to non-controlling interests		193	173
Profit attributable to Emirates' Owner		**7,125**	**4,555**

Consolidated Statement of Comprehensive Income for the year ended 31 March 2016

Profit for the year		**7,318**	**4,728**
Items that will not be reclassified to the consolidated income statement			
Remeasurement of retirement benefit obligations	25	9	(142)
Items that are or may be reclassified subsequently to the consolidated income statement			
Currency translation differences	19	1	(45)
Cash flow hedges	19	(1,010)	511
Share of other comprehensive income of investments accounted for using the equity method	19	(2)	-
Other comprehensive income		**(1,002)**	**324**
Total comprehensive income for the year		**6,316**	**5,052**
Total comprehensive income attributable to non-controlling interests		193	173
Total comprehensive income attributable to Emirates' Owner		**6,123**	**4,879**

Notes 1 to 39 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position as at 31 March 2016

	Note	2016 AED m	2015 AED m
ASSETS			
Non-current assets			
Property, plant and equipment	11	82,836	80,544
Intangible assets	12	1,317	975
Investments accounted for using the equity method	13	522	544
Advance lease rentals	14	2,580	920
Loans and other receivables	15	494	619
Derivative financial instruments	35	-	21
Deferred income tax asset	29	3	4
		87,752	**83,627**
Current assets			
Inventories	16	2,106	1,919
Trade and other receivables	17	9,321	8,589
Derivative financial instruments	35	12	342
Short term bank deposits	33	7,823	8,488
Cash and cash equivalents	33	12,165	8,397
		31,427	**27,735**
Total assets		**119,179**	**111,362**

	Note	2016 AED m	2015 AED m
EQUITY AND LIABILITIES			
Capital and reserves			
Capital	18	801	801
Other reserves	19	(1,179)	(168)
Retained earnings		32,287	27,253
Attributable to Emirates' Owner		**31,909**	**27,886**
Non-controlling interests		**496**	**400**
Total equity		**32,405**	**28,286**
Non-current liabilities			
Trade and other payables	30	513	202
Borrowings and lease liabilities	20	40,845	42,426
Deferred revenue	27	1,596	1,650
Deferred credits	28	1,090	207
Derivative financial instruments	35	440	521
Provisions	24	3,762	3,589
Deferred income tax liability	29	4	-
		48,250	**48,595**
Current liabilities			
Trade and other payables	30	27,037	27,770
Income tax liabilities		35	34
Borrowings and lease liabilities	20	9,260	5,382
Deferred revenue	27	1,316	1,244
Deferred credits	28	139	49
Derivative financial instruments	35	737	2
		38,524	**34,481**
Total liabilities		**86,774**	**83,076**
Total equity and liabilities		**119,179**	**111,362**

The consolidated financial statements were approved on 8 May 2016 and signed by:

Sheikh Ahmed bin Saeed Al-Maktoum
Chairman and Chief Executive

Timothy Clark
President

Notes 1 to 39 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity for the year ended 31 March 2016

	Note	Attributable to Emirates' Owner					
	Note	Capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
		AED m	AED m	AED m	AED m	AED m	AED m
1 April 2014		801	(634)	25,009	25,176	295	25,471
Profit for the year		-	-	4,555	4,555	173	4,728
Other comprehensive income		-	466	(142)	324	-	324
Total comprehensive income		**-**	**466**	**4,413**	**4,879**	**173**	**5,052**
Dividends		-	-	(2,169)	(2,169)	(68)	(2,237)
Transactions with Owners		**-**	**-**	**(2,169)**	**(2,169)**	**(68)**	**(2,237)**
31 March 2015		**801**	**(168)**	**27,253**	**27,886**	**400**	**28,286**
Profit for the year		-	-	7,125	7,125	193	7,318
Other comprehensive income		-	(1,011)	9	(1,002)	-	(1,002)
Total comprehensive income		**-**	**(1,011)**	**7,134**	**6,123**	**193**	**6,316**
Non-controlling interest on acquisition of a subsidiary	13	-	-	-	-	21	21
Dividends		-	-	(2,100)	(2,100)	(118)	(2,218)
Transactions with Owners		**-**	**-**	**(2,100)**	**(2,100)**	**(97)**	**(2,197)**
31 March 2016		**801**	**(1,179)**	**32,287**	**31,909**	**496**	**32,405**

Notes 1 to 39 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows for the year ended 31 March 2016

	Note	2016 AED m	2015 AED m
Operating activities			
Profit before income tax		7,363	4,771
Adjustments for:			
Depreciation and amortisation	7	8,000	7,446
Finance costs - net		1,109	1,274
(Gain) / loss on sale of property, plant and equipment		(367)	(132)
Share of results of investments accounted for using the equity method	13	(142)	(152)
Net provision for impairment of trade receivables	17	21	32
Provision for employee benefits	7	733	669
Net movement on derivative financial instruments		(5)	(17)
Gain on sale of investments accounted for using the equity method		(12)	-
Employee benefit payments		(585)	(534)
Income tax paid		(62)	(68)
Change in inventories		(168)	(213)
Change in receivables and advance lease rentals		(2,234)	194
Change in provisions, payables, deferred credits and deferred revenue		454	(5)
Net cash generated from operating activities		**14,105**	**13,265**

	Note	2016 AED m	2015 AED m
Investing activities			
Proceeds from sale of property, plant and equipment		6,535	3,478
Additions to intangible assets	12	(374)	(157)
Additions to property, plant and equipment	34	(9,504)	(10,269)
Investments in associates and joint ventures	13	(19)	(12)
Acquisition of a subsidiary, net of cash acquired		(23)	-
Movement in short term bank deposits		665	266
Finance income		231	168
Dividends from investments accounted for using the equity method	13	128	115
Net cash used in investing activities		**(2,361)**	**(6,411)**
Financing activities			
Proceeds from loans	22	1,213	2,215
Repayment of bonds and loans		(1,703)	(622)
Aircraft finance lease costs		(918)	(951)
Other finance costs		(294)	(341)
Repayment of lease liabilities		(4,055)	(5,628)
Dividend paid to Emirates' Owner		(2,100)	(869)
Dividend paid to non-controlling interests		(118)	(68)
Net cash used in financing activities		**(7,975)**	**(6,264)**
Net change in cash and cash equivalents		**3,769**	**590**
Cash and cash equivalents at beginning of year		8,393	7,800
Effects of exchange rate changes		3	3
Cash and cash equivalents at end of year	33	**12,165**	**8,393**

Notes 1 to 39 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements for the year ended 31 March 2016

1. General information

Emirates comprises Emirates and its subsidiaries. Emirates was incorporated, with limited liability, by an Emiri Decree issued by H. H. Sheikh Maktoum bin Rashid Al-Maktoum on 26 June 1985 and is wholly owned by the Investment Corporation of Dubai ("the parent company"), a Government of Dubai entity. Emirates commenced commercial operations on 25 October 1985 and is designated as the International Airline of the UAE.

Emirates is incorporated and domiciled in Dubai, UAE. The address of its registered office is Emirates Group Headquarters, PO Box 686, Dubai, UAE.

The main activities of Emirates comprise:

- commercial air transportation which includes passenger and cargo services
- wholesale and retail of consumer goods
- hotel operations
- in-flight catering
- food and beverage sales

2. Summary of significant accounting policies

A summary of the significant accounting policies, which have been applied consistently in the preparation of these consolidated financial statements, is set out below.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC). The consolidated financial statements are prepared under the historical cost convention except for those financial assets and financial liabilities that are measured at fair value as stated in the accounting policies below.

Standards and amendments to published standards that are relevant to Emirates

Effective and adopted in the current year

At the date of authorisation of these consolidated financial statements, certain new amendments to the existing standards have been published and are mandatory for the current accounting period. These amendments did not have a material impact on the consolidated financial statements and are set out below :

- Annual improvements 2010-2012 cycle (effective from 1 July 2014)
- Annual improvements 2011-2013 cycle (effective from 1 July 2014)

Not yet effective and have not been early adopted

At the date of authorisation of these consolidated financial statements, certain new accounting standards and amendment have been published that are mandatory for accounting periods commencing after 1 April 2016 or later periods, but have not been early adopted. Management is currently assessing the following standards and amendment which are likely to have an impact on Emirates.

IFRS 9, Financial Instruments (effective from 1 January 2018)

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces a new expected credit loss model.

The new guidance has also substantially reformed the existing hedge accounting rules. It provides a more principles-based approach that aligns hedge accounting closely with risk management policies.

IFRS 15, Revenue from Contracts with Customers (effective from 1 January 2018)

IFRS 15 replaces IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard provides a single principles-based five-step model to be applied to all contracts with customers.

2. Summary of significant accounting policies (continued)

IFRS 16, Leases (effective from 1 January 2019)

IFRS 16 specifies how to recognise, measure, present and disclose leases. The standard replaces the existing lease classification model of operating and finance leases and provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value.

Amendment to IAS 7, Statement of cash flows (effective from 1 January 2017)

In January 2016, the IASB amended IAS 7 to require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Basis of consolidation

Subsidiaries are those entities (including structured entities) over which Emirates has control. Control is exercised when Emirates is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over that entity. Subsidiaries are fully consolidated from the date on which control is transferred to Emirates and are de-consolidated from the date that control ceases. Inter-company transactions, balances and unrealised gains and losses arising on transactions between Emirates and its subsidiaries are eliminated.

The acquisition method of accounting is used to account for business combinations by Emirates. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, liabilities incurred to the former owners of the acquiree, fair value of contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets, including intangible assets acquired, liabilities and contingent liabilities incurred or assumed in a business combination, are measured initially at their fair values at the acquisition date. Any non-controlling interest in the acquiree is recognised on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the consolidated income statement.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the consolidated income statement.

Emirates treats transactions with non-controlling interests that do not result in loss of control as transactions with the owners. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid is recorded in equity.

Associates are those entities in which Emirates has significant influence but not control or joint control, generally accompanying a shareholding between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investments in associates are accounted for by applying the equity method and include goodwill (net of accumulated impairment loss, if any) identified on acquisition, after initially being recorded at cost.

Joint ventures are contractual arrangements which establish joint control and where Emirates has rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Investments in joint ventures are accounted for by applying the equity method and include goodwill (net of accumulated impairment loss, if any) identified on acquisition, after initially being recognised at cost.

All material unrealised gains and losses arising on transactions between Emirates and its associates and joint ventures are eliminated to the extent of Emirates' interest.

Accounting policies of subsidiaries, associates and joint ventures have been changed where necessary to ensure consistency with Emirates' accounting policies.

When Emirates ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in the carrying amount recognised in the consolidated income statement. The fair value becomes the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the related assets or liabilities have been directly disposed off. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement. If the ownership in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement where appropriate.

2. Summary of significant accounting policies (continued)

Revenue

Passenger (including excess baggage) and cargo sales are recognised as revenue when the transportation is provided. Revenue documents (e.g. tickets or airway bills) sold but unused are held in the consolidated statement of financial position under current liabilities as passenger and cargo sales in advance. Unused flight documents are recognised as revenue based on their terms and conditions and historical trends.

Revenue from the sale of consumer goods, food and beverages and in-flight catering is recognised when risks and rewards of ownership are transferred to the customer and is stated net of discounts and returns.

All other revenues are recognised net of discounts when services are rendered.

Frequent flyer programme

Emirates operates a frequent flyer programme that provides a variety of awards to programme members based on a mileage credit for flights on Emirates and other airlines that participate in the programme. Members can also accrue miles by utilising the services of non-airline programme participants.

Emirates accounts for award credits as a separately identifiable component of the sales transaction in which they are granted. The consideration in respect of the initial sale is allocated to award credits based on their fair value and is accounted for as a liability (deferred revenue) in the consolidated statement of financial position. The fair value is determined using estimation techniques that take into account the fair value of awards for which miles could be redeemed. Miles accrued through utilising the services of programme partners and paid for by the participating partners are also accounted for as deferred revenue until they are utilised. A liability is not recognised for miles that are expected to expire.

Revenue is recognised in the consolidated income statement only when Emirates fulfils its obligations by supplying free or discounted goods or services on redemption of the miles accrued.

Finance income

Interest income is recognised on a time proportion basis using the effective interest method.

Liquidated damages

Income from claims for liquidated damages is recognised in the consolidated income statement as other income or a reduction to operating costs when a contractual entitlement exists, amounts can be reliably measured and receipt is virtually certain. When such claims do not relate to compensations for loss of income or are not towards incremental operating costs, the amounts are taken to the consolidated statement of financial position and recorded as a reduction in the cost of the related asset.

Foreign currency translation

Emirates' consolidated financial statements are presented in UAE Dirhams (AED), which is also the parent company's functional currency. Subsidiaries, associates and joint ventures determine their own functional currency and items included in the financial statements of these companies are measured using that functional currency.

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the end of the reporting period. The resultant foreign exchange gains and losses, other than those on qualifying cash flow hedges deferred in other comprehensive income, are recognised in the consolidated income statement.

Where functional currencies of subsidiaries are different from AED, income and cash flow statements of subsidiaries are translated into UAE Dirhams at average exchange rates for the year that approximate the cumulative effect of rates prevailing on the transaction dates and their assets and liabilities are translated at the exchange rates ruling at the end of reporting period. The resulting exchange differences are recognised in other comprehensive income.

Share of results of investments accounted for using the equity method are translated into UAE Dirhams at average exchange rates for the year whereas Emirates' share of net investments is translated at the exchange rate prevailing at the end of the reporting period. Translation differences relating to investments in associates, joint ventures and monetary assets and liabilities that form part of a net investment in a foreign operation are recognised in other comprehensive income. When investments in associates or joint ventures are disposed of, the translation differences recorded in equity are recognised in the consolidated income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rates prevailing at the end of reporting period.

2. Summary of significant accounting policies (continued)

Income tax

The tax expense for the period comprises current and deferred tax.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where Emirates operate and generate taxable income.

Deferred income tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Also deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill in a business combination. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Cost consists of purchase cost, together with any incidental expenses of 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 Emirates and the cost can be measured reliably. Repairs and maintenance are charged to the consolidated income statement during the period in which they are incurred.

Land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost, less estimated residual values, over the estimated useful lives of the assets or the lease term, if shorter.

The estimated useful lives and residual values are:

Aircraft – new	15 years (residual value 10%)
Aircraft – used	5 years (residual value 0%)
Aircraft engines and parts	5 - 15 years (residual value 0 - 10%)
Buildings	15 - 40 years
Other property, plant and equipment	3 - 20 years or over the lease term, if shorter

Major overhaul expenditure is depreciated over the shorter of the period to the next major overhaul, the remaining lease term or the useful life of the asset concerned.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised in the consolidated income statement.

Borrowing costs

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 borrowed specifically 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 recognised as an expense when incurred.

Manufacturers' credits

Emirates receives credits from manufacturers in connection with the acquisition of certain aircraft and engines. Depending on their nature, these credits are either recorded as a reduction to the cost of the related aircraft and engines or reduced from ongoing operating expenses. Where the aircraft are held under operating leases, these credits are deferred and reduced from the operating lease rentals on a straight-line basis over the period of the related lease as deferred credits.

2. Summary of significant accounting policies (continued)

Finance and operating leases

Where property, plant and equipment have been financed by lease agreements under which substantially all of the risks and rewards incidental to ownership are transferred to Emirates, they are classified as finance leases. Finance leases are capitalised at the commencement of the lease at the lower of the present value of the minimum lease payments or the fair value of the leased asset. The corresponding lease obligations are included under liabilities. Lease payments are treated as consisting of capital and interest elements. The interest element is charged to the consolidated income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Property, plant and equipment acquired under finance leases are depreciated in accordance with Emirates' 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 in respect of operating leases, are charged to the consolidated income statement on a straight-line basis over the period of the lease.

Gains and losses arising on sale and leaseback transactions resulting in an operating lease and where the sale price is at fair value, are recognised immediately in the consolidated income statement. Where the sale price is below fair value, any losses are immediately recognised in the consolidated income statement, except where the loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. Where the sale price is above fair value, the excess over fair value is classified as a deferred credit and amortised over the period for which the asset is expected to be used.

In the case of profits arising on sale and leaseback transactions resulting in finance leases, the excess of sale proceeds over the carrying amount is deferred and amortised over the lease term.

Lease classification is made at the inception of the lease. Lease classification is changed only if, at any time during the lease, the parties to the lease agreement agree to change the provisions of the lease (without renewing it) in a way that it would have been classified differently at inception had the changed terms been in effect at that time. The revised agreement is considered as a new agreement and accounted for prospectively over the remaining term of the lease.

Goodwill

Goodwill represents the excess of the aggregate of the consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets at the date of acquisition.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate a potential impairment and is carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to cash generating units or a group of cash generating units that are expected to benefit from the business combination in which the goodwill arose. An impairment loss is recognised when the carrying value of the cash generating units or a group of cash generating units exceeds its recoverable amount. Impairment losses on goodwill are not reversed.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Other intangible assets

Intangible assets are capitalised at cost only when future economic benefits are probable. Cost includes the purchase price together with any directly attributable expenditure.

In the case of internally developed computer software, development expenditure is capitalised if costs can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable, and there exists an intent and ability to complete the development and to use the asset. Other research and development expenditure not meeting the criteria for capitalisation are recognised in the consolidated income statement as incurred.

Intangible assets are amortised on a straight-line basis over their estimated useful lives which are:

Service rights	15 years
Trade names	20 years
Contractual rights	15 years
Computer software	5 years

The intangible assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2. Summary of significant accounting policies (continued)

Impairment of non-financial assets

Goodwill is not subject to amortisation and is tested annually for impairment. Other non-financial assets 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 costs 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 are reviewed at the end of each reporting period for possible reversal of the impairment loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such amounts are initially recognised at fair value including transaction costs and carried at amortised cost using the effective interest method. The amounts are derecognised when rights to receive cash flows have expired or have been transferred along with substantially all the risks and rewards of ownership.

At the end of each reporting period, an assessment is made whether there is any objective evidence of impairment. Where necessary, the carrying amount is written down through the consolidated income statement to the present value of expected future cash flows discounted at the effective interest rate computed at initial recognition.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Derivatives are designated as 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 or dealer quotes for similar instruments, discounted cash flow models and option pricing models as appropriate. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Emirates' criteria to account for a derivative financial instrument as a hedge include:

- formal documentation of the hedging instruments, hedged items, hedging objective, strategy and basis of measuring effectiveness all of which are prepared prior to applying hedge accounting; and
- documentation showing that the hedge effectiveness is assessed on an ongoing basis and is determined to have been highly effective in offsetting the risk of the hedged item throughout the reporting period.

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 other comprehensive income. When the forecasted transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income are re-classified and included in the initial carrying amount of the asset or liability. These gains and losses are ultimately recognised in the consolidated income statement in the same period during which the asset or liability affects profit or loss. In all other cases, amounts previously recognised in other comprehensive income are transferred to the consolidated income statement in the period during which the forecasted transaction affects the consolidated income statement and are presented in the same line item as the gains and losses from hedged items.

When a cash flow hedging instrument expires or is sold, terminated or exercised, or when a hedge no longer meets the criteria for hedge accounting under IAS 39, any cumulative gain or loss existing in equity at that time is retained in equity and is ultimately recognised in the consolidated income statement when the forecasted transaction occurs. If a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement. The gain or loss on the ineffective portion is recognised in the consolidated income statement.

Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised immediately in the consolidated income statement.

Inventories

Inventories are stated at the lower of cost and estimated net realisable value. Cost is determined on the weighted average cost basis with the exception of consumer goods inventory which is determined on a first-in-first-out basis.

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Where there is objective evidence of amounts that are not collectible, a provision is made for the difference between the carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

2. Summary of significant accounting policies (continued)

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Provisions

Provisions are made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated.

Provision for aircraft maintenance

Provision for aircraft related maintenance represents the estimate of the cost to meet the contractual return conditions on certain aircraft and engines held under operating leases. The present value of the expected cost is recognised during the lease term considering the existing fleet plan and long-term maintenance schedules.

Retirement benefit obligations

Emirates operates or participates in various end of service benefit plans, which are classified either as defined contribution or defined benefit plans.

A defined contribution plan is a pension scheme under which Emirates pays fixed contributions and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to settle the benefits relating to the employees' service in the current and prior periods. Contributions to the pension fund are charged to the consolidated income statement in the period in which they fall due.

A defined benefit plan is a plan which is not a defined contribution plan. The liability recognised in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets at that date. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting estimated future cash outflows using market yields at the end of the reporting period of high quality corporate bonds that have terms to maturity approximating to the estimated term of the post-employment benefit obligations.

Actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments are recognised in equity through the consolidated statement of comprehensive income in the period in which they arise.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial assets and financial liabilities

Financial assets are derecognised only when the contractual rights to the cash flows expire or substantially all the risks and rewards of ownership are transferred along with the contractual rights to receive cash flows. Financial liabilities are derecognised only when they are extinguished i.e. when the obligations specified in the contract are discharged or cancelled or expire.

Cash and cash equivalents

Cash and cash equivalents comprise cash and liquid funds with an original maturity of three months or less. Other bank deposits with maturity less than a year are classified as short term bank deposits. Bank overdrafts are shown within current borrowings and lease liabilities in the consolidated statement of financial position.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is considered to be the Emirates' leadership team who makes strategic decisions and is responsible for allocating resources and assessing performance of the operating segments.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

Dividend distribution

Dividend distribution to Equity holders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved.

3. Critical accounting estimates and judgements

In the preparation of the consolidated financial statements, a number of estimates and associated assumptions have been made relating to the application of accounting policies and reported amounts of assets, liabilities, income and expense. The estimates and associated assumptions are assessed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following narrative addresses the accounting policies that require subjective and complex judgements, often as a result of the need to make estimates.

Depreciation of property, plant and equipment

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 or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates. Management has reviewed the residual values and useful lives of major items of property, plant and equipment and determined that no significant adjustments are required.

Provision for aircraft maintenance

The measurement of the provision for aircraft maintenance return conditions includes assumptions relating to expected costs, escalation rates, discount rates commensurate with the expected obligation maturity and long-term maintenance schedules. An estimate is therefore made at each reporting date to ensure that the provision corresponds to the present value of the expected costs to be borne by Emirates. A significant level of judgement is exercised by management given the long-term nature and diversity of assumptions that go into the determination of the provision. No reasonably possible change in any single assumption will result in a material change to the provision.

Valuation of defined benefit obligations

The present value of the defined benefit obligations is determined on actuarial basis using various assumptions that may differ from actual developments in the future. These assumptions include the determination of the discount rate and expected salary increases which are reviewed at each reporting date. Due to the complexities involved in the valuation and its long-term nature, defined benefit obligations are sensitive to changes in these assumptions. A sensitivity analysis of changes in defined benefit obligations due to a reasonably possible change in these assumptions is set out in Note 25.

Frequent flyer programme

Emirates accounts for award credits as a separately identifiable component of the sales transaction in which they are granted. The consideration in respect of the initial sale is allocated to award credits based on their fair value and is accounted as a liability (deferred revenue) in the consolidated statement of financial position.

Estimation techniques are used to determine the fair value of mile credits and reflect the weighted average of a number of factors i.e. fare per sector, flight upgrades and partner rewards using historical trends. Adjustments to the fair value of miles are also made for miles not expected to be redeemed by members and the extent to which the demand for an award cannot be met for the dates requested.

A level of judgement is exercised by management due to the diversity of inputs that go into determining the fair value of miles. No reasonably possible change in any single assumption will result in a material change to the deferred revenue.

Finance and operating leases

A lease is classified as a finance lease when substantially all the risks and rewards of ownership are transferred to Emirates. In determining the appropriate classification, the substance of the transaction rather than the form is considered. Factors considered include but are not limited to the following: whether the lease transfers ownership of the asset to the lessee by the end of the lease term; the lessee has the option to purchase the asset at the price that is sufficiently lower than the fair value on exercise date; the lease term is for the major part of the economic life of the asset and the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.

Where Emirates enters into the sale and leaseback transactions for aircraft, the timing and amount of profit recognised on these transactions is subject to the fair value of the aircraft at the time of sale. Judgement is required to estimate the fair value due to diversity of inputs that goes into the determination of aircraft value which includes references to third party valuations.

4. Fair value estimation

The levels of fair value hierarchy are defined as follows:

Level 1: Measurement is made by using quoted prices (unadjusted) from an active market.

Level 2: Measurement is made by means of valuation methods 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 into level 2 of the fair value hierarchy (Note 35).

Derivatives comprise forward exchange contracts, interest rate swaps and commodity swaps. The forward exchange contracts have been fair valued using forward exchange rates that are quoted in an active market. Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves. Commodity swaps are fair valued using a future contract price quoted in an active market.

5. Revenue

	2016	2015
	AED m	AED m
Passenger	68,029	70,013
Cargo	11,140	12,298
Consumer goods	1,462	1,401
Hotel operations	700	693
In-flight catering	680	637
Food and beverage	531	512
Excess baggage	413	436
Others	545	738
	83,500	**86,728**

6. Other operating income

Other operating income comprises AED 361 m (2015: AED 1,063 m) from liquidated damages and other compensation received in connection with aircraft, AED 448 m (2015: AED 224 m) being the gain on sale and leaseback of aircraft, aircraft engines and parts, and income of AED 735 m (2015: AED 804 m) from ancilliary services and activities incidental to Emirates' operations.

7. Operating costs

	2016	2015
	AED m	AED m
Jet fuel	19,731	28,690
Employee (see (a) below)	12,452	11,851
Aircraft operating leases	8,085	6,920
Depreciation and amortisation (Notes 11 & 12)	8,000	7,446
Sales and marketing	5,893	6,098
Handling	5,646	5,094
In-flight catering and other operating costs	4,114	3,883
Overflying	2,711	2,648
Aircraft maintenance	2,513	2,527
Facilities and IT related costs (see (b) below)	2,347	2,240
Landing and parking	1,992	1,761
Cost of goods sold	1,335	1,260
Corporate overheads (see (c) below)	1,895	2,508
	76,714	**82,926**

(a) Employee costs include AED 733 m (2015: AED 669 m) in respect of post-employment benefits (Note 25).

(b) Facilities and IT related costs include non-aircraft operating lease charges amounting to AED 665 m (2015: AED 663 m).

(c) Corporate overheads include a net foreign exchange loss of AED 5 m (2015: AED 721 m).

8. Finance income and costs

	2016	2015
	AED m	AED m
Finance income		
Interest income on short term bank deposits	151	149
Finance income from related parties (Note 37)	69	26
	220	**175**
Finance costs		
Aircraft finance lease costs	(934)	(953)
Interest charges on bonds and term loans	(285)	(340)
Other finance costs - net	(110)	(156)
	(1,329)	**(1,449)**

9. Income tax expense

	2016	2015
	AED m	AED m
The components of income tax expense are:		
Current tax expense	44	50
Deferred tax debit / (credit) (Note 29)	1	(7)
	45	**43**

Emirates has secured tax exemptions by virtue of double taxation agreements and airline reciprocal arrangements in most of the jurisdictions in which it operates. Therefore, the income tax expense relates only to certain overseas stations of Emirates' operations and its subsidiaries where Emirates is subject to income tax. Providing information on effective tax rates is therefore not meaningful.

10. Segment information

Emirates' leadership team monitors the operating results of its business units for the purpose of making decisions about resource allocation and performance assessment. The airline business unit, which provides commercial air transportation including passenger and cargo services, is the main reportable segment. In-flight catering is another reportable segment which provides in-flight and institutional catering services.

Other segments include wholesale and retail of consumer goods, food and beverage operations and hotel operations. As none of these segments meet the quantitative thresholds for determining reportable segments under IFRS 8, Operating segments, these are categorised as "all other segments".

The performance of the airline, in-flight catering and other segments is evaluated based on net profit or loss and is measured consistently with profit for the year in the consolidated financial statements.

Segment revenue is measured in a manner consistent with that in the consolidated income statement, with the exception of notional revenues and costs in the airline segment arising from the usage of transportation services e.g. leave passage of staff and duty travel of staff and consultants that are eliminated when preparing the consolidated financial statements. This adjustment is presented as a reconciling item. The breakdown of revenue from external customers by nature of business activity is provided in Note 5.

Segment assets include inter-segment loans and receivables, which are eliminated on consolidation. This consolidation adjustment is presented as a reconciling item.

The segment information for the year ended 31 March 2016 is as follows:

	Airline AED m	**In-flight catering** AED m	**All other segments** AED m	**Recon-ciliation** AED m	**Total** AED m
Total segment revenue	80,723	2,646	2,525	(339)	85,555
Inter-segment revenue	-	(1,966)	(89)	-	(2,055)
Revenue from external customers	80,723	680	2,436	(339)	83,500
Segment profit for the year	6,523	371	424	-	7,318
Finance income	219	6	1	(6)	220
Finance costs	(1,329)	-	(6)	6	(1,329)
Income tax (expense) / credit	(55)	-	10	-	(45)
Depreciation and amortisation	(7,689)	(123)	(188)	-	(8,000)
Share of results of investments accounted for using the equity method	-	-	142	-	142
Segment assets	111,418	3,056	5,308	(603)	119,179
Investments accounted for using the equity method	-	-	522	-	522
Additions to property, plant and equipment	15,698	553	98	-	16,349
Additions to intangible assets	374	-	77	-	451
Additions to advance lease rentals	2,029	-	-	-	2,029

10. Segment information (continued)

The segment information for the year ended 31 March 2015 is as follows:

	Airline AED m	**In-flight catering** AED m	**All other segments** AED m	**Recon-ciliation** AED m	**Total** AED m
Total segment revenue	83,959	2,427	2,502	(307)	88,581
Inter-segment revenue	-	(1,790)	(63)	-	(1,853)
Revenue from external customers	83,959	637	2,439	(307)	86,728
Segment profit for the year	3,947	382	399	-	4,728
Finance income	178	4	1	(8)	175
Finance costs	(1,449)	-	(8)	8	(1,449)
Income tax (expense) / credit	(65)	-	22	-	(43)
Depreciation and amortisation	(7,151)	(102)	(193)	-	(7,446)
Share of results of investments accounted for using the equity method	-	-	152	-	152
Segment assets	104,166	2,548	5,253	(605)	111,362
Investments accounted for using the equity method	-	-	544	-	544
Additions to property, plant and equipment	19,148	433	135	-	19,716
Additions to intangible assets	157	-	-	-	157
Additions to advance lease rentals	292	-	-	-	292

Geographical information

	2016 AED m	**2015** AED m
Revenue from external customers:		
Europe	24,022	25,157
East Asia and Australasia	22,399	24,611
Americas	12,011	11,033
Africa	9,071	9,363
Gulf and Middle East	8,396	8,614
West Asia and Indian Ocean	7,601	7,950
	83,500	**86,728**

Revenue from inbound and outbound airline operations between the UAE and the overseas point are attributed to the geographical area in which the respective overseas points are located. Revenue from other segments are reported based upon the geographical area in which sales are made or services are rendered.

The major revenue earning asset is the aircraft fleet, which is registered in the UAE. Since the aircraft fleet is deployed flexibly across Emirates' route network, providing information on non-current assets by geographical areas is not considered meaningful.

No single external customer contributes 10% or more of Emirates' revenues.

11. Property, plant and equipment

	Aircraft	Aircraft engines and parts	Land and buildings	Other property, plant and equipment	Capital projects	Total
	AED m	AED m	AED m	AED m	AED m	AED m
Cost						
1 April 2014	56,462	5,041	9,581	12,781	9,558	93,423
Additions	246	354	562	2,448	16,106	19,716
Transfer from capital projects	11,338	684	1,822	488	(14,332)	-
Disposals / write off	(4,266)	(493)	(23)	(2,292)	(55)	(7,129)
Currency translation differences	-	-	(74)	(18)	(4)	(96)
31 March 2015	**63,780**	**5,586**	**11,868**	**13,407**	**11,273**	**105,914**
Depreciation						
1 April 2014	10,527	1,535	2,448	7,331	-	21,841
Charge for the year	3,810	374	462	2,705	-	7,351
Disposals / write off	(1,405)	(298)	(23)	(2,069)	-	(3,795)
Currency translation differences	-	-	(18)	(9)	-	(27)
31 March 2015	**12,932**	**1,611**	**2,869**	**7,958**	**-**	**25,370**
Net book amount						
31 March 2015	**50,848**	**3,975**	**8,999**	**5,449**	**11,273**	**80,544**

11. Property, plant and equipment (continued)

	Aircraft	Aircraft engines and parts	Land and buildings	Other property, plant and equipment	Capital projects	Total
	AED m	AED m	AED m	AED m	AED m	AED m
Cost						
1 April 2015	63,780	5,586	11,868	13,407	11,273	105,914
Additions	416	351	84	2,582	12,916	16,349
Transfer from capital projects	9,487	518	922	286	(11,213)	-
Disposals / write off	(7,600)	(160)	(2)	(1,705)	-	(9,467)
Currency translation differences	-	-	2	10	-	12
31 March 2016	**66,083**	**6,295**	**12,874**	**14,580**	**12,976**	**112,808**
Depreciation						
1 April 2015	12,932	1,611	2,869	7,958	-	25,370
Charge for the year	4,205	342	509	2,844	-	7,900
Disposals / write off	(1,570)	(105)	(2)	(1,631)	-	(3,308)
Currency translation differences	-	-	1	9	-	10
31 March 2016	**15,567**	**1,848**	**3,377**	**9,180**	**-**	**29,972**
Net book amount						
31 March 2016	**50,516**	**4,447**	**9,497**	**5,400**	**12,976**	**82,836**

The net book amount of property, plant and equipment includes AED 48,472 m (2015: AED 43,376 m) in respect of assets held under finance leases.

The net book amount of aircraft includes an amount of AED 2,369 m (2015: AED 1,900 m) in respect of assets provided as security against term loans.

Land of AED 630 m (2015: AED 499 m) is carried at cost and is not depreciated.

Property, plant and equipment includes interest capitalised during the year amounting to AED 235 m (2015: AED 172 m). The interest on general borrowings for qualifying assets was capitalised using an annual weighted average capitalisation rate of 4.9% (2015: 4.9%).

Capital projects include pre-delivery payments of AED 8,529 m (2015: AED 8,340 m) in respect of aircraft due for delivery between 2016 and 2028 (Note 32).

12. Intangible assets

	Goodwill	Service rights	Trade names	Contractual rights	Computer software	Total
	AED m	AED m	AED m	AED m	AED m	AED m
Cost						
1 April 2014	564	162	19	24	808	1,577
Additions	-	-	-	-	157	157
Disposals / write off	-	-	-	-	(14)	(14)
Currency translation differences	(1)	-	-	(4)	-	(5)
31 March 2015	**563**	**162**	**19**	**20**	**951**	**1,715**
Amortisation and impairment						
1 April 2014	7	98	5	8	531	649
Amortisation for the year	-	11	1	2	81	95
Disposals / write off	-	-	-	-	(2)	(2)
Currency translation differences	-	-	(1)	(2)	1	(2)
31 March 2015	**7**	**109**	**5**	**8**	**611**	**740**
Net book value						
31 March 2015	**556**	**53**	**14**	**12**	**340**	**975**

12. Intangible assets (continued)

	Goodwill	Service rights	Trade names	Contractual rights	Computer software	Total
	AED m	AED m	AED m	AED m	AED m	AED m
Cost						
1 April 2015	563	162	19	20	951	1,715
Additions	-	70	-	-	304	374
Disposals / write off	-	-	-	-	(29)	(29)
Acquisition (Note 13)	41	-	-	36	-	77
31 March 2016	**604**	**232**	**19**	**56**	**1,226**	**2,137**
Amortisation and impairment						
1 April 2015	7	109	5	8	611	740
Amortisation for the year	-	11	1	3	85	100
Disposals / write off	-	-	-	-	(20)	(20)
31 March 2016	**7**	**120**	**6**	**11**	**676**	**820**
Net book value						
31 March 2016	**597**	**112**	**13**	**45**	**550**	**1,317**

Computer software includes an amount of AED 280 m (2015: AED 138 m) in respect of projects under implementation.

For the purpose of testing goodwill impairment, the recoverable amounts for cash generating units have been determined on the basis of value-in-use calculations using cash flow forecasts approved by management covering a three year period. Cash flows beyond the three year period have been extrapolated using the terminal growth rates. The key assumptions used in the value-in-use calculations include a risk adjusted pre-tax discount rate of 12% (2015: 12%), gross margins consistent with historical trends and growth rates based on management's expectations for market development. The long term growth rate does not exceed the long term average growth rate for the markets in which the cash generating units operate. Any reasonably possible changes to the assumptions will not lead to an impairment. The goodwill allocated to the cash generating unit or group of cash generating units is as follows:

Cash generating unit	Location	Reportable segment	Goodwill	
			2016	**2015**
			AED m	AED m
Consumer goods	UAE	Others	200	159
In-flight catering	UAE	In-flight catering	369	369
Food and beverage	UAE	Others	25	25
Food and beverage	Australia	Others	3	3
			597	**556**

13. Investments in subsidiaries, associates and joint ventures

	Percentage of beneficial interest	Percentage of equity owned	Principal activities	Country of incorporation and principal operations
Principal subsidiaries				
Maritime & Mercantile International L.L.C.	68.7	68.7	Wholesale and retail of consumer goods	UAE
Maritime & Mercantile International Holding L.L.C.	100.0	100.0	Holding company	UAE
Emirates Leisure Retail Holding L.L.C.	100.0	100.0	Holding company	UAE
Emirates Leisure Retail L.L.C.	68.7	68.7	Food and beverage operations	UAE
Emirates Leisure Retail (Singapore) Pte Ltd.	100.0	100.0	Food and beverage operations	Singapore
Emirates Leisure Retail (Australia) Pty Ltd.	100.0	100.0	Food and beverage operations	Australia
Emirates Hotel L.L.C.	100.0	100.0	Hotel operations	UAE
Emirates Hotels (Australia) Pty Ltd.	100.0	100.0	Hotel operations	Australia
Emirates Flight Catering Company L.L.C.	90.0	90.0	In-flight and institutional catering	UAE

On 30 November 2015, Maritime & Mercantile International L.L.C., a subsidiary of Emirates, obtained control of Oman United Agencies L.L.C. (an associate) by increasing its stake to 70%. The additional equity interest of 20% was acquired for a purchase consideration of AED 29 m. At the date of acquisition, a non-controlling interest of AED 21 m was recognised along with contractual rights of AED 36 m and a deferred tax liability of AED 4 m. Goodwill of AED 41 m was also recorded as the difference between purchase consideration and fair value of the identifiable assets and liabilities.

None of the subsidiaries have non-controlling interests that are material to Emirates.

Principal joint ventures				
Emirates-CAE Flight Training L.L.C.	50.0	51.0	Flight simulator training	UAE
Premier Inn Hotels L.L.C.	51.0	51.0	Hotel operations	UAE
CAE Flight Training (India) Private Ltd.	50.0	50.0	Flight simulator training	India
CAE Middle East Holdings Limited	50.0	50.0	Flight simulator training	UAE
Independent Wine and Spirit (Thailand) Company Limited	49.0	49.0	Wholesale and retail of consumer goods	Thailand

Premier Inn Hotels L.L.C. and Independent Wine and Spirit (Thailand) Company Limited are subject to joint control and, therefore, these investments are accounted for as joint ventures.

13. Investments in subsidiaries, associates and joint ventures (continued)

Movement of investments accounted for using the equity method

	2016 AED m	2015 AED m
Balance brought forward	**544**	**495**
Investments during the year	19	12
Share of results	142	152
Dividends	(128)	(115)
Currency translation differences	(2)	-
Disposal during the year	(53)	-
Balance carried forward	**522**	**544**

No individual associate is material to Emirates. Aggregate financial information of associates is set out below:

	2016 AED m	2015 AED m
Share of results of associates	99	92
Share of total comprehensive income of associates	**99**	**92**
Aggregate carrying value of investments in associates	**49**	**95**

No individual joint venture is material to Emirates. Aggregate financial information of joint ventures is set out below:

	2016 AED m	2015 AED m
Share of results of joint ventures	43	60
Share of other comprehensive income of joint ventures	(2)	-
Share of total comprehensive income of joint ventures	**41**	**60**
Aggregate carrying value of investments in joint ventures	**473**	**449**

14. Advance lease rentals

	2016 AED m	2015 AED m
Balance brought forward	**1,082**	**970**
Additions during the year	2,029	292
Charge for the year	(225)	(180)
Balance carried forward	**2,886**	**1,082**
Advance lease rentals will be charged to the consolidated income statement as follows:		
Within one year (Note 17)	**306**	**162**
Total over one year	**2,580**	**920**

Advance lease rentals are non-refundable in the event of the related lease being terminated prior to its expiry.

Advance lease rentals include AED 354 m (2015: AED 393 m) related to a company under common control.

15. Loans and other receivables

	2016	2015
	AED m	AED m
Related parties (Note 37)	16	26
Other receivables	321	414
	337	**440**
Prepayments	157	179
	494	**619**
The amounts (excluding prepayments) are receivable as follows:		
Between 2 and 5 years	337	440
	337	**440**
Loans and other receivables (excluding prepayments) are denominated in the following currencies:		
UAE Dirhams	80	70
US Dollars	245	354
Others	12	16

The fair value of loans and other receivables (excluding prepayments) amounts to AED 336 m (2015: AED 440 m). Fair value is determined by discounting projected cash flows using the interest rate yield curve for the remaining term to maturity and currencies based on credit spreads applicable at the end of each reporting period. The fair value of loans and other receivables falls into level 2 of the fair value hierarchy.

The maximum exposure to credit risk at the reporting date is the carrying value of the loans and other receivables (excluding prepayments). At the end of the reporting period, loans and other receivables (excluding prepayments) were neither past due nor impaired.

16. Inventories

	2016	2015
	AED m	AED m
Engineering	660	640
In-flight consumables	885	741
Consumer goods	405	388
Others	156	150
	2,106	**1,919**

In-flight consumables include AED 472 m (2015: AED 382 m) relating to items which are not expected to be consumed within twelve months after the reporting period.

17. Trade and other receivables

	2016	2015
	AED m	AED m
Trade receivables - net of provision	4,480	4,927
Related parties (Note 37)	268	506
Prepayments	2,289	1,878
Advance lease rentals (Note 14)	306	162
Operating lease and other deposits	805	681
Other receivables	1,667	1,054
	9,815	**9,208**
Less: Receivables over one year (Note 15)	(494)	(619)
	9,321	**8,589**

Prepayments include an amount of AED 50 m (2015: AED 48 m) paid to companies under common control.

The carrying amount of trade and other receivables approximate their fair value which falls into level 2 of the fair value hierarchy.

17. Trade and other receivables (continued)

Movements in the provision for impairment of trade receivables are as follows:

	2016	2015
	AED m	AED m
Balance brought forward	**97**	**103**
Charge for the year	51	55
Unused amounts reversed	(30)	(23)
Amounts written off as uncollectible	(13)	(28)
Currency translation differences	(1)	(10)
Balance carried forward	**104**	**97**

The impairment charge on trade receivables recognised in the consolidated income statement during the year mainly relates to ticketing agents who are in unexpected difficult economic situations and are unable to meet their obligations under the IATA agency programme. This charge is included in operating costs. Amounts charged to the provision account are written off when there is no expectation of further recovery.

The other classes of trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk of trade and other receivables at the reporting date is the carrying value of each class of receivable (excluding prepayments and advance lease rentals).

Ageing of trade receivables that are past due but not impaired is as follows:

	2016	2015
	AED m	AED m
Below 3 months	309	248
3-6 months	23	20
Above 6 months	19	5
	351	**273**

18. Capital

Capital represents the permanent capital of Emirates.

19. Other reserves

	Cash flow hedge reserve AED m	Translation reserve AED m	Total AED m
1 April 2014	**(682)**	**48**	**(634)**
Currency translation differences	-	(45)	(45)
Net gain on fair value of cash flow hedges	427	-	427
Transferred to the consolidated income statement	84	-	84
31 March 2015	**(171)**	**3**	**(168)**
Currency translation differences	-	1	1
Net loss on fair value of cash flow hedges	(1,111)	-	(1,111)
Share of other equity movement of investment accounted for using the equity method	-	(2)	(2)
Transferred to the consolidated income statement	101	-	101
31 March 2016	**(1,181)**	**2**	**(1,179)**

The amounts transferred to the consolidated income statement have been (debited)/credited to the following line items:

	2016 AED m	2015 AED m
Revenue	357	248
Operating costs	(238)	(7)
Finance costs	(220)	(325)
	(101)	**(84)**

20. Borrowings and lease liabilities

	2016 AED m	2015 AED m
Non-current		
Bonds (Note 21)	4,167	8,842
Term loans (Note 22)	2,659	1,740
Lease liabilities (Note 23)	34,019	31,844
	40,845	**42,426**
Current		
Bonds (Note 21)	4,685	604
Term loans (Note 22)	277	1,091
Lease liabilities (Note 23)	4,298	3,683
Bank overdrafts (Note 33)	-	4
	9,260	**5,382**
	50,105	**47,808**
Borrowings and lease liabilities are denominated in the following currencies:		
US Dollars	45,957	43,088
UAE Dirhams	3,741	4,320
Singapore Dollars	407	400

The effective interest rate per annum on lease liabilities was 2.6% (2015: 2.9%), term loans was 3.6% (2015: 3.8%) and bonds was 4.7% (2015: 4.7%).

21. Bonds

	2016 AED m	2015 AED m
Balance brought forward	**9,481**	**9,997**
Repayments during the year	(610)	(479)
Currency translation differences	7	(37)
Balance carried forward	**8,878**	**9,481**
Less: Transaction costs	(26)	(35)
	8,852	**9,446**
Bonds are repayable as follows:		
Within one year (Note 20)	**4,685**	**604**
Between 2 and 5 years	2,427	6,494
After 5 years	1,740	2,348
Total over one year (Note 20)	**4,167**	**8,842**
Bonds are denominated in the following currencies:		
Fixed interest rate bonds		
US Dollars	8,471	9,081
Singapore Dollars	407	400
	8,878	**9,481**
Less: Transaction costs	(26)	(35)
	8,852	**9,446**
The fair values of the bonds are as follows:		
US Dollars	8,536	9,254
Singapore Dollars	410	402
	8,946	**9,656**

The fair value of the bonds is based on listed prices and falls into level 1 of the fair value hierarchy.

22. Term loans

	2016 AED m	2015 AED m
Balance brought forward	**2,845**	**773**
Additions during the year	1,213	2,215
Repayments during the year	(1,093)	(143)
Balance carried forward	**2,965**	**2,845**
Less: Transaction costs	(29)	(14)
	2,936	**2,831**
Loans are repayable as follows:		
Within one year (Note 20)	**277**	**1,091**
Between 2 and 5 years	1,780	982
After 5 years	879	758
Total over one year (Note 20)	**2,659**	**1,740**
Loans are denominated in the following currencies:		
US Dollars	2,461	1,436
UAE Dirhams	475	1,395

Contractual repricing dates are set at three to six month intervals. Term loans amounting to AED 1,884 m (2015: AED 1,450 m) are secured on aircraft.

The fair value of the term loans amounts to AED 2,982 m (2015: AED 2,973 m). The fair value is determined by discounting projected cash flows using the interest rate yield curve for the remaining term to maturities and currencies adjusted for credit spread. The fair value of the term loans falls into level 2 of the fair value hierarchy.

23. Lease liabilities

Finance leases

	2016 AED m	2015 AED m
Gross lease liabilities:		
Within one year	5,323	4,607
Between 2 and 5 years	21,866	18,868
After 5 years	17,257	18,347
	44,446	**41,822**
Future interest	(6,129)	(6,295)
Present value of finance lease liabilities	**38,317**	**35,527**
The present value of finance lease liabilities is repayable as follows:		
Within one year (Note 20)	**4,298**	**3,683**
Between 2 and 5 years	18,453	15,375
After 5 years	15,566	16,469
Total over one year (Note 20)	**34,019**	**31,844**
The present value of finance lease liabilities are denominated in the following currencies:		
US Dollars	35,051	32,606
UAE Dirhams	3,266	2,921

Lease liabilities amounting to AED 37,277 m (2015: AED 35,036 m) are secured on the related aircraft and aircraft engines.

The fair value of lease liabilities amounts to AED 38,709 m (2015: AED 36,171 m). The fair value is determined by discounting projected cash flows using the interest rate yield curve for the remaining term to maturities and currencies adjusted for credit spread. The fair value of lease liabilities falls into level 2 of the fair value hierarchy.

Some lease agreements provide for variable lease payments to the extent that the interest portion is linked to market interest rates, normally the LIBOR.

23. Lease liabilities (continued)

Operating leases

	2016 AED m	2015 AED m
Future minimum lease payments are as follows:		
Aircraft fleet	66,403	48,466
Others	2,242	2,008
	68,645	**50,474**
Within one year	9,472	7,951
Between 2 and 5 years	31,898	24,830
After 5 years	27,275	17,693
	68,645	**50,474**

The future minimum lease payments include AED 6,955 m (2015: AED 6,989 m) related to a company under common control. Such payments are on normal commercial terms.

Emirates is entitled to extend certain aircraft leases for a further period of one to six years at the end of the initial lease period.

Some lease agreements provide for variable lease payments to the extent that the interest portion is linked to market interest rates, normally the LIBOR.

24. Provisions

	2016 AED m	2015 AED m
Retirement benefit obligations (Note 25)	1,464	1,325
Provision for aircraft maintenance (Note 26)	2,298	2,264
	3,762	**3,589**

25. Retirement benefit obligations

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its defined benefit obligations at 31 March 2016 in respect of employees' end of service benefits payable under relevant local regulations and contractual arrangements. The assessment assumed expected salary increases averaging 4.5% (2015: 4.5%) and a discount rate of 4.0% (2015: 4.0%) per annum. The present values of the defined benefit obligations at 31 March 2016 were computed using the actuarial assumptions set out above.

The liabilities recognised in the consolidated statement of financial position are:

	2016 AED m	2015 AED m
Funded scheme		
Present value of defined benefit obligations	2,074	2,010
Less: Fair value of plan assets	(2,037)	(1,976)
	37	**34**
Unfunded scheme		
Present value of defined benefit obligations	**1,427**	**1,291**
Liability recognised in the consolidated statement of financial position	**1,464**	**1,325**

(i) Funded scheme

Senior employees based in the UAE participate in a defined benefit provident scheme to which Emirates contributes a specified percentage of basic salary based upon the employee’s grade and duration of service. Amounts contributed are invested in a trustee administered scheme and accumulate along with returns earned on investments. Contributions are made on a monthly basis irrespective of fund performance and are not pooled, but are separately identifiable and attributable to each participant. The fund comprises a diverse mix of managed funds and investment decisions are controlled directly by the participating employees.

Benefits receivable under the provident scheme are subject to vesting rules, which are dependent upon a participating employee's length of service. If at the time an employee leaves employment, the accumulated vested amount, including investment returns, is less than the end of service benefits that would have been payable to that employee under relevant local regulations, Emirates pays the shortfall amount directly to the employee. However, if the accumulated vested amount exceeds the end of service benefits that would have been payable to an employee under relevant local regulations, the employee receives either seventy five or one hundred percent of their fund balance depending on their length of service. Vested assets of the scheme are not available to Emirates or its creditors in any circumstances.

The liability of AED 37 m (2015: AED 34 m) represents the amount that will not be settled from plan assets and is calculated as the excess of the present value of the defined benefit obligation for an individual employee over the fair value of the employee's plan assets at the end of the reporting period.

The movement in the fair value of the plan assets is as follows:

	2016 AED m	2015 AED m
Balance brought forward	**1,976**	**1,774**
Contributions received	288	267
Benefits paid	(153)	(117)
Change in fair value	(74)	52
Balance carried forward	**2,037**	**1,976**

25. Retirement benefit obligations (continued)

Contributions received include the transfer of accumulated benefits from unfunded schemes. Emirates expects to contribute approximately AED 285 m for existing plan members during the year ending 31 March 2017.

Actuarial gains and losses and the expected return on plan assets are not calculated given that investment decisions relating to plan assets are under the direct control of participating employees.

(ii) Unfunded schemes

End of service benefits for employees who do not participate in the provident scheme or other defined contribution plans follow relevant local regulations, which are mainly based on periods of cumulative service and levels of employees' final basic salaries. The liability recognised in the consolidated statement of financial position is the present value of the defined benefit obligation at the end of the reporting period.

The movement in the defined benefit obligation is as follows:

	2016 AED m	2015 AED m
Balance brought forward	**1,291**	**1,033**
Current service cost	193	141
Interest cost	55	51
Remeasurement		
- changes in experience / demographic assumptions	(9)	12
- changes in financial assumptions	-	130
Payments made during the year	(103)	(76)
Balance carried forward	**1,427**	**1,291**

Payments made during the year include transfer of accumulated benefits to Emirates' funded scheme.

(iii) Defined contribution plans

Emirates pays fixed contributions to certain defined contribution plans and has no legal or constructive obligation to pay further contributions to settle the benefits relating to employees' service in the current and prior periods.

The total amount recognised in the consolidated income statement is as follows:

	2016 AED m	2015 AED m
Defined benefit plan		
Funded scheme		
Contributions expensed	274	258
Net change in the present value of defined benefit obligations over plan assets	3	19
	277	**277**
Unfunded scheme		
Current service cost	193	141
Interest cost	55	51
	248	**192**
Defined contribution plan		
Contributions expensed	208	200
Recognised in the consolidated income statement	**733**	**669**

25. Retirement benefit obligations (continued)

The sensitivity of unfunded scheme to changes in the principal assumptions is set out below:

Assumption	Change	Effect on unfunded scheme AED m
Discount rate	+ 0.5%	(92)
	- 0.5%	105
Expected salary increases	+ 0.5%	101
	- 0.5%	(92)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. In calculating the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period.

The weighted average duration of the unfunded scheme is 16 years (2015: 17 years).

Through its defined benefit plans Emirates is exposed to a number of risks, the most significant of which are detailed below:

a) Change in discount rate: Retirement benefit obligations will increase due to a decrease in market yields of high quality corporate bonds.

b) Expected salary increases: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the retirement benefit obligations.

26. Provision for aircraft maintenance

Movements in the provision for aircraft maintenance are as follows:

	2016 AED m	2015 AED m
Balance brought forward	**2,316**	**1,802**
Charge for the year	767	608
Unwinding of discount - net	82	134
Utilised on return of aircraft	(62)	(198)
Unutilised amounts reversed	(300)	(30)
Balance carried forward	**2,803**	**2,316**
The provision is expected to be used as follows:		
Within one year (Note 30)	**505**	**52**
Over one year (Note 24)	**2,298**	**2,264**

27. Deferred revenue

	2016 AED m	2015 AED m
Balance brought forward	**2,894**	**2,667**
Additions during the year	1,776	1,839
Recognised during the year	(1,758)	(1,612)
Balance carried forward	**2,912**	**2,894**
Deferred revenue is expected to be recognised as follows:		
Within one year	**1,316**	**1,244**
Over one year	**1,596**	**1,650**

Deferred revenue relates to the frequent flyer programme and represents the fair value of outstanding award credits. Revenue is recognised when Emirates fulfils its obligations by supplying free or discounted goods or services on the redemption of the award credits.

Deferred revenue is classified within current and non-current liabilities based on expected redemption patterns.

28. Deferred credits

	2016	2015
	AED m	AED m
Balance brought forward	**256**	**300**
Additions during the year	1,041	46
Recognised during the year	(68)	(90)
Balance carried forward	**1,229**	**256**
Deferred credits will be recognised as follows:		
Within one year	**139**	**49**
Over one year	**1,090**	**207**

29. Deferred income tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same income tax authority. The movement of the deferred tax asset and the deferred tax liability is as follows:

	2016	2015
	AED m	AED m
Balance brought forward	**4**	**(2)**
(Debited) / credited to the consolidated income statement (Note 9)	(1)	7
Currency translation differences	-	(1)
Acquisition (Note 13)	(4)	-
Balance carried forward	**(1)**	**4**

A deferred tax asset has not been recognised in respect of carried forward tax losses amounting to AED 473 m (2015: AED 1,003 m).

30. Trade and other payables

	2016	2015
	AED m	AED m
Trade payables and accruals	13,497	13,617
Related parties (Note 37)	497	644
Passenger and cargo sales in advance	10,951	11,559
Provision for aircraft maintenance (Note 26)	505	52
Dividend payable	2,100	2,100
	27,550	**27,972**
Less: Payables over one year	(513)	(202)
	27,037	**27,770**

The carrying value of trade and other payables over one year approximate to their fair value.

31. Guarantees

	2016	2015
	AED m	AED m
Performance bonds and letters of credit provided by banks in the normal course of business	371	404

Performance bonds and letters of credit include AED 124 m (2015: AED 125 m) provided by companies under common control on normal commercial terms.

32. Commitments

Capital commitments

	2016 AED m	2015 AED m
Authorised and contracted:		
Aircraft	236,375	254,464
Non-aircraft	3,107	4,439
Joint ventures	38	72
	239,520	**258,975**
Authorised but not contracted:		
Non-aircraft	3,553	3,124
Joint ventures	79	85
	3,632	**3,209**
	243,152	**262,184**

Commitments have been entered into for the purchase of aircraft for delivery as follows:

Financial year	**Aircraft**
2016-17	36
Beyond 2016-17	218

In addition, purchase options are held on 70 Boeing aircraft.

In the event that delivery of certain aircraft are not taken, penalties are payable by Emirates to the extent of AED 2,079 m (2015: AED 1,712 m).

Operational commitments

	2016 AED m	2015 AED m
Sales and marketing	2,809	2,154

33. Short term bank deposits and cash and cash equivalents

	2016 AED m	2015 AED m
Bank deposits	13,939	13,921
Cash and bank	6,049	2,964
Cash and bank balances	**19,988**	**16,885**
Less: Short term bank deposits - over 3 months	(7,823)	(8,488)
Cash and cash equivalents as per the consolidated statement of financial position	**12,165**	**8,397**
Bank overdraft (Note 20)	-	(4)
Cash and cash equivalents as per the consolidated statement of cash flows	**12,165**	**8,393**

Cash and bank balances earned an effective interest rate of 2.2% (2015: 1.5%) per annum.

Cash and bank balances include AED 11,188 m (2015: AED 5,252 m) held with companies under common control.

34. Cash outflow on property, plant and equipment

For the purposes of the consolidated statement of cash flows, cash outflow on property, plant and equipment is analysed as follows:

	2016 AED m	2015 AED m
Payments for property, plant and equipment	16,349	19,716
Less: Assets acquired under finance leases	(6,845)	(9,447)
	9,504	**10,269**

35. Derivative financial instruments

Description	2016		2015	
	Term	AED m	Term	AED m
Cash flow hedge				
Non-current assets				
Currency swaps and forwards		-	2015-2017	21
		-		**21**
Current assets				
Currency swaps and forwards		12		342
		12		**342**
Cash flow hedge				
Non-current liabilities				
Interest rate swaps	2016-2023	(440)	2015-2023	(521)
		(440)		**(521)**
Current liabilities				
Currency swaps and forwards		(176)		(2)
Jet fuel swaps		(561)		-
		(737)		**(2)**

The notional principal amounts outstanding are:

	2016	2015
	AED m	AED m
Interest rate contracts	6,957	8,134
Currency contracts	5,090	4,889
Jet fuel price contracts	1,528	-

The notional principal amounts outstanding include AED 1,973 m (2015: AED 2,448 m) against derivatives entered with companies under common control.

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 maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the consolidated statement of financial position.

36. Classification of financial instruments

The accounting policies for financial instruments have been applied to the line items below:

Description	Loans and receivables	Derivative financial instruments	Financial liabilities at amortised cost	Total
	AED m	AED m	AED m	AED m
2015				
Assets				
Loans and other receivables (excluding prepayments)	440	-	-	440
Derivative financial instruments	-	363	-	363
Trade and other receivables (excluding prepayments and advance lease rentals)	6,728	-	-	6,728
Short term bank deposits	8,488	-	-	8,488
Cash and cash equivalents	8,397	-	-	8,397
Total	**24,053**	**363**	**-**	**24,416**
Liabilities				
Borrowings and lease liabilities	-	-	47,808	47,808
Provision for aircraft maintenance	-	-	2,316	2,316
Trade and other payables (excluding passenger and cargo sales in advance and other non financial liabilities)	-	-	16,361	16,361
Derivative financial instruments	-	523	-	523
Total	**-**	**523**	**66,485**	**67,008**

36. Classification of financial instruments (continued)

Description	Loans and receivables	Derivative financial instruments	Financial liabilities at amortised cost	Total
	AED m	AED m	AED m	AED m
2016				
Assets				
Loans and other receivables (excluding prepayments)	337	-	-	337
Derivative financial instruments	-	12	-	12
Trade and other receivables (excluding prepayments and advance lease rentals)	6,883	-	-	6,883
Short term bank deposits	7,823	-	-	7,823
Cash and cash equivalents	12,165	-	-	12,165
Total	**27,208**	**12**	**-**	**27,220**
Liabilities				
Borrowings and lease liabilities	-	-	50,105	50,105
Provision for aircraft maintenance	-	-	2,803	2,803
Trade and other payables (excluding passenger and cargo sales in advance and other non financial liabilities)	-	-	16,094	16,094
Derivative financial instruments	-	1,177	-	1,177
Total	**-**	**1,177**	**69,002**	**70,179**

37. Related party transactions and balances

Emirates transacts with associates, joint ventures and companies controlled by Emirates and its parent within the scope of its ordinary business activities.

Emirates and dnata share central corporate functions such as information technology, facilities, human resources, finance, treasury, cash management, legal and other functions. Where such functions are shared, the costs are allocated between Emirates and dnata based on activity levels.

Other than these shared service arrangements, the following transactions have taken place on an arm's length basis.

	2016 AED m	2015 AED m
Trading transactions:		
(i) Sale of goods and services		
Sale of goods - Associates	57	61
Sale of goods - Companies under common control	229	162
Sale of goods - Joint ventures	15	22
Services rendered - Companies under common control	685	298
Services rendered - Joint ventures	20	12
Frequent flyer miles sales - Companies under common control	280	266
	1,286	**821**
(ii) Purchase of goods and services		
Purchase of goods - Associates	267	225
Purchase of goods - Companies under common control	4,358	5,800
Purchase of goods - Joint ventures	-	3
Services received - Companies under common control	3,076	3,556
Services received - Joint ventures	9	15
	7,710	**9,599**

	2016 AED m	2015 AED m
Other transactions:		
(i) Finance income		
Joint ventures	3	4
Companies under common control	66	22
	69	**26**
(ii) Compensation to key management personnel		
Salaries and short term employee benefits	142	176
Post-employment benefits	14	15
Termination benefits	-	3
	156	**194**
(iii) Purchase of assets		
Company under common control	40	40

Effective 1 April 15, Emirates transferred its destination and leisure management business to dnata for a consideration equal to the carrying value of assets and liabilities transferred.

Emirates also uses a number of Government controlled public utilities for its operations in Dubai, where these entities are the sole providers of the relevant services. This includes the supply of electricity, water and airport services. These transactions are carried out on an arm's length basis.

37. Related party transactions and balances (continued)

	2016 AED m	2015 AED m
Year end balances		
(i) Receivables - sale of goods and services		
Associates	16	39
Joint ventures	10	21
Companies under common control	143	53
	169	**113**
(ii) Receivables - other transactions		
Joint ventures	-	1
Companies under common control	65	117
	65	**118**
Receivable within one year	**65**	**118**

The amounts outstanding at year end are unsecured and will be settled in cash. No impairment charge has been recognised during the year in respect of amounts owed by related parties.

	2016 AED m	2015 AED m
(iii) Payables - purchase of goods and services (Note 30)		
Associates	11	46
Companies under common control	486	598
	497	**644**

	2016 AED m	2015 AED m
(iv) Loans receivable		
Joint ventures	26	45
Companies under common control	-	222
	26	**267**
Movement in the loans were as follows:		
Balance brought forward	**267**	**503**
Additions during the year	-	196
Repayments during the year	(240)	(431)
Currency translation differences	(1)	(1)
Balance carried forward	**26**	**267**
Receivable within one year	**14**	**246**
Receivable over one year (Note 15)	**12**	**21**

Receivables from and loans to companies under common control relate to government entities, which are unrated. Management is of the opinion that the amounts are fully recoverable.

	2016 AED m	2015 AED m
(v) Loans and advances to key management personnel		
Balance brought forward	**8**	**6**
Additions during the year	7	9
Repayments during the year	(7)	(7)
Balance carried forward	**8**	**8**
Receivable within one year	**4**	**3**
Receivable over one year (Note 15)	**4**	**5**

38. Financial risk management

Financial risk factors

Emirates is exposed to a variety of financial risks which involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Emirates' aim is, therefore, to achieve an appropriate balance between risk and return and minimise potential adverse effects on Emirates' financial performance.

Emirates' risk management procedures are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information. Emirates regularly reviews its risk management procedures and systems to reflect changes in markets, products and emerging best practice. Emirates uses derivative financial instruments to hedge certain risk exposures.

A risk management programme is carried out under guidelines that are approved by a steering group comprising senior management. Identification, evaluation and hedging financial risks is done in close cooperation with the operating units. Senior management is also responsible for the review of risk management and the control environment. The various financial risk elements are discussed below.

(i) Credit risk

Emirates is exposed to credit risk, which is the risk that a counterparty will cause a financial loss to Emirates by failing to discharge an obligation. Financial assets that potentially subject Emirates to credit risk consist principally of deposits with banks and other financial institutions, derivative counterparties as well as receivables from agents selling commercial air transportation. Emirates uses external ratings such as Standard & Poor's and Moody's or their equivalent in order to measure and monitor its credit risk exposures to financial institutions. In the absence of independent ratings, credit quality is assessed based on the counterparty's financial position, past experience and other factors.

Emirates manages limits and controls concentrations of risk wherever they are identified. In the normal course of business, Emirates places significant deposits with high credit quality banks and financial institutions. Transactions with derivative counterparties are similarly limited to high credit quality financial institutions. Exposure to credit risk is also managed through regular analysis of the ability of counterparties and potential counterparties to meet their obligations and by changing their limits where appropriate. Approximately 82% (2015: 76%) of cash and bank balances are held with financial institutions based in the UAE.

The sale of passenger and cargo transportation is largely achieved through International Air Transport Association (IATA) approved sales agents and online sales. 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.

Significant balances in other receivables are held with companies given a high credit rating by leading international rating agencies.

The table below presents an analysis of short term bank deposits and bank balances by rating agency designation at the end of the reporting period based on Standard & Poor's ratings or its equivalent for Emirates' main banking relationships:

	2016	2015
	AED m	AED m
AA- to AA+	288	292
A- to A+	6,233	8,994
BBB+	12,422	7,169

38. Financial risk management (continued)

(ii) Market risk

Emirates is exposed to market risk, which 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 three types of risk - jet fuel price risk, currency risk and interest rate risk.

Jet fuel price risk

Emirates is exposed to volatility in the price of jet fuel and closely monitors the actual cost against the forecast cost. To manage the price risk, Emirates considers the use of commodity futures, options and swaps to achieve a level of control over higher jet fuel costs so that profitability is not adversely affected.

Currency risk

Emirates is exposed to the effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. Exposure arises due to exchange rate fluctuations between the UAE Dirham and other currencies generated from Emirates' revenue earning and borrowing activities. Long term debt obligations are mainly denominated in UAE Dirhams or in US Dollars to which the UAE Dirham is pegged. Currency exposure exists on the Singapore Dollar bond, the summarised quantitative data for which is available in Note 21. Senior management monitors currency positions on a regular basis.

Emirates is in a net payer position with respect to the US Dollar and in a net surplus position for other currencies. Currency surpluses are converted to US Dollar and UAE Dirham funds. Currency risks arise mainly from Emirates' revenue earning activities in Euro, Pound Sterling, Australian Dollar, Indian Rupee, Chinese Yuan, Swiss Franc, South African Rand and Japanese Yen. Currency risks are hedged using forwards and options, as appropriate, as well as by way of a natural hedge between foreign currency inflows and outflows.

Emirates is also subject to the risk that countries in which it may earn revenues may impose restrictions or prohibition on the export of those revenues. Emirates seeks to minimise this risk by repatriating surplus funds to the UAE on a monthly basis. Cash and cash equivalents for the current year include AED 338 m (2015: AED 516 m) held in countries where exchange controls and other restrictions apply.

Interest rate risk

Emirates is exposed to the effects of fluctuations in the prevailing levels of interest rates on borrowings and investments. Exposure arises from interest rate fluctuations in the international financial markets with respect to interest cost on its long term debt obligations, operating lease rentals and interest income on its cash surpluses. The key reference rates based on which interest costs are determined are LIBOR, EIBOR for UAE Dirhams and SIBOR for Singapore Dollars. Summarised quantitative data is available in Note 20 for interest cost exposures.

Borrowings taken at variable rates expose Emirates to cash flow interest rate risk while borrowings issued at fixed rates expose Emirates to fair value interest rate risk. Emirates targets a balanced portfolio approach, whilst nevertheless taking advantage of opportune market movements using appropriate hedging solutions including interest swaps. Variable rate debt and cash surpluses are mainly denominated in UAE Dirhams and US Dollars.

Sensitivity analysis of market risk

The following sensitivity analysis, relating to existing financial instruments, shows how profit and equity would change if the market risk variables had been different at the end of the reporting period with all other variables held constant and has been computed on the basis of assumptions and indices used and considered by other market participants.

	2016		2015	
	Effect on profit	**Effect on equity**	**Effect on profit**	**Effect on equity**
	AED m	AED m	AED m	AED m
Interest cost				
- 25 basis points				
UAE Dirhams	7	7	6	6
US Dollars	52	(1)	50	(23)
	59	**6**	**56**	**(17)**
+ 25 basis points				
UAE Dirhams	(7)	(7)	(6)	(6)
US Dollars	(52)	1	(50)	23
	(59)	**(6)**	**(56)**	**17**

38. Financial risk management (continued)

	2016		2015	
	Effect on profit	**Effect on equity**	**Effect on profit**	**Effect on equity**
	AED m	AED m	AED m	AED m
Interest income				
- 25 basis points	(7)	(7)	(13)	(13)
+ 25 basis points	7	7	13	13
Currency - Pounds Sterling				
+ 1%	-	(1)	2	(8)
- 1%	-	1	(2)	8
Currency - Euro				
+ 1%	4	(20)	3	(20)
- 1%	(4)	20	(3)	20
Currency - Australian Dollars				
+ 1%	1	(12)	1	(1)
- 1%	(1)	12	(1)	1
Currency - Japanese Yen				
+ 1%	-	(2)	-	(2)
- 1%	-	2	-	2
Currency - Singapore Dollars				
+ 1%	(4)	(4)	(4)	(4)
- 1%	4	4	4	4
Fuel price				
+ USD 5 on price	-	191	-	-
- USD 5 on price	-	(194)	-	-

(iii) Liquidity risk

Liquidity risk is the risk that Emirates is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn.

Emirates' liquidity management process as monitored by senior management, includes the following:

- Day to day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature.
- Maintaining rolling forecasts of Emirates' liquidity position on the basis of expected cash flows.
- Monitoring liquidity ratios against internal standards.
- Maintaining debt financing plans.
- Maintaining diversified credit lines including stand-by credit facility arrangements.

Sources of liquidity are regularly reviewed by senior management to maintain a diversification by geography, provider, product and term.

38. Financial risk management (continued)

Summarised below in the table is the maturity profile of financial liabilities and net-settled derivative financial liabilities based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Less than 1 year	2 - 5 years	Over 5 years	Total
	AED m	AED m	AED m	AED m
2016				
Borrowings and lease liabilities	10,675	26,704	20,166	57,545
Derivative financial instruments	995	283	4	1,282
Provision for maintenance	519	1,732	1,319	3,570
Trade and other payables (excluding passenger and cargo sales in advance and other non financial liabilities)	15,581	513	-	16,094
	27,770	**29,232**	**21,489**	**78,491**
2015				
Borrowings and lease liabilities	6,819	27,240	21,747	55,806
Derivative financial instruments	224	289	13	526
Provision for maintenance	57	2,026	935	3,018
Trade and other payables (excluding passenger and cargo sales in advance and other non financial liabilities)	16,159	202	-	16,361
	23,259	**29,757**	**22,695**	**75,711**

39. Capital management

Emirates' objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for its Owner and to maintain an optimal capital structure to reduce the cost of capital.

Emirates monitors the return on Owner's equity, which is defined as the profit attributable to the Owner expressed as a percentage of average Owner's equity. Emirates seeks to provide a better return to the Owner by borrowing and taking aircraft on operating leases to meet its growth plans. In 2016, Emirates achieved a return on Owner's equity funds of 23.8% (2015: 17.2%).

Emirates also monitors capital on the basis of a gearing ratio which is calculated as the ratio of borrowings and lease liabilities, net of cash assets to total equity. In 2016, this ratio is 92.9% (2015: 109.3%) and if aircraft operating leases are included, the ratio is 215.9% (2015: 212.1%).

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