IMPORTANT NOTICE

THIS PROSPECTUS MAY ONLY BE DISTRIBUTED TO NON-US PERSONS WHO ARE OUTSIDE OF THE UNITED STATES.

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THE ATTACHED DOCUMENT MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON WITHOUT THE PRIOR WRITTEN CONSENT OF THE MANAGERS (AS DEFINED BELOW) AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. DISTRIBUTION OR REPRODUCTION OF THE ATTACHED DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE SECURITIES LAWS OF OTHER JURISDICTIONS.

THIS DOCUMENT IS NOT BEING DISTRIBUTED TO, AND MUST NOT BE PASSED ON TO, THE GENERAL PUBLIC IN THE UNITED KINGDOM. RATHER, THE COMMUNICATION OF THIS DOCUMENT (A) IF EFFECTED BY A PERSON WHO IS NOT AN AUTHORISED PERSON UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000 ("**FSMA**"), IS BEING ADDRESSED TO, OR DIRECTED AT, ONLY THE FOLLOWING PERSONS: (I) PERSONS WHO ARE INVESTMENT PROFESSIONALS AS DEFINED IN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE "**FINANCIAL PROMOTION ORDER**"), AND (II) PERSONS FALLING WITHIN ANY OF THE CATEGORIES OF PERSONS DESCRIBED IN ARTICLE 49(2) OF THE FINANCIAL PROMOTION ORDER; AND (B) IF EFFECTED BY A PERSON WHO IS AN AUTHORISED PERSON UNDER THE FSMA, IS BEING ADDRESSED TO, OR DIRECTED AT, ONLY THE FOLLOWING PERSONS: (I) PERSONS FALLING WITHIN ONE FO THE CATEGORIES OF INVESTMENT PROFESSIONAL AS DEFINED IN ARTICLE 14(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (PROMOTION OF COLLECTIVE INVESTMENT SCHEMES) (EXEMPTIONS) ORDER 2001 (THE "**PROMOTION OF CIS ORDER**"), (II) PERSONS FALLING WITHIN ANY OF THE CATEGORIES OF PERSON DESCRIBED IN ARTICLE 22(a)-(d) OF THE PROMOTION OF CIS ORDER AND (III) ANY OTHER PERSON TO WHOM IT MAY OTHERWISE BE LAWFULLY BE MADE IN ACCORDANCE WITH THE PROMOTION OF CIS ORDER. THIS COMMUNICATION IS BEING DIRECTED ONLY AT PERSONS HAVING PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS AND ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS COMMUNICATION RELATES WILL BE ENGAGED IN ONLY WITH SUCH PERSONS. NO OTHER PERSON SHOULD RELY ON IT.

Confirmation of your representation: The attached document is delivered to you at your request and on the basis that you have confirmed to Abu Dhabi Commercial Bank PJSC, Abu Dhabi Islamic Bank PJSC, Citigroup Global Markets Limited, Dubai Islamic Bank PJSC, Emirates NBD Capital Limited and Standard Chartered Bank (together, the "**Joint Lead Managers**"), Barwa Bank Group, Sharjah Islamic Bank PJSC and Union National Bank PJSC (the "**Co-Lead Managers**" and, together with the Joint Lead Managers, the "**Managers**"), Emirates and Medjool Limited (the "**Trustee**") that (i) you are located outside the United States; (ii) you consent to delivery by electronic transmission; (iii) you will not transmit the attached document (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the prior written consent of the Managers; and (iv) you acknowledge that you will make your own assessment regarding any credit, investment, legal, taxation or other economic considerations with respect to your decision to subscribe or purchase any of the Certificates.

This document has been made available to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of Emirates, the Trustee, the Managers nor any person who controls or is a director, officer, employee or agent of Emirates, the Trustee, the Managers nor any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and the hard copy version. By accessing this document, you consent to receiving it in electronic form. A hard copy of the document will be made available to you only upon request to the Managers.

You are reminded that the attached document has been delivered to you on the basis that you are a person into whose possession this document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver this document, electronically or otherwise, to any other person. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

Neither the Managers nor any of their respective affiliates accepts any responsibility whatsoever for the contents of this document or for any statement made or purported to be made by any of them, or on any of their behalf, in connection with Emirates, the Trustee or the offer. The Managers and their respective affiliates accordingly disclaim all and any liability whether arising in tort, contract, or otherwise which they might otherwise have in respect of such document or any such statement. No representation or warranty, express or implied, is made by any of the Managers or their respective affiliates as to the accuracy, completeness, verification or sufficiency of the information set out in this document.

The Managers are acting exclusively for Emirates and the Trustee and no one else in connection with the offer. They will not regard any other person (whether or not a recipient of this document) as their client in relation to the offer and will not be responsible to anyone other than Emirates and the Trustee for providing the protections afforded to its clients nor for giving advice in relation to the offer or any transaction or arrangement referred to herein.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Managers or any affiliate of the Managers is a licensed broker or dealer in that jurisdiction the offering shall be deemed to be made by the Managers or such affiliate on behalf of Emirates and the Trustee in such jurisdiction.

Under no circumstances shall this document constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of the attached document who intend to subscribe for or purchase any securities to be issued are reminded that any subscription or purchase may only be made on the basis of the information contained in the final version of the attached document.

If you received this document by e-mail, you should not reply by e-mail to this communication. Any reply e-mail communications, including those you generate by using the "Reply" function on the e-mail software, will be ignored or rejected. Your receipt of the electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

PROSPECTUS

Medjool Limited

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

U.S.$1,000,000,000 Trust Certificates due 2023

The U.S.$1,000,000,000 trust certificates due 2023 (the "**Certificates**") of Medjool 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 19 March 2013 (the "**Issue Date**") entered into between the Trustee, Emirates and Deutsche Trustee Company Limited as the delegate of the Trustee (the "**Delegate**"). The Certificates confer on the holders of the Certificates from time to time (the "**Certificateholders**") the right to receive certain payments (as more particularly described herein) arising from an undivided ownership interest in the assets of a trust declared by the Trustee pursuant to the Declaration of Trust (the "**Trust**") over the Trust Assets (as defined herein) which will include, *inter alia*, (i) the Rights to Travel (as defined herein) and (ii) the Trustee's rights under the Transaction Documents (as defined herein).

Periodic Distribution Amounts (as defined herein) shall be payable subject to and in accordance with the terms and conditions of the Certificates (the "**Conditions**") on the outstanding face amount of the Certificates from (and including) the Issue Date to (but excluding) 19 March 2023 (the "**Scheduled Dissolution Date**") at a rate of 3.875 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 19 March and 19 September in each year commencing on 19 September 2013. 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.

Application has been made to the Dubai Financial Services Authority (the "**DFSA**") for the Certificates to be admitted to the official list of securities (the "**Official List**") maintained by the DFSA and to NASDAQ Dubai for such Certificates to be admitted to trading on NASDAQ Dubai. Emirates currently intends to apply for the Certificates to be admitted to listing and trading on a European stock exchange within six months of the date of this Prospectus, however, prospective investors should note that there can be no assurance that such admission to listing and trading will occur.

References in this Prospectus to Certificates being listed (and all related references) shall mean that such Certificates have been admitted to trading on NASDAQ Dubai and have been admitted to the 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 S.A/N.V. ("**Euroclear**") and Clearstream Banking, societe anonyme ("**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 Commercial Bank **Abu Dhabi Islamic Bank** **Citigroup**
Dubai Islamic Bank PJSC **Emirates NBD Capital Limited** **Standard Chartered Bank**

Co-Lead Managers

Barwa Bank **Sharjah Islamic Bank** **Union National Bank**

The date of this Prospectus is 14 March 2013

This Prospectus is for the purpose of giving information with regard to the Trustee, Emirates, the Group (as defined in "*Presentation of 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 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, Emirates and the Managers to inform themselves about and to observe any such restrictions. None of the Trustee, the Delegate, 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, 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, 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, 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, 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 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.

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

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

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

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

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

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

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

No comment is made or advice given by the Trustee, Emirates, the Delegate, the Managers or the Paying 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 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, expressed or implied, is made or given by or on behalf of the Managers, nor any person who controls them or any director, officer, employee or agent of them, or affiliate of any such person as to the accuracy, completeness or fairness of the information or opinions contained in this document and such persons do not accept responsibility or liability for any such information or opinions.

The Certificates have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States 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 Fatwa and *Shari'a* Supervisory Board of Abu Dhabi Commercial Bank PJSC, the Executive Committee of the Fatwa & *Shari'a* Supervisory Committee of Abu Dhabi Islamic Bank PJSC, the Executive Committee of the Fatwa and Sharia Supervision Board of Dubai Islamic Bank PJSC and Dar Al Sharia Legal & Financial Consultancy, the *Shari'a* Supervisory Board of Citi

Islamic Investment Bank E.C. and the *Shari'a* Supervisory Committee of Standard Chartered Bank. Prospective Certificateholders should not rely on such approvals in deciding whether to make an investment in the Certificates and should consult their own *Shari'a* advisers as to whether the proposed transaction described in such approvals is in compliance with their individual standards of compliance with *Shari'a* principles.

Stabilisation

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

Cautionary note regarding forward looking statements

This Prospectus contains "forward-looking statements" – that is, statements related to future, not past, events. In this context, forward-looking statements often address 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 condensed consolidated financial statements as of and for the six months ended 30 September 2012 (the "**Interim Financial Statements**") and the audited consolidated financial statements as of and for the financial years ended 31 March 2012 (the "**2012 Financial Statements**") and 31 March 2011 (the "**2011 Financial Statements**" and, together with the 2012 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 US 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 their respective 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 included herein and other financial information prepared under IFRS, IFRS-EU and 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.

Non-GAAP measures

This Prospectus includes certain references to non-GAAP 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, gearing ratio, 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 non-GAAP measures to evaluate its performance, and this additional financial information is presented in this Prospectus. This information is not prepared in accordance with IFRS and should be viewed as supplemental to 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, gearing ratio, 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.

EBITDAR

In certain places within this document reference is made to EBITDAR. EBITDAR is a non-GAAP measure. As referred to in this document, the Group has calculated EBITDAR for each period as operating profit before depreciation, amortisation and 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

As explained in Note 24 of the Interim Financial Statements, the financial information corresponding to the year ended 31 March 2012 included in the 2012 Financial Statements differs from the financial information corresponding to the year ended 31 March 2012 included, for comparative purposes, in the Interim Financial Statements. The financial year 2012 information in the Interim Financial Statements reflects a reclassification from current to non-current liabilities to appropriately reflect the nature of balances and to conform with the Interim Financial Statements' presentation. Thus, the financial information corresponding to the year ended 31 March 2012, included elsewhere in this Prospectus, (other than in the 2012 Financial Statements) is extracted from the Interim Financial Statements.

As explained in Notes 38 and 39 of the 2012 Financial Statements, the financial information corresponding to the year ended 31 March 2011 included in the 2011 Financial Statements differs from the financial information corresponding to the year ended 31 March 2011 included, for comparative purposes, in the 2012 Financial Statements. The financial year 2011 information in the 2012 Financial Statements reflects certain reclassifications and an adjustment to reflect a change in an accounting policy adopted by Emirates effective 1 April 2011 which were required to be made retrospectively so that the financial information for the 2011 and 2012 financial years were comparable. Thus, the financial information corresponding to the year ended 31 March 2011 included in this Prospectus (other than in the 2011 Financial Statements) is extracted from the 2012 Financial Statements. However, the financial year 2011 information has not been amended to reflect the impact of the reclassification as explained in Note 24 of the Interim Financial Statements. Had the 2011 financial information been amended the impact would have been a reclassification from trade and other payables current to provisions non-current of AED 558 million. The reclassification would not have had an impact on the Group's profit for the year or net equity.

The financial information as of and for the year ended 31 March 2010 included in this Prospectus has been extracted from the 2011 Financial Statements and therefore has not been amended to reflect the impact of applying the above-mentioned changes. Had the 2010 financial information been amended the impact would have been as follows:

- a decrease of both revenue and operating costs by AED 120 million. The decrease would not have had an impact on the Group's operating profit, profit for the year or net equity;
- a reclassification from deferred revenue non-current to deferred revenue current of AED 682 million. The reclassification would not have had an impact on the Group's profit for the year or net equity;
- a reclassification from trade and other payables current to provisions non-current of AED 404 million. The reclassification would not have had an impact on the Group's profit for the year or net equity; and
- an increase in the retirement benefit obligation of AED 34 million. The increase would have had the effect of decreasing the Group's retained earnings by AED 34 million and decreasing other comprehensive income by AED 55 million.

Presentation of Industry Data

In this document, 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 document, references to:

- "**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.

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

Certain Publicly Available Information

Certain statistical data and other information appearing in this Prospectus have been extracted from public sources identified in this Prospectus. None of the Managers, the Trustee nor 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.

NOTICE TO U.K. RESIDENTS

The Certificates represent interests in a collective investment scheme (as defined in the FSMA) which has not been authorised, recognised or otherwise approved by the United Kingdom Financial Services Authority. Accordingly, this Prospectus is not being distributed to and must not be passed on to the general public in the United Kingdom.

The distribution in the United Kingdom of this Prospectus and any other marketing materials relating to the Certificates (A) if effected by a person who is not an authorised person under the FSMA, is being addressed to, or directed at, only the following persons: (i) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Financial Promotion Order**"), and (ii) persons falling within any of the categories of persons described in Article 49(2) (High net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; and (B) if effected by a person who is an authorised person under the FSMA, is being addressed to, or directed at, only the following persons: (i) persons falling within one of the categories of Investment Professional as defined in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the "**Promotion of CISs Order**"), (ii) persons falling within any of the categories of person described in Article 22(a)-(d) (High net worth companies, unincorporated associations, etc.) of the Promotion of CISs Order and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Promotion of CISs Order. Persons of any other description in the United Kingdom may not receive and should not act or rely on this Prospectus or any other marketing materials in relation to the Certificates.

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

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

CAYMAN ISLANDS NOTICE

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

THE KINGDOM OF SAUDI ARABIA NOTICE

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

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

NOTICE TO BAHRAIN RESIDENTS

No invitation may be made to any person in the Kingdom of Bahrain to subscribe for the Certificates.

NOTICE TO RESIDENTS OF THE STATE OF QATAR

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

NOTICE TO RESIDENTS OF MALAYSIA

The Certificates may not be offered for subscription or purchase and no invitation to subscribe for or purchase the Certificates in Malaysia may be made, directly or indirectly, and this 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

Each of the Trustee and Emirates believes that the following factors may affect the Trustee's ability to fulfil its obligations under the Certificates. All of these factors are contingencies which may or may not occur and neither the Trustee nor Emirates is in a position to express a view on the likelihood of any such contingency occurring. Factors which the Trustee and Emirates believes may be 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 Trustee may be unable to pay any amounts on or in connection with any Certificate for other reasons and neither the Trustee nor Emirates represents that the statements below regarding the risks of holding any Certificate are exhaustive.

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

Risks Relating to the Trustee

The Trustee is an exempted company with limited liability incorporated in the Cayman Islands on 18 February 2013. The Trustee has not as at the date of this Prospectus, and will not, engage in any business activity other than the issuance of the Certificates, the acquisition of the Trust Assets as described herein, acting in the capacity as Trustee, and other activities incidental or related to the foregoing as required under the Transaction Documents.

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

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

Risks Relating to 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:

- terrorist attacks, such as the 11 September 2001 terrorist attacks in the United States, may cause uncertainty in the minds of the travelling public and/or result in increasingly restrictive security measures which can materially adversely affect passenger demand for air travel;
- the occurrence of wars or the threat of war, such as the war in Iraq in 2003 and the United States' withdrawal from Iraq in 2011, which gave rise to a reduction in travel over the Middle East region generally pending the resolution of political and economic uncertainties. In addition, political tension between countries, or civil unrest within a country (such as recent violent insurrections and/or their aftermath in Bahrain, Egypt, Libya and Syria), may also result in the cancellation of, and reductions in, bookings as well as the closure or restriction of access to airspace or airports which may also adversely affect Emirates' business;
- further escalation of the tensions between Iran and the international community related to Iran's non-compliance with sanctions imposed on its nuclear programme, including potential military responses or attacks, could result in a decline in passenger travel to, from or within the Middle

East region. In addition, the perceived threat or existence of any armed conflict in the region arising from such tensions may result in the closure or restriction of access to airspace or airports which may also adversely affect Emirates' business;

- any material decline in economic activity within a region, or, as was the case at the end of 2008 and through 2009, globally, which can significantly affect demand for travel by air and for cargo space. In particular, widespread economic decline which could result from the failure of governments to solve the sovereign debt crisis in Europe or the United States "fiscal cliff" and debt ceiling negotiations may adversely affect Emirates' business and profitability;

- epidemics and other natural calamities such as the outbreak of Severe Acute Respiratory Syndrome ("**SARS**") in 2003 which significantly reduced air travel to and from SARS-affected areas and the volcanic eruption in Iceland in 2010 which materially adversely affected air travel to, from and within Europe; and

- concerns about the environmental impacts of air travel and tendencies towards "green" travel initiatives which may cause consumers to reduce their air travel activities.

It is not possible for 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 39.2 per cent. and 40.2 per cent. of the Group's total operating costs in the six months ended 30 September 2012 and the 2012 financial year, 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.

During 2008, jet fuel prices reached historically high levels before falling significantly at the end of that year and continuing to fall in early 2009. From mid 2009 to May 2011, jet fuel prices generally increased while remaining below the peak levels reached in mid 2008. Since June 2011, prices have been less volatile than during the preceding years, trading in a narrow range marked by a series of short increases and decreases. However, factors such as an escalation of any existing conflict or the emergence of any new conflict in the Middle East, or a halt in Iranian oil exports due to heightened tensions between Iran and the international community, could result in a significant surge in the price of jet fuel. 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. During financial year 2012 and the six months ended 30 September 2012, Emirates' strategy was to remain un-hedged, reflecting a view that the balance of risk was considered greater to the downside given historically high price levels and the backdrop of global economic uncertainty. 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. 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.

The newly developed Airbus A380 aircraft is a critical part of Emirates' operations, and the materials used in its construction may be found to be less efficient or durable than expected, thereby leading to lower operating hours of the Airbus A380, higher maintenance and repair costs and lower overall value.

The Airbus A380 aircraft forms a critical part of Emirates' operations and are considered highly important to its future operations. The Airbus A380 is a newly developed aircraft, the first of which was delivered in October 2007. Due to this new type of design, in particular in respect of innovative materials and technologies, and the size of the aircraft, there is at present insufficient experience or data to give a complete assessment of the long-term use and operation of the aircraft. If any significant problems were found with the design or operation of the Airbus A380, or significant unscheduled maintenance on these aircraft were required, that in either case caused Emirates to ground its fleet of Airbus A380s, it 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.

There is a risk that the newly developed materials may be found to be less efficient or durable than expected, thereby leading to lower operating hours of the Airbus A380 and higher maintenance and repair costs. For instance, in 2011 and 2012, cracks were found in the wings of Airbus A380 aircraft, including those operated by Emirates, which has caused unscheduled maintenance work on such aircraft. The cracks to the wing rib feet of the aircraft will require modification work to be carried out on a retrofit basis for all Airbus A380 aircraft currently in-service as well as all Airbus A380 aircraft scheduled to be delivered by Airbus prior to January 2014. Airbus has identified that this modification work will require the replacement of certain wing rib feet components with parts made of an alternative alloy and certain other reinforcement and redesign work relating to certain of the wing rib feet. Airbus anticipates that modification kits for repair of in-service aircraft will be available from the first quarter of 2013 and that a new wing rib design will be incorporated into all Airbus A380 aircraft scheduled to be delivered from January 2014 onwards. The modifications to the wing rib design are subject to certification by the applicable airworthiness authorities and the implementation of these modifications on in-service aircraft is subject to Airbus being able to provide all necessary resources to complete the modification. Any failure or delay in obtaining this certification or these resources 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.

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 of DIA or network airports with regards to timing of operations (such as imposing night flight restrictions) or any substantial change in the facilities available to Emirates at DIA or other network airports (or any substantial interruption in their availability 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.

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 2012, Emirates had AED 152.6 billion in authorised and contracted capital commitments in respect of its aircraft fleet. 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 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, such as the cracks recently found on the wings of Emirates' Airbus A380 aircraft. See "— *The newly developed Airbus A380 aircraft is a critical part of Emirates' operations, and the* *materials used in its construction may be found to be less efficient or durable than expected, thereby leading to lower operating hours of the Airbus A380, higher maintenance and repair costs and lower overall value*". 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.

Interruptions in technological systems, such as those relating to 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, 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 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 Singapore 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 and options. 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 civil litigation (in the form of class action) in the United States arising out of investigations by the United States competition authorities into fuel and security surcharges in relation to certain cargo flights. Emirates has entered into a settlement of these proceedings on a no admission of liability basis, which is subject to final court approval following notification to the potential class of plaintiffs, and the expiry of an opt-out period. Emirates is also potentially subject to individual actions in connection with these proceedings by potential class action members who elect to opt out of the settlement and initiate individual proceedings. In addition, following the recent settlement by Emirates of proceedings initiated in Australia by the Australian Competition and Consumer Commission ("**ACCC**") relating to fuel and security surcharges in relation to certain cargo flights, Emirates could potentially be subject to inclusion in existing class action proceedings in Australia. In October 2012, five of the respondent airlines to these existing Australian class action proceedings filed applications seeking leave of the Federal Court to file cross-claims against Emirates and another airline. These applications were contested by Emirates and the other airline at a hearing in November 2012. A further hearing of these applications is due to occur in March 2013.

If Emirates was to be included in any such potential further proceedings and was to receive an adverse judgment against it in any of these proceedings, it would be subject to damages which could have an adverse effect on Emirates' financial position.

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.

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 the 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, 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. In addition, a number of airlines have entered into creditor protection as a result of the global financial crisis and this could help them to substantially reduce their cost structure and become more competitive, both while they are under creditor protection and thereafter. 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 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 February 2009, European Union ("**EU**") Directive 2008/101/EC came into force, bringing the aviation industry within the EU Emissions Trading Scheme ("**EU ETS**"). As a result, all flights departing from, and arriving at, EU airports are included within the EU ETS. The EU ETS delivers a market price for carbon, capping total emissions to a fixed limit with operators required to surrender allowances for each reporting year to cover their total emissions. As initially announced for the period from 1 January 2012 to 31 December 2012, 15.0 per cent. of allowances would be sold to operators through an auction process and the remaining allowances would be allocated free of charge according to a formula designed to ensure fair allocation between operators. Also, from 1 January 2013 until 31 December 2020, a tapering amount of free allowances would be allocated to operators and thereafter there would be no free allocation. In November 2012, the European Commission submitted a formal proposal to defer key parts of EU ETS aviation compliance by one year. This proposes a suspension of aspects of enforcement relating to reporting emissions and the surrender of allowances for certain flights, including international flights originating or terminating outside the EU.

The cost and amount of allowances that Emirates will have to purchase in respect of 2012 and subsequent years is not currently known, particularly due to the November 2012 announcement regarding deferment of the application of the EU ETS to aviation. Should Emirates be unable to obtain sufficient allowances under the auction/free allocation processes, it will have to purchase additional allowances on the open market. If such additional purchases were required, this would increase Emirates' total costs, 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.

Certain governments may also choose to impose a more punitive tax regime on air travel with the intention of reducing airline emissions by making air travel more expensive and therefore less attractive to customers. Any increase in air travel costs to passengers brought about by more stringent taxation could have a material adverse effect on 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 as a result of the Arab Spring.

There has been a dramatic change in the geopolitical situation in the Middle East and North Africa region in the past two years. In Bahrain, Libya, Egypt, Iran, Tunisia, Yemen and Syria, revolutionary activity and civil unrest, termed the "Arab Spring", has ousted long-standing leadership in several of the aforementioned countries and created turbulent political situations in others. There can be no assurance that such instability in the region will not escalate in the future, that such instability will not spread to additional countries in the Middle East and North Africa 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 2012, 30.8 per cent. (56 out of 182) of Emirates' aircraft 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 2012, 65.9 per cent. (120 out of 182) of Emirates' aircraft were financed using operating leases. As of 30 September 2012, the remaining 3.3 per cent. (six out of 182) of Emirates' aircraft were owned by Emirates.

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 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, fails to do so within a reasonable period and such failure 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 20 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 principal amount of less than U.S.$200,000 would need to purchase a principal amount of Certificates such that it holds an amount equal to at least U.S.$200,000 to be able to trade such Certificates. Certificateholders should be aware that Certificates which have a denomination that is not an integral multiple of U.S.$200,000 may be illiquid and difficult to trade.

Legal investment considerations may restrict certain investments

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

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.

Admission to listing and trading on a European stock exchange trading cannot be assured

It is the current intention of the Trustee and Emirates to apply for the Certificates to be admitted to listing and trading on a European stock exchange during the period of six months from the date of this Prospectus, however, prospective investors should note that there can be no assurance that such admission to listing and trading will occur or, if it occurs, can be maintained. The absence of admission to listing and trading on a European stock exchange, or a delisting of the Certificates from such a stock exchange, 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 interest rate as high as the interest rate on the Certificates being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Exchange rate risks and exchange controls

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

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

Risks relating to enforcement

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

In the event of 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, any dispute may also be referred to the courts in England (or such other court with jurisdiction which the Delegate may elect).

Where an English judgment, or such other foreign judgment, has been obtained, there is no assurance that 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 5 March 2013 (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 Fatwa & *Shari'a* Supervisory Board of Abu Dhabi Commercial Bank PJSC, the Executive Committee of the Fatwa & *Shari'a* Supervisory Committee of Abu Dhabi Islamic Bank PJSC, the Executive Committee of the Fatwa and Sharia Supervision Board of Dubai Islamic Bank PJSC and Dar Al Sharia Legal & Financial Consultancy, the *Shari'a* Supervisory Board of Citi Islamic Investment Bank E.C. and the *Shari'a* Supervisory Committee of Standard Chartered Bank have confirmed that the Transaction Documents are, in their view, *Shari'a* compliant. However, there can be no assurance that the Transaction Documents or the issue and trading of the Certificates will be deemed to be *Shari'a* compliant by any other *Shari'a* board or *Shari'a* scholars. None of the Trustee, 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 jurisdiction of the courts of England, at the option of the Trustee. In such circumstances, the arbitrator or judge, as the case may be, will first apply the relevant law of the relevant Transaction Document rather than *Shari'a* principles in determining the obligation of the parties.

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

In accordance with applicable *Shari'a* principles, each of the Trustee and the Delegate will waive all and any entitlement it may have to interest awarded in its favour by any court in connection with any dispute under any of the Transaction Documents. Should there be any delay in the enforcement of a judgment given against 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

Payments made on or with respect to the Certificates may be subject to U.S. withholding tax

Pursuant to the foreign account tax compliance provisions of the U.S. Hiring Incentives to Restore Employment Act of 2010 (‘‘**FATCA**’’), the Trustee and other non-U.S. financial institutions through which payments on the Certificates are made may be required to withhold U.S. tax at a rate of 30 per cent. on all, or a portion of, payments made after 31 December 2016 in respect of (i) any Certificates issued or materially modified on or after the later of (a) 1 January 2014 and (b) the date that is six months after the date on which the final regulations applicable to ‘‘foreign passthru payments’’ are filed in the Federal Register and (ii) any Certificates which are treated as equity for U.S. federal tax purposes, whenever issued. Under existing guidance, this withholding tax may be triggered on payments on the Certificates if (i) the Trustee is a foreign financial institution (‘‘**FFI**’’) (as defined in FATCA) which enters into and complies with an agreement with the U.S. Internal Revenue Service (‘‘**IRS**’’) to provide certain information on its account holders (making the Trustee a ‘‘**Participating FFI**’’), (ii) the Trustee is required to withhold on ‘‘foreign passthru payments’’, and (iii) (a) an investor does not provide information sufficient for the relevant Participating FFI to determine whether the investor is subject to withholding under FATCA, or (b) any FFI through which payment on such Certificates is made is not a Participating FFI or otherwise exempt from FATCA withholding.

The application of FATCA to payments of profit, Periodic Distribution Amounts or other amounts paid with respect to the Certificates is not clear. The Trustee may be required to report certain information on its U.S. account holders to the government of the Cayman Islands in order (i) to obtain an exemption from FATCA withholding on payments it receives and/or (ii) to comply with any applicable Cayman Islands law. It is not yet certain how the United States and the Cayman

Islands will address withholding on "foreign passthru payments" (which may include payments on the Certificates) or if such withholding will be required at all.

If an amount in respect of U.S. withholding tax were to be deducted or withheld from profit, principal or other payments on the Certificates as a result of FATCA, none of the Trustee, any paying agent, the Delegate or any other person would, pursuant to the Conditions, be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, investors may receive less profit or Periodic Distribution Amounts than expected.

FATCA IS PARTICULARLY COMPLEX AND ITS APPLICATION TO THE TRUSTEE, THE CERTIFICATES AND CERTIFICATEHOLDERS IS UNCERTAIN AT THIS TIME. EACH CERTIFICATEHOLDER SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO LEARN HOW THIS LEGISLATION MIGHT AFFECT EACH CERTIFICATEHOLDER IN ITS PARTICULAR CIRCUMSTANCE.

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.

EU Savings Directive

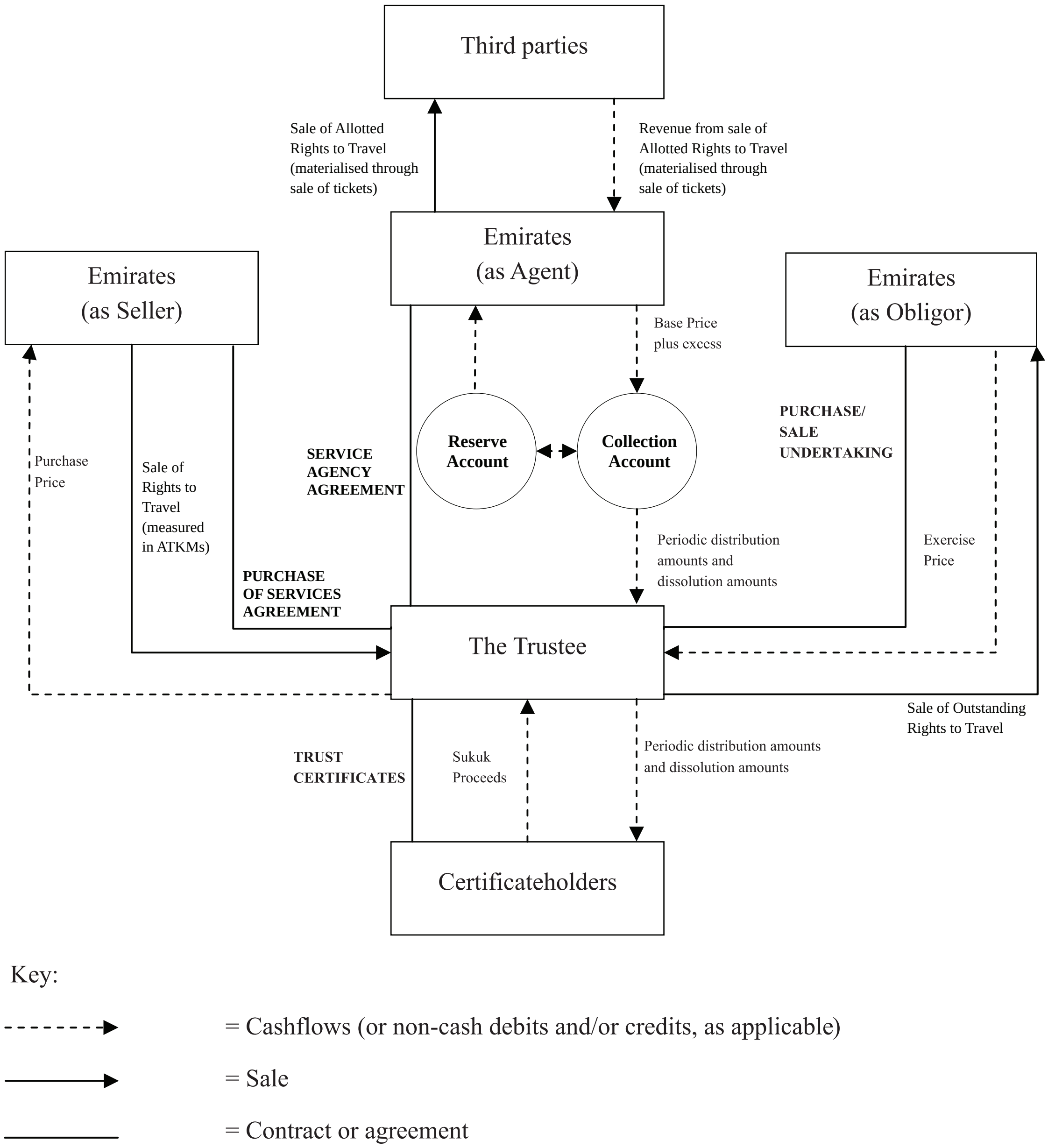
Under EC Council Directive 2003/48/EC (the "**Directive**") on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of certain payments paid by a person within its jurisdiction to an individual resident in that other Member State or to certain types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures with effect from the same date.The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Trustee nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to the Certificates as a result of the imposition of such withholding tax. The Trustee is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

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 1.374, 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 transaction account (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 (ii) the minimum sale price (collectively, the "**Exercise Price**"), which shall be credited to the Collection Account for immediate payment to the Transaction Account of an amount in cash sufficient to pay the outstanding face amount of the Certificates plus all due but unpaid Periodic Distribution Amounts.

Following the occurrence of a Change of Control (as defined in the Conditions) and the request by one or more Certificateholders to exercise a "put" right in respect of the Certificates held by it, 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.$1,000,000,000 trust certificates due 2023.
Trustee:	Medjool Limited, an exempted company with limited liability incorporated on 18 February 2013 under the laws of the Cayman Islands and formed and registered in the Cayman Islands with registered number 275554 with its registered office at c/o Intertrust SPV (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands.
Ownership of the Trustee:	The authorised share capital of the Trustee is U.S.$50,000 consisting of 50,000 ordinary shares of U.S.$1.00 each, of which 250 shares are fully-paid and issued. The Trustee's entire issued share capital is held on trust for charitable purposes by Intertrust SPV (Cayman) Limited as share trustee under the terms of a declaration of trust.
Administration of the Trustee:	The affairs of the Trustee are managed by Intertrust SPV (Cayman) Limited, who has agreed to perform certain management functions and provide certain clerical, administrative and other services pursuant to a corporate services agreement dated 11 March 2013 between Intertrust SPV (Cayman) Limited and the Trustee (the ''**Corporate Services Agreement**''). The Trustee Administrator's registered office is 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, 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*''.
Joint Lead Managers:	Abu Dhabi Commercial Bank PJSC, Abu Dhabi Islamic Bank PJSC, Citigroup Global Markets Limited, Dubai Islamic Bank PJSC, Emirates NBD Capital Limited and Standard Chartered Bank.
Co-Lead Managers:	Barwa Bank Group, Sharjah Islamic Bank PJSC and Union National Bank PJSC.
Delegate:	Deutsche Trustee Company Limited. Pursuant to the Declaration of Trust, the Trustee shall delegate to the Delegate certain of the present and future duties, powers, 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 the Obligor and/or Emirates following a Dissolution Event.
Principal Paying Agent:	Deutsche Bank AG, London Branch.
Registrar and Transfer Agent:	Deutsche Bank Luxembourg S.A.
Summary of the transaction structure and Transaction Documents:	An overview of the structure of the transaction and the principal cashflows is set out under ''*Structure Diagram and Cashflows*'' and a description of the principal terms of certain of the Transaction

	Documents is set out under "*Summary of the Principal Transaction Documents*".
Issue Date:	19 March 2013
Issue Price:	99.331 per cent.
Scheduled Dissolution Date:	Unless previously purchased and cancelled, or otherwise redeemed, the Certificates will be redeemed on 19 March 2023.
Periodic Distribution Dates:	19 March and 19 September every year, commencing on 19 September 2013.
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 3.875 per cent. per annum.
Partial Dissolution:	The Certificates will be redeemed in instalments on 19 March and 19 September in each year commencing on 19 September 2013. 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 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 14 March 2013, and (B) such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or (ii) (A) the Obligor has or will become obliged to pay additional amounts pursuant to the terms of any Transaction Document as a result of any change in, or amendment to, the laws or regulations of the United Arab Emirates or the Emirate of Dubai or any political subdivision or, in each case, any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 14 March 2013, 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. Definitive Certificates evidencing holdings of Certificates will be

issued in exchange for interests in the Global Certificate only in limited circumstances.

Clearance and Settlement: Certificateholders must hold their interest in the Global Certificate in book-entry form through Euroclear or Clearstream, Luxembourg. Transfers within and between Euroclear and Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearing systems.

Denomination of the Certificates: The Certificates will be issued in registered form in face amounts of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

Status of the Certificates: Each Certificate will represent an undivided ownership interest in the Trust Assets, will be a limited recourse obligation of the Trustee and will rank *pari passu* without any preference or priority with all other Certificates; see Condition 4 (*Status*).

The payment obligations of 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 upon trust for the Certificateholders *pro rata* according to the face amount of Certificates held by each holder in accordance with the Declaration of Trust and the Conditions.

Dissolution Events: Subject to Condition 12 (*Dissolution Events*), upon the occurrence of a Dissolution Event the Trustee and/or the Delegate shall 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, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Cayman Islands, the United Arab Emirates or the Emirate of Dubai or any authority thereof having power to tax, unless such withholding or deduction is required by law. In such event, the Trustee will pay such additional amounts as shall result in receipt by the Certificateholders of such amounts as would have been received by them had no such withholding or deduction been required.

The Transaction Documents provide that payments thereunder by 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 DFSA for the Certificates to be admitted to the 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.

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 United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Cayman Islands, the Kingdom of Saudi Arabia, the Kingdom of Bahrain, the State of Qatar, Hong Kong, Singapore and Malaysia. See "*Subscription and Sale*".

Use of Proceeds:	The proceeds of the issue of the Certificates will be paid by the Trustee to 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 definitive Certificates.

Medjool 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.$1,000,000,000.

The Certificates are constituted by a declaration of trust dated 19 March 2013 (the "**Issue Date**") between the Trustee, Emirates (the "**Obligor**"), Intertrust SPV (Cayman) Limited as the trustee administrator (the "**Trustee Administrator**") and Deutsche Trustee Company Limited as the Trustee's delegate (the "**Delegate**", which expression shall include all persons for the time being the delegate or delegates under the Declaration of Trust) (the "**Declaration of Trust**").

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

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

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

"**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*;

"**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 19 March and 19 September in each year, commencing on 19 September 2013, 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 3.875 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 19 March 2023;

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

"**Transaction Documents**" means:

(i) the Certificates;

(ii) the Declaration of Trust;

(iii) the Agency Agreement;

(iv) the Purchase of Services Agreement;

(v) the Service Agency Agreement;

(vi) the Purchase Undertaking; and

(vii) the Sale Undertaking;

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

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

(i) **Non-Payment:** default is made for more than seven days in the payment of 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 represented by registered certificates and, save as provided in Condition 3(b), each Certificate shall represent the entire holding of Certificates by the same holder.

Title to the Certificates shall pass by registration in the register that the Trustee shall procure to be kept by the Registrar outside the United Kingdom in accordance with the provisions of the Agency Agreement (the "**Register**"). Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the Register. Except as ordered by a court of competent jurisdiction or as required by law, the registered holder of any Certificate shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or 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 Certificate free from any equity, set-off or counterclaim on the part of the Trustee against the original or any intermediate holder of such Certificate.

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

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

3 Transfers

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

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

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

(d) **Closed Periods:** No Certificateholder may require the transfer of a Certificate to be registered (i) during the period of 15 days ending on the due date for payment of any 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, Certificateholders, by subscribing for or acquiring the Certificates, acknowledge that notwithstanding anything to the contrary contained in these Conditions or any Transaction Document:

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

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

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

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

(v) no recourse (whether by institution or enforcement of any legal proceedings or assessment or otherwise) in respect of any breaches of any duty, obligation or undertaking of the Trustee or Delegate arising under or in connection with the Declaration of Trust by virtue of any customary law, statute or otherwise shall be had against any shareholder, officer or director in their capacity as such for any breaches by the Trustee or Delegate and any and all personal liability of every such shareholder, officer or director in their capacity as such for any breaches by the Trustee 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 under the Declaration of Trust are corporate or limited liability obligations of the Trustee or Delegate and no personal liability shall attach to or be incurred by the shareholders, members, officers, agents or directors of the Trustee, 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); 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 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 (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**, only on the Scheduled Dissolution Date 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 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.

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.$1,000 face amount of the Certificates on the relevant Partial Dissolution Date after payment of the relevant Partial Dissolution Distribution Amount (in U.S.$)
19 September 2013	1,000.00	99.97	900.03
19 March 2014	900.03	47.37	852.66
19 September 2014	852.66	47.37	805.29
19 March 2015	805.29	47.37	757.92
19 September 2015	757.92	47.37	710.55
19 March 2016	710.55	47.37	663.18
19 September 2016	663.18	47.37	615.81
19 March 2017	615.81	47.37	568.44
19 September 2017	568.44	47.37	521.07
19 March 2018	521.07	47.37	473.70
19 September 2018	473.70	47.37	426.33
19 March 2019	426.33	47.37	378.96
19 September 2019	378.96	47.37	331.59
19 March 2020	331.59	47.37	284.22
19 September 2020	284.22	47.37	236.85
19 March 2021	236.85	47.37	189.48
19 September 2021	189.48	47.37	142.11
19 March 2022	142.11	47.37	94.74
19 September 2022	94.74	47.37	47.37
19 March 2023	47.37	47.37	0

(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 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 14 March 2013, and (B) such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or

(ii) (A) the Obligor has or will become obliged to pay additional amounts pursuant to the terms of any Transaction Document as a result of any change in, or amendment to, the laws or regulations of the United Arab Emirates or the Emirate of Dubai or any political subdivision or, in each case, any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 14 March 2013, 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 Trustee, 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 Trustee, the Obligor or any of the Obligor's Subsidiaries may in the Trustee's and Obligor's sole discretion be surrendered for cancellation in accordance with the terms of the Declaration of Trust, the Sale Undertaking and the Agency Agreement. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Trustee in respect of any such Certificates shall be discharged.

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

9 Payments

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

Payments of Periodic Distribution Amounts, 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 any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 10. No commission or expenses shall be charged to the Certificateholders in respect of such payments.

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

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

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

(e) **Non-Business Days:** If any date for payment in respect of any Certificate is not a business day, the holder shall not be entitled to payment until the next following business day nor to any profit or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the place in which the specified office of the Registrar is located and, where payment is to be made by transfer to an account maintained with a bank in U.S. dollars, on which foreign exchange transactions may be carried on in U.S. dollars in New York.

10 Taxation

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

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

(b) **Surrender more than 30 days after the Relevant Date:** if the relevant 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 Certificate for payment on the last day of such period of 30 days assuming that day to have been a business day (as defined in Condition 9(e)); or

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

(d) **Payment through another Paying and Transfer Agent in a Member State of the European Union:** if the relevant Certificate is held by a Certificateholder who would have been able to avoid such withholding or deduction by arranging to receive the relevant payment through another Paying Agent in a Member State of the European Union.

As used in these Conditions, "**Relevant Date**" in respect of any Certificate means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Certificateholders that, upon further presentation of the Certificate being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to Periodic Distribution Amounts, 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 or otherwise upon becoming aware of a Dissolution Event, shall (subject to it being indemnified, secured and/or prefunded to its satisfaction, if required by the Delegate in the circumstances) promptly give notice of the occurrence of the Dissolution Event to the Certificateholders in accordance with Condition 17 with a request to the Certificateholders to indicate to the Trustee and the Delegate if they wish the Certificates to be redeemed and the Trust to be dissolved, 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 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, 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, 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, shall (acting for the benefit of the Certificateholders) take one or more of the following steps:

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

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

13 Realisation of Trust Assets

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

(b) No Certificateholder shall be entitled to proceed directly against the Trustee or the Obligor unless: (i) the Delegate, having become bound so to proceed, fails to do so within a reasonable period and such failure 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. Such a meeting may be convened by Certificateholders holding not less than 10 per cent. in face amount of the Certificates for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in face amount of the Certificates for the time being outstanding, or at any adjourned meeting two or more persons being or representing Certificateholders whatever the face amount of the Certificates held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the Scheduled Dissolution Date or any date on which Certificates are to be redeemed or any date for payment of Periodic Distribution Amounts in respect of the Certificates, (ii) to reduce or cancel or vary the method for calculating the amount of any payment due in respect of the Certificates, (iii) to amend the covenant given by the Trustee and the Delegate in Clause 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 two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in face amount of the Certificates for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Certificateholders (whether or not they were present at the meeting at which such resolution was passed).

The Declaration of Trust provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in face amount of the Certificates outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Certificateholders.

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

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

15 Delegate

(a) **Delegation of Powers:** The Trustee will in the Declaration of Trust irrevocably and unconditionally appoint the Delegate to be its attorney and in its name, on its behalf and as its act and deeds, to execute, deliver and perfect all documents, and to exercise all of the present and future duties, powers (including the power to sub-delegate), 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 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 in respect of the Trust Assets or any other right it may have pursuant to the Declaration of Trust, the Delegate shall in no circumstances be bound to take any action unless directed to do so in accordance with Conditions 12 or 13, and then only if it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

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

(d) **Reliance on Certificates and/or Reports:** The Delegate may rely on any certificate or report of 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.

18 Contracts (Rights of Third Parties) Act 1999

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

19 Governing Law and Arbitration

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

(b) **Arbitration:** The Delegate, the Trustee and the Obligor have in the Declaration of Trust agreed that, subject to Condition 19(c), any dispute, claim, difference or controversy arising, 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 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 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 in reliance on Regulation S.

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

Holders

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

Cancellation

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

Payments

Payments of any amount in respect of the Global Certificate will, in the absence of any provision to the contrary, be made to the person shown on the Register as the registered holder of the Global Certificate at the close of 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.

Electronic Consent and Written Resolution

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

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

(b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Declaration of Trust) has been validly passed, the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Trustee by accountholders in the relevant clearing system(s) with entitlements to such Global Certificate or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries and provided that, in each case, the Trustee has obtained commercially reasonable evidence to ascertain the validity of such holding and has taken reasonable steps to ensure that such holding does not alter following the giving of such consent or instruction and prior to the effecting of such amendment. Any resolution passed in such manner shall be binding on all Certificateholders, even if the relevant consent or instruction proves to be defective. As used in this paragraph, "commercially reasonable evidence" includes any certificate or other document issued by Euroclear or Clearstream, Luxembourg, or issued by an accountholder of them or an intermediary in a holding chain, in relation to the holding of interests in the Certificates. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or printout of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's Creation Online system) in accordance with its usual procedures and in which the accountholder of a particular principal amount of the Certificates is clearly identified together with the amount of such holding. The Trustee shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

Put Option

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

Certificates in respect of which the option is exercised and presenting the Global Certificate within the time limits specified in Condition 8(c) (*Dissolution at the Option of the Certificateholders (Change of Control Put Right)*).

Registration of Title

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

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

Transfers

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

Exchange for Definitive Certificates

Interests in the Global Certificate will be exchangeable (free of charge), in whole but not in part, for Definitive 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: (i) a Dissolution Event (as defined in the Conditions) has occurred; or (ii) 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 Definitive Certificates and the Trustee will, at the cost of the Trustee (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Certificates to be executed and delivered to the Registrar within 10 days following the request for exchange for completion and dispatch to the Certificateholders. A person having an interest in the Global Certificate must provide the Registrar with a written order containing instructions (and such other information as the Trustee and the Registrar may require) to complete, execute and deliver such Definitive Certificates.

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

USE OF PROCEEDS

The net proceeds of the issue of the Certificates (expected to amount to approximately U.S.$990,000,000) 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

Medjod Limited, a Cayman Islands exempted company with limited liability, was incorporated on 18 February 2013 under the Companies Law (2012 Revision) of the Cayman Islands with company registration number 275554. 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 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands, and its telephone number is +1 345 943 3100.

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 Intertrust SPV (Cayman) Limited as share trustee (the "**Share Trustee**") under the terms of a declaration of trust (the "**Declaration of Trust**") under which the Share Trustee holds the Shares in trust until the Termination Date (as defined in the 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 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 18 February 2013.

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:**
Rachel Rankin	Senior Vice President of Intertrust SPV (Cayman) Limited
Otelia Scott	Assistant Vice President of Intertrust SPV (Cayman) Limited

The business address of each director is c/o Intertrust SPV (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, 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

Intertrust SPV (Cayman) Limited also acts as the corporate administrator of the Trustee (in such capacity, the "**Corporate Administrator**"). The office of the Corporate 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 Corporate Administrator, the Corporate 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. In consideration of the foregoing, the Corporate Administrator will receive various fees payable by the Trustee at rates agreed upon from time to time, plus expenses.

The terms of the Corporate Services Agreement provide that either the Trustee or the Corporate 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 provides that either party shall be entitled to terminate such agreement by giving at least one month's notice in writing.

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

The Corporate Administrator's principal office is Intertrust SPV (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, 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 2012 and 2011 and the three years ended 31 March 2012, 2011 and 2010 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 — Risk Factors Relating to Emirates*", "*Emirates*" and "*Financial Review*" and the Group's Financial Statements and the notes thereto appearing elsewhere in this Prospectus.

The 2011 and 2010 financial information as of and for the financial years ended 31 March 2011 and 2010 included in the tables below has not been amended to reflect the impact of certain reclassifications and the adjustments that were implemented and made by the Group as of and for the six months ended 30 September 2012 and as of and for the financial year ended 31 March 2012. See "*Presentation of Certain Financial and Other Information — Comparability of Certain Financial Information of the Group*" for more information.

Consolidated Income Statement

The following tables show the Group's consolidated income statement for the six months ended 30 September 2012 and 2011 and each of the three years ended 31 March 2012, 2011 and 2010, respectively.

	Six months ended 30 September	
	2012	**2011**
	(AED millions, unaudited)	
Revenue	34,092	29,849
Other operating income	1,328	337
Operating costs	(33,480)	(29,168)
Operating profit	**1,940**	**1,018**
Finance income	208	186
Finance costs	(405)	(314)
Share of results in associated companies and joint ventures	54	40
Profit before income tax	**1,797**	**930**
Income tax expense	(41)	(48)
Profit for the period	**1,756**	**882**
Profit attributable to non-controlling interest	52	46
Profit attributable to Emirates' owner	**1,704**	**836**

	Year ended 31 March		
	2012	2011	2010
	(AED millions, audited)		
Revenue	61,508	52,945	42,477
Other operating income	779	1,286	978
Operating costs	(60,474)	(48,788)	(39,890)
Operating profit	1,813	5,443	3,565
Other gains and losses	—	(4)	48
Finance income	414	521	330
Finance costs	(657)	(506)	(355)
Share of results in associated companies and joint ventures	103	91	77
Profit before income tax	**1,673**	**5,545**	**3,665**
Income tax expense	(53)	(78)	(50)
Profit for the year	**1,620**	**5,467**	**3,615**
Profit attributable to non-controlling interest	118	92	77
Profit attributable to Emirates' owner	**1,502**	**5,375**	**3,538**

Consolidated Statements of Financial Position

The following table shows the Group's consolidated statement of financial position as of 30 September 2012 and 31 March 2012, 2011 and 2010, respectively.

	As of 30 September	As of 31 March		
	2012	2012	2011	2010
	(AED millions, unaudited)	(AED millions, audited)		
ASSETS				
Non-current assets				
Property, plant and equipment	52,362	49,198	39,848	33,753
Intangible assets	910	902	901	927
Investments in associated companies and joint ventures	465	430	386	461
Advance lease rentals	499	370	384	233
Loans and other receivables	750	917	1,704	1,432
Derivative financial instruments	62	69	—	64
Deferred income tax assets	7	10	—	—
Total non-current assets	**55,055**	**51,896**	**43,223**	**36,870**
Current assets				
Inventories	1,587	1,469	1,290	1,084
Trade and other receivables	8,974	8,126	6,481	7,008
Derivative financial instruments	1	8	123	74
Short term bank deposits	8,657	8,055	3,777	1,176
Cash and cash equivalents	4,514	7,532	10,196	9,335
Total current assets	**23,733**	**25,190**	**21,867**	**18,677**
Total assets	**78,788**	**77,086**	**65,090**	**55,547**

	As of 30 September	As of 31 March		
	2012	**2012**	**2011**	**2010**
	(AED millions, unaudited)	*(AED millions, audited)*		
EQUITY AND LIABILITIES				
Capital and reserves				
Capital	801	801	801	801
Retained earnings	22,960	21,256	20,370	16,794
Other reserves	(1,102)	(833)	(565)	(321)
Attributable to Emirates' owner	**22,659**	**21,224**	**20,606**	**17,274**
Non-controlling interests	**262**	**242**	**207**	**201**
Total equity	**22,921**	**21,466**	**20,813**	**17,475**
Non-current liabilities				
Borrowing and lease liabilities	27,023	26,843	20,502	16,753
Provisions	1,555	1,350	479	364
Deferred revenue	1,244	1,074	930	1,483
Deferred credits	323	350	401	460
Deferred income tax liability	—	—	2	4
Trade and other payables	—	—	31	21
Derivative financial instruments	1,214	957	642	467
Total non-current liabilities	**31,359**	**30,574**	**22,987**	**19,552**
Current liabilities				
Trade and other payables	19,154	19,882	17,551	15,475
Income tax liability	27	36	22	19
Borrowings and lease liabilities	4,158	4,037	2,728	2,852
Deferred revenue	1,018	915	792	—
Deferred credits	110	136	136	162
Derivative financial instruments	41	40	61	12
Total current liabilities	**24,508**	**25,046**	**21,290**	**18,520**
Total liabilities	**55,867**	**55,620**	**44,277**	**38,072**
Total equity and liabilities	**78,788**	**77,086**	**65,090**	**55,547**

Consolidated Cash Flow Statement

The following table summarises the Group's consolidated cash flow statements for the six months ended 30 September 2012 and 2011 and each of the three years ended 31 March 2012, 2011 and 2010, respectively.

	As of and for the six months ended 30 September	
	2012	2011
	(AED millions, unaudited)	
Net cash generated from operating activities	3,078	1,612
Net cash used in investing activities	(2,661)	(6,807)
Net cash used in financing activities	(3,435)	1,433
Net decrease in cash and cash equivalents	**(3,018)**	**(3,762)**
Cash and cash equivalents at beginning of the period	7,527	10,187
Cash and cash equivalents at end of the period	**4,509**	**6,425**

	As of and for the year ended 31 March		
	2012	2011	2010
	(AED millions, audited)		
Net cash generated from operating activities	8,107	11,004	8,328
Net cash used in investing activities	(10,566)	(5,092)	(577)
Net cash used in financing activities	(201)	(5,046)	(2,982)
Net (decrease)/increase in cash and cash equivalents	**(2,660)**	**866**	**4,769**
Cash and cash equivalents at start of the year	10,187	9,322	4,547
Effects of exchange rate changes	—	(1)	6
Cash and cash equivalents at end of the year	**7,527**	**10,187**	**9,322**

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 2012 and 2011 and each of the three years ended 31 March 2012, 2011 and 2010, respectively.

	As of and for the six months ended	As of and for the year ended
	30 September 2012	31 March 2012
	(AED millions, except where otherwise stated, unaudited)	
Total borrowings and lease liabilities	31,181	30,880
Less: cash assets[2]	(13,171)	(15,587)
Net debt	18,010	15,293
Operating margin[3] (%)	5.5	2.9
Profit margin[4] (%)	4.8	2.4
EBITDAR margin[6] (%)	20.1	17.2
Net debt to equity ratio[8] (%)	78.6	71.2
Net debt (including aircraft operating leases) to equity ratio[9] (%)	172.3	162.1

	As of and for the six months ended 30 September	
	2012	**2011**
	(AED millions, except where otherwise stated, unaudited)	
Airline operating statistics		
Aircraft (*number*)	182	158
Average fleet age (*months*)	77	88
Destination cities (*number*)	126	114
Aircraft departures (*number*)	77,521	69,221
Passengers carried (*millions*)	18.7	16.2
Passenger seat kilometres (*RPKM million*)	90,117	76,498
Cargo carried (*thousand tonnes*)	1,027	884
Overall load carried (*RTKM million*)	13,247	11,381
Overall capacity (*ATKM million*)	19,662	17,097
Overall load factor(12) (%)	67.4	66.6
Breakeven load factor(13) (%)	66.3	65.2
Unit costs (*fils per ATKM*)	165.8	165.8
Unit costs (excluding jet fuel) (*fils per ATKM*)	99.0	96.3
Overall yield(14) (*fils per RTKM*)	250.1	254.3

	As of and for the year ended 31 March		
	2012	2011	2010
	(AED millions, except where otherwise stated, unaudited)		
EBITDAR[(1)]	10,735	13,437	10,638
Total borrowings and lease liabilities	30,880	23,230	19,605
Less: cash assets[(2)]	(15,587)	(13,973)	(10,511)
Net debt	15,293	9,257	9,094
Capital expenditure	13,644	12,238	8,053
Operating margin[(3)] (%)	2.9	10.0	8.2
Profit margin[(4)](%)	2.4	9.9	8.1
Return on shareholder's funds[(5)](%)	7.2	28.4	21.6
EBITDAR margin[(6)](%)	17.2	24.8	24.5
Cash assets to revenue and other operating income[(7)] (%)	25.0	25.8	24.2
Net debt to equity ratio[(8)] (%)	71.2	44.5	52.0
Net debt (including aircraft operating leases) to equity ratio[(9)] (%)	162.1	127.6	158.5
Net debt (including aircraft operating leases) to EBITDAR[(10)] (%)	324.1	197.6	260.3
Revenue per employee (*AED thousands*)[(11)]	1,796	1,738	1,459
Airline operating statistics			
Aircraft (*number*)	169	148	142
Average fleet age (*months*)	77	77	69
Destination cities (*number*)	122	111	102
Aircraft departures (*number*)	142,129	133,772	123,055
Passengers carried (*millions*)	34.0	31.4	27.5
Passenger seat kilometres (*RPKM million*)	160,446	146,134	126,273
Cargo carried (*thousand tonnes*)	1,796	1,767	1,580
Overall load carried (*RTKM million*)	23,672	22,078	19,063
Overall capacity (*ATKM million*)	35,467	32,057	28,526
Overall load factor[(12)] (%)	66.7	68.9	66.8
Breakeven load factor[(13)] (%)	65.9	63.6	64.4
Unit costs (*fils per ATKM*)	166	147	136
Unit costs (excluding jet fuel) (*fils per ATKM*)	97	95	94
Overall yield[(14)] (*fils per RTKM*)	251	232	213

Notes:

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

(2) Cash assets calculated as the sum of short-term bank deposits, cash and cash equivalents and other cash investments classified into other categories of financial assets.

(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 total borrowings and lease liabilities net of cash assets divided by equity.

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

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

(11) Revenue per employee calculated as airline revenue divided by the average airline employee strength.

(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) Overall yield calculated as revenue (airline only) earned per RTKM and expressed in fils per RTKM.

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 – Risk Factors 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".

The 2011 and 2010 financial information as of and for the financial years 2011 and 2010 included in the tables below has not been amended to reflect the impact of certain reclassifications and the adjustments that were implemented and made by the Group as of and for the six months ended 30 September 2012 and the financial year 2012. See "Presentation of Certain Financial and Other Information — Comparability of Financial Information of the Group" for more information.

Overview

According to the IATA WATS, 56th edition, in 2011 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 ranked third in terms of international freight transported measured in FTKM (which indicates the total cargo tonnage uplifted multiplied by the distance carried). Emirates' profit for the six months ended 30 September 2012 was AED 1,756 million on revenues of AED 34,092 million (compared to a profit of AED 882 million on revenues of AED 29,849 million for the six months ended 30 September 2011) and AED 1,620 million on revenues of AED 61,508 million in financial year 2012 (compared to a profit of AED 5,467 million on revenues of AED 52,945 million in financial year 2011). Emirates' revenues and other operating income grew at a compounded annual growth rate of 23.2 per cent. over the 10 financial years to 31 March 2012 and profits attributable to Emirates' owner grew over the same period by an average of 5.8 per cent. per year. Emirates has recorded net profits in each of its last 24 financial years.

Emirates transported 18.7 million passengers to 115 destinations and carried over 1 million tonnes of cargo to 126 destinations in the six months ended 30 September 2012 and 34.0 million passengers to 111 destinations with 1.8 million tonnes of cargo to 122 destinations in financial year 2012. In the six months ended 30 September 2012, Emirates' passenger seat factor and overall load factor were 79.7 per cent. and 67.4 per cent., respectively (compared to 79.3 per cent. and 66.6 per cent., respectively, for the six months ended 30 September 2011). In financial year 2012, Emirates had a passenger seat factor of 80.0 per cent. and overall load factor of 66.7 per cent., compared to 80.0 per cent. and 68.9 per cent., respectively, in the previous year. The airline's breakeven load factors were 66.3 per cent., 65.9 per cent. and 63.6 per cent. in the six months ended 30 September 2012, financial year 2012 and financial year 2011, respectively. Emirates' RPKMs and RTKMs increased by 17.8 per cent. and 16.4 per cent., respectively, in the six months ended 30 September 2012 compared to the same period in 2011, and increased by 9.8 per cent. and 7.2 per cent., respectively, in financial year 2012 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 2012 was 77 months against a global industry average of 137 months, according to the IATA WATS, 56th edition, based on then available data.

In financial year 2012, 95.6 per cent. of the Group's revenue comprised transportation revenue, consisting of revenue generated from passenger transport (79.6 per cent.), cargo transport (15.5 per cent.) and excess baggage (0.5 per cent.). The remaining 4.4 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, in-flight catering services provided to third parties and leisure services (including hotel operations).

The global airline industry was materially adversely impacted by the global financial crisis during 2008 and 2009 which caused a significant reduction in overall passenger numbers as well as in passengers booking premium cabins and gave rise to strong price competition. In most airlines, the financial crisis resulted in shrinking networks and revenues as well as falling service levels. In some cases, the financial crisis also resulted in airline bankruptcies. In addition, airlines were adversely impacted by the associated liquidity crisis in which financial institutions around the world were reluctant to extend credit from late 2008 through mid-2009. According to IATA, airlines' financial losses worldwide for 2008 and 2009 were U.S.$15.9 billion and U.S.$9.4 billion, respectively. As against this background, the Group's revenues remained relatively flat in financial year 2010, increased by 24.6 per cent. in financial year 2011 and 16.2 per cent. in financial year 2012, in each case compared to the previous financial year. For the six months ended 30 September 2012, revenue increased by 14.2 per cent. as compared to the same period of the previous year. The Group's operating profit increased by 56.5 per cent. in financial year 2010 and by 52.7 per cent. in financial year 2011, in each case compared to the previous financial year. The Group's operating profit for the six months ended 30 September 2012 stood at AED 1,940 million, 90.6 per cent. higher than its profit for the same period in 2011, and the Group's operating profit in financial year 2012 (AED 1,813 million) was 66.7 per cent. lower than the record profit of AED 5,443 million in financial year 2011 when, despite a healthy growth in revenues, Emirates' results were adversely impacted by significant increases in jet fuel costs.

Emirates' strategy during and following the global financial crisis was to continue to maintain and expand its network, invest in its brand and improve service levels, whilst at the same time putting in place a significant cost reduction programme. Emirates implemented a range of measures designed to ensure that jobs were safeguarded and talent was retained. In the six months ended 30 September 2012, the group had an average of 45,947 employees compared to an average of 41,115 employees in the same period of the previous financial year and in financial year 2012 the Group had an average of 42,422 employees compared to an average of 38,797 in 2011 and 36,652 in 2010.

Emirates also continued its fleet expansion programme during and following the financial crisis, taking delivery of 22 new aircraft in financial year 2012, eight new aircraft in financial year 2011 and 15 new aircraft in financial year 2010, raising AED 12.4 billion, AED 5.3 billion and AED 8.8 billion in financial year 2012, financial year 2011 and financial year 2010, respectively, in financing to fund these acquisitions.

Recent Developments

In the six months ended 30 September 2012, Emirates added 13 new aircraft to its fleet, including two Airbus A380s, 10 Boeing 777-300ERs and one Boeing 777-200 freighter. Between 30 September 2012 and 1 March 2013, Emirates has added a further 19 new aircraft to its fleet, comprising eight Airbus A380s, nine Boeing 777-300ERs and two Boeing 777-200 freighters. Between 30 September 2012 and 1 March 2013, Emirates has retired three A330-200 aircraft from its fleet.

In the six months ended 30 September 2012, Emirates added five new passenger destinations to its route network (Ho Chi Minh City, Barcelona, Lisbon, Erbil and Washington, D.C.). Between 30 September 2012 and 1 March 2013, Emirates has also added an additional five new passenger destinations (Adelaide, Lyon, Phuket, Algiers and Warsaw). With regards to scheduled freighter operations, in the six months ended 30 September 2012, Emirates commenced operations to Liege and Tripoli and ceased operations to Lome. Since 30 September 2012, Emirates has ceased scheduled freighter operations to Bagram and commenced scheduled freighter operations to Djibouti.

In September 2012, Emirates entered into a Master Coordination Agreement with Qantas, pursuant to which the airlines agreed to enter into codesharing arrangements across their global networks and to coordinate on pricing, sales and capacity. This partnership is intended to provide customers with enhanced access to the combined network of both carriers, commencing on 31 March 2013, subject to all necessary regulatory approvals. See "*Business — Arrangements with Other Airlines — Cooperation with Qantas*".

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 2012 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 2012 Financial Statements.

Results of Operations for the Six Months Ended 30 September 2012 and 2011 and the Three Years Ended 31 March 2012

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 and in-flight catering services provided to third parties and through the provision of a range of other services (referred to below as "**Other**") including destination and leisure management services and hotel operations, among others.

The table below shows the Group's revenue categorised by transportation revenue and all other revenue for the six months ended 30 September 2012 and 2011 and the three years ended 31 March 2012, 2011 and 2010, respectively.

	Six months ended 30 September			
	2012		2011	
	(unaudited)			
	(AED millions)	*(%)*	*(AED millions)*	*(%)*
Passenger	27,574	80.9	23,698	79.4
Cargo	5,040	14.8	4,818	16.1
Excess baggage	195	0.6	156	0.5
Total transportation revenue	**32,809**	**96.3**	**28,672**	**96.0**
Other	1,283	3.7	1,177	4.0
Total revenue	**34,092**	**100.0**	**29,849**	**100.0**

	Year ended 31 March					
	2012		2011		2010	
	(audited)					
	(AED millions)	*(%)*	*(AED millions)*	*(%)*	*(AED millions)*	*(%)*
Passenger	48,950	79.6	41,415	78.2	32,995	77.7
Cargo	9,546	15.5	8,803	16.6	6,899	16.2
Excess baggage	332	0.5	293	0.6	278	0.7
Total transportation revenue	**58,828**	**95.6**	**50,511**	**95.4**	**40,172**	**94.6**
Other	2,680	4.4	2,434	4.6	2,305	5.4
Total revenue	**61,508**	**100.0**	**52,945**	**100.0**	**42,477**	**100.0**

Note:

The 2010 financial information included in the table above has not been amended to reflect the impact of the reclassifications and the adjustment explained in section "*Presentation of Certain Financial and Other Information — Comparability of Financial Information of the Group*".

The Group's total revenue increased by AED 4,243 million, or 14.2 per cent., in the six months ended 30 September 2012 (from AED 29,849 million in the six months ended 30 September 2011 to AED 34,092 million), reflecting increases in passenger revenue (of AED 3,876 million, or 16.4 per cent.), cargo revenue (of AED 222 million, or 4.6 per cent.), excess baggage revenue (of AED 39 million, or 25.0 per cent.) and other revenues (of AED 106 million, or 9.0 per cent.). In financial year 2012, the Group's total revenue increased by AED 8,563 million, or 16.2 per cent., from AED 52,945 million in financial year 2011 to AED 61,508 million, reflecting increases in passenger revenue (of

AED 7,535 million, or 18.2 per cent.), cargo revenue (of AED 743 million, or 8.4 per cent.), excess baggage revenue (of AED 39 million, or 13.3 per cent.) and other revenues (of AED 246 million, or 10.1 per cent.).

By geographic region for financial year 2012, 29.6 per cent. of the Group's revenue was derived from East Asia and Australasia, 27.7 per cent. was derived from Europe, 11.5 per cent. was derived from West Asia and the Indian Ocean region, 10.9 per cent. was derived from the Americas, 10.3 per cent. was derived from the Gulf and Middle East region and 10.0 per cent. was derived from Africa.

By geographic region for financial year 2011, 29.3 per cent. of the Group's revenue was derived from East Asia and Australasia, 27.2 per cent. was derived from Europe, 12.1 per cent. was derived from West Asia and the Indian Ocean region, 10.6 per cent. was derived from Africa, 10.4 per cent. was derived from the Americas and 10.4 per cent. was derived from the Gulf and Middle East 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 95.7 per cent. of the Group's total revenue in the six months ended 30 September 2012 and 95.1 per cent., 94.8 per cent. and 93.9 per cent. of the Group's total revenue in financial year 2012, financial year 2011 and financial year 2010, 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 for the six months ended 30 September 2012 and 2011 and the three years ended 31 March 2012, 2011 and 2010, respectively.

	Six months ended 30 September		Year ended 31 March		
	2012	**2011**	**2012**	**2011**	**2010**
			(unaudited)		
Passenger revenue *(AED millions)*	27,574	23,698	48,950	41,415	32,995
Passengers carried *(thousands)*	18,724	16,260	33,981	31,422	27,454
ASKM *(millions)*	113,095	96,384	200,687	182,757	161,756
RPKM *(millions)*	90,117	76,498	160,446	146,134	126,273
Passenger seat factor *(%)*	79.7	79.3	80.0	80.0	78.1
Passenger yield *(fils/RPKM)*	30.6	31.0	30.5	28.3	26.1

Note:

Passenger revenue (*AED millions*) has been extracted from the unaudited interim condensed consolidated financial statements for the six months ended 30 September 2012 and from the audited consolidated financial statements for financial years 2012 and 2011, respectively.

Six Months Ended 30 September 2012 compared to Six Months Ended 30 September 2011

The Group's passenger carrying capacity increased by 16,711 million ASKM, or 17.3 per cent., in the six months ended 30 September 2012 (from 96,384 million ASKM in the six months ended 30 September 2011 to 113,095 million ASKM). The Group's passenger traffic increased by 13,619 million RPKM, or 17.8 per cent., in the six months ended 30 September 2012 (from 76,498 million RPKM in the six months ended 30 September 2011 to 90,117 million RPKM). The Group's passenger seat factor increased slightly by 0.4 percentage points as compared to the same period in the previous year.

Aircraft departures increased by 12.0 per cent. for the six months ended 30 September 2012 to 77,521 from 69,221 for the six months ended 30 September 2011, reflecting the introduction of new passenger services to 14 new destinations (St. Petersburg, Baghdad, Rio de Janeiro, Buenos Aires, Dublin, Lusaka, Harare, Dallas, Seattle, Ho Chi Minh City, Barcelona, Lisbon, Erbil and Washington D.C.), increased frequencies to a number of existing destinations and increased capacity to a number of existing destinations using larger aircraft.

The Group's passenger revenue increased by AED 3,876 million, or 16.4 per cent., in the six months ended 30 September 2012 (from AED 23,698 million in the six months ended 30 September 2011 to AED 27,574 million). This increase in passenger revenue principally reflected the combined effects of an increase in the number of passengers carried (2.46 million, or 15.2 per cent.) and RPKMs (13,619 million, or 17.8 per cent.), partly offset by a decline in passenger yield of 0.4 fils per RPKM, or 1.3 per cent.

Financial Year 2012 compared to Financial Year 2011

The Group's passenger carrying capacity increased by 17,930 million ASKM, or 9.8 per cent., in financial year 2012 (from 182,757 million ASKM in financial year 2011 to 200,687 million ASKM). The Group's passenger traffic increased by 14,312 million RPKM, or 9.8 per cent., in financial year 2012 (from 146,134 million RPKM in financial year 2011 to 160,446 million RPKM). The Group's passenger seat factor remained flat at 80.0 per cent. in financial year 2012.

Aircraft departures increased by 6.2 per cent. for financial year 2012 to 142,129 from 133,772 for financial year 2011, reflecting the introduction in financial year 2012 of new passenger services to 11 new destinations (Geneva, Copenhagen, St. Petersburg, Baghdad, Rio de Janeiro, Buenos Aires, Dublin, Lusaka, Harare, Dallas and Seattle), increased frequencies to a number of existing destinations and increased capacity to a number of existing destinations using larger aircraft.

The Group's passenger revenue increased by AED 7,535 million, or 18.2 per cent., in financial year 2012 (from AED 41,415 million in financial year 2011 to AED 48,950 million). This increase in passenger revenue principally reflected the combined effects of an increase in the number of passengers carried (by 2.56 million, or 8.14 per cent.), in RPKMs (by 14,312 million, or 9.8 per cent.) and in passenger yield (by 2.2 fils per RPKM, or 7.7 per cent.).

Financial Year 2011 compared to Financial Year 2010

The Group's passenger carrying capacity increased by 21,001 million ASKM, or 13.0 per cent., in financial year 2011 (from 161,756 million ASKM in financial year 2010 to 182,757 million ASKM). The Group's passenger traffic increased by 19,861 million RPKM, or 15.7 per cent., in financial year 2011 (from 126,273 million RPKM in financial year 2010 to 146,134 million RPKM). The Group's passenger seat factor rose from 78.1 per cent. in financial year 2010 to 80.0 per cent. in financial year 2011.

Aircraft departures increased by 8.7 per cent. for financial year 2011 to 133,772 from 123,055 for financial year 2010, reflecting the introduction of new passenger services to Amsterdam, Prague, Madrid, Dakar, Medinah and Basra, increased frequencies to a number of existing destinations and increased capacity to a number of existing destinations using larger aircraft.

The Group's passenger revenue increased by AED 8,420 million, or 25.5 per cent., in financial year 2011 (from AED 32,995 million in financial year 2010 to AED 41,415 million). This increase in passenger revenue principally reflected the combined effects of an increase in the number of passengers carried (by 3.97 million, or 14.5 per cent.), in RPKMs (by 19,861 million, or 15.7 per cent.) and in passenger yield (by 2.2 fils per RPKM, or 8.5 per cent.).

Cargo Revenue

The table below shows the Group's cargo revenue and the cargo tonnage uplifted for the six months ended 30 September 2012 and 2011 and the three years ended 31 March 2012, 2011 and 2010, respectively.

	Six months ended 30 September		Year ended 31 March		
	2012	**2011**	**2012**	**2011**	**2010**
		(*unaudited*)			
Cargo revenue (*AED millions*)	5,040	4,818	9,546	8,803	6,899
Cargo tonnage uplifted (*thousand tonnes*)	1,027	884	1,796	1,767	1,580

Note:

Cargo revenue (*AED millions*) has been extracted from the unaudited interim condensed consolidated financial statements for the six months ended 30 September 2012 and from the audited consolidated financial statements for financial years 2012 and 2011, respectively.

Six Months Ended 30 September 2012 compared to Six Months Ended 30 September 2011

The Group's cargo revenue increased by AED 222 million, or 4.6 per cent., in the six months ended 30 September 2012 (from AED 4,818 million in the six months ended 30 September 2011 to AED 5,040 million). This reflected the increase in cargo tonnage carried by the Group (which increased by 143 thousand tonnes, or 16.2 per cent.) offset by an 8.2 per cent. decline in cargo yield in the six months ended 30 September 2012 compared to the same period in the previous year.

Financial Year 2012 compared to Financial Year 2011

The Group's cargo revenue increased by AED 743 million, or 8.4 per cent., in financial year 2012 (from AED 8,803 million in financial year 2011 to AED 9,546 million). This reflected both the increase in cargo tonnage carried by the Group (which increased by 29 thousand tonnes, or 1.7 per cent.) and a 5.4 per cent. improvement in cargo yield in financial year 2012 compared to the previous year.

Financial Year 2011 compared to Financial Year 2010

The Group's cargo revenue increased by AED 1,904 million, or 27.6 per cent., in financial year 2011 (from AED 6,899 million in financial year 2010 to AED 8,803 million). This reflected both the increase in cargo tonnage carried by the Group (which increased by 187 thousand tonnes, or 11.8 per cent.) and an 11.3 per cent. improvement in cargo yield in financial year 2011 compared to the previous year.

Other Operating Income

The Group's other operating income principally comprises liquidated damages and other compensation received by the Group in connection with aircraft, gains on the sale and leaseback of aircraft, aircraft engines and parts and net foreign exchange gains, if any.

Operating Costs

The table below shows the Group's operating costs for the six months ended 30 September 2012 and 2011 and the three years ended 31 March 2012, 2011 and 2010, respectively.

	Six months ended 30 September			
	2012		**2011**	
	(unaudited)			
	(AED Millions)	*(%)*	*(AED Millions)*	*(%)*
Jet fuel	13,134	39.2	11,870	40.7
Employee costs	4,421	13.2	3,838	13.2
Aircraft operating leases	2,740	8.2	2,267	7.8
Sales and marketing	2,476	7.4	1,873	6.4
Depreciation	2,416	7.2	1,899	6.5
Handling	1,928	5.8	1,717	5.9
Corporate overheads, office accommodation and IT costs	1,839	5.5	1,818	6.2
In-flight catering and other operating costs	1,517	4.5	1,344	4.6
Overflying	989	3.0	930	3.2
Aircraft maintenance	890	2.6	607	2.1
Landing and parking	637	1.9	552	1.9
Cost of goods sold	452	1.4	413	1.4
Amortisation	41	0.1	40	0.1
Total operating costs	**33,480**	**100.0**	**29,168**	**100.0**

	Year ended 31 March					
	2012		2011		2010	
			(audited)			
	(AED Millions)	*(%)*	*(AED Millions)*	*(%)*	*(AED Millions)*	*(%)*
Jet fuel	24,292	40.2	16,820	34.5	11,908	29.9
Employee costs	7,936	13.2	7,615	15.6	6,345	15.9
Aircraft operating leases	4,788	7.9	4,317	8.9	4,111	10.3
Sales and marketing	4,023	6.7	3,862	7.9	3,020	7.6
Depreciation	4,053	6.7	3,600	7.4	2,893	7.2
Handling	3,584	5.9	3,137	6.4	2,807	7.0
Corporate overheads, office accommodation and IT costs	3,653	6.0	2,592	5.3	2,554	6.4
In-flight catering and other operating costs	2,836	4.7	2,305	4.7	2,180	5.5
Overflying	1,878	3.1	1,620	3.3	1,438	3.6
Aircraft maintenance	1,296	2.1	1,030	2.1	847	2.1
Landing and parking	1,128	1.9	974	2.0	874	2.2
Cost of goods sold	926	1.5	839	1.7	844	2.1
Amortisation	81	0.1	77	0.2	69	0.2
Total operating costs	**60,474**	**100.0**	**48,788**	**100.0**	**39,890**	**100.0**

Note:

The 2010 financial information included in the table above has not been amended to reflect the impact of the reclassifications and 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 60.6 per cent., 61.7 per cent., 61.3 per cent., 59.0 per cent. and 56.1 per cent. of its total operating costs in the six months ended 30 September 2012 and 2011 and in financial year 2012, financial year 2011 and financial year 2010, respectively. Each of these items is analysed in more detail below.

Six Months Ended 30 September 2012 compared to Six Months Ended 30 September 2011

The Group's total operating costs increased by AED 4,312 million, or 14.8 per cent., in the six months ended 30 September 2012 (from AED 29,168 million in the six months ended 30 September 2011 to AED 33,480 million). The principal contributors to this increase were higher jet fuel costs, and secondarily, higher employee costs and direct operating costs (handling, in-flight costs, overflying, land and parking and aircraft maintenance), each of which increased as a result of the Group expanding its business operations.

Financial Year 2012 compared to Financial Year 2011

The Group's total operating costs increased by AED 11,686 million, or 24.0 per cent., in financial year 2012 (from AED 48,788 million in financial year 2011 to AED 60,474 million). The principal contributors to this increase were substantially higher jet fuel costs, and secondarily, higher employee costs and direct operating costs (handling, in-flight costs, overflying, land and parking and aircraft maintenance), each of which increased as a result of the Group expanding its business operations.

Financial Year 2011 compared to Financial Year 2010

The Group's total operating costs increased by AED 8,898 million, or 22.3 per cent., in financial year 2011 (from AED 39,890 million in financial year 2010 to AED 48,788 million). The principal contributors to this increase were higher jet fuel costs, employee costs, sales and marketing and depreciation costs, each of which increased as a result of the Group expanding its business operations.

Jet Fuel

Six Months Ended 30 September 2012 compared to Six Months Ended 30 September 2011

The Group's jet fuel costs increased by AED 1,264 million, or 10.6 per cent., in the six months ended 30 September 2012 (from AED 11,870 million in the six months ended 30 September 2011 to AED 13,134 million) reflecting the increased consumption of jet fuel as the Group operated an increased number of flights to more destinations in the six months ended 30 September 2012 compared to the same period in 2011, which was partially offset by lower jet fuel prices paid by the Group in the six months ended 30 September 2012 (4.0 per cent. less expensive than in the previous period). Emirates adopts an approach to managing fuel price risk based upon a continuous assessment of the market. During the six months ended 30 September 2012, the strategy was to remain largely un-hedged, reflecting a view that the balance of risk was considered greater to the downside given historically high price levels and the backdrop of global economic uncertainty.

Financial Year 2012 compared to Financial Year 2011

The Group's jet fuel costs increased by AED 7,472 million, or 44.4 per cent., in financial year 2012 (from AED 16,820 million in financial year 2011 to AED 24,292 million) reflecting substantially higher jet fuel prices in financial year 2012 compared to financial year 2011 (on an average basis, jet fuel prices paid by the Group in financial year 2012 were 31.9 per cent. more expensive than in the previous year) and increased consumption of jet fuel in financial year 2012 as the Group operated an increased number of flights to more destinations. Emirates adopts an approach to managing fuel price risk based upon a continuous assessment of the market. During financial year 2012, the strategy was to remain largely un-hedged, reflecting a view that the balance of risk was considered greater to the downside given historically high price levels and the backdrop of global economic uncertainty.

Financial Year 2011 compared to Financial Year 2010

The Group's jet fuel costs increased by AED 4,912 million, or 41.2 per cent., in financial year 2011 (from AED 11,908 million in financial year 2010 to AED 16,820 million) reflecting both the market's higher jet fuel prices in financial year 2011 compared to financial year 2010 (on an average basis, jet fuel prices paid by the Group in financial year 2011 were 26.5 per cent. more expensive in 2011 than in 2010) and the Group's increased consumption of jet fuel in financial year 2011 as the Group operated an increased number of flights to more destinations. In financial year 2011, Emirates sought to mitigate the impact of rising jet fuel prices, while also ensuring it reaped the full benefit of any decrease in prices through a limited purchase of options.

Employee Costs

Six Months Ended 30 September 2012 compared to Six Months Ended 30 September 2011

The Group's employee costs increased by AED 583 million, or 15.2 per cent., in the six months ended 30 September 2012 (from AED 3,838 million in the same period 2011 to AED 4,421 million), principally reflecting an increase 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 4,832, or 11.8 per cent. (from 41,115 in the six months ended 30 September 2011 to 45,947 in the six months ended 30 September 2012) and a pay award for all staff.

Financial Year 2012 compared to Financial Year 2011

The Group's employee costs increased by AED 321 million, or 4.2 per cent., in financial year 2012 (from AED 7,615 million in financial year 2011 to AED 7,936 million), which is not proportionate to the increase in employee numbers, principally reflecting payments in the last financial year towards the Group's employee profit share scheme, as well as an increase in average employee numbers of 3,635, or 9.4 per cent., from 38,797 in financial year 2011 to 42,422 (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).

Financial Year 2011 compared to Financial Year 2010

The Group's employee costs increased by AED 1,270 million, or 20.0 per cent., in financial year 2011 (from AED 6,345 million in financial year 2010 to AED 7,615 million), principally reflecting a one-time pay award for all staff and payments towards the Group's employee profit sharing scheme, as well as an increase in average employee numbers of 2,145, or 5.9 per cent., from 36,652 in financial year 2010 to 38,797, a pay award for all staff and payments in respect of the Group's employee profit sharing scheme.

Aircraft Operating Leases

Six Months Ended 30 September 2012 compared to Six Months Ended 30 September 2011

The Group's aircraft operating lease costs increased by AED 473 million, or 20.9 per cent., for the six months ended 30 September 2012 (from AED 2,267 million for the same period in 2011 to AED 2,740 million), reflecting an increase in the number of operating leases from 110 as of 30 September 2011 to 120 as of 30 September 2012 as the Group continued to expand its fleet.

Financial Year 2012 compared to Financial Year 2011

The Group's aircraft operating lease costs increased by AED 471 million, or 10.9 per cent., in financial year 2012 (from AED 4,317 million in financial year 2011 to AED 4,788 million), reflecting an increase in the number of operating leases from 103 as of 31 March 2011 to 113 as of 31 March 2012 as the Group continued to expand its fleet.

Financial Year 2011 compared to Financial Year 2010

The Group's aircraft operating lease costs increased by AED 206 million, or 5.0 per cent., in financial year 2011 (from AED 4,111 million in financial year 2010 to AED 4,317 million), reflecting an increase in the number of operating leases from 101 as of 31 March 2010 to 103 as of 31 March 2011 as the Group continued to expand its fleet.

Operating Profit

Reflecting the above factors, the Group's operating profit increased by AED 922 million, or 90.6 per cent., from AED 1,018 million in the six months ended 30 September 2011 to AED 1,940 million for the same period in 2012. For financial year 2012, the Group's operating profit decreased by AED 3,630 million, or 66.7 per cent., from AED 5,443 million in financial year 2011 to AED 1,813 million and increased by AED 1,878 million, or 52.7 per cent., from AED 3,565 million in financial year 2010 to AED 5,443 million in financial year 2011. The Group's operating margin (calculated as operating profit divided by the sum of revenue and other operating income) was 5.5 per cent. in the six months ended 30 September 2012 (compared to 3.4 per cent. in the previous period), 2.9 per cent. in financial year 2012, 10.0 per cent. in financial year 2011 and 8.2 per cent. in financial year 2010.

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 its associated companies and joint ventures and changes in the fair value of derivative instruments that are used as part of the Group's programme of managing its jet fuel costs but which do not qualify for hedge accounting.

The Group's finance income principally comprises interest on its cash and short-term bank deposit balances as well as interest income from related parties and other sources. The Group's finance income increased by AED 22 million, or 11.8 per cent., for the six months ended 30 September 2012 (from AED 186 million in the six months ended 30 September 2011 to AED 208 million), principally from a higher effective interest rate. For financial year 2012, the Group's finance income decreased by AED 107 million, or 20.5 per cent. (from AED 521 million in financial year 2011 to AED 414 million), principally reflecting a decrease in the effective interest rate received by the Group on its cash and short-term bank deposits from 3.6 per cent. in financial year 2011 to 2.6 per cent. in financial year 2012. The Group's finance income increased by AED 191 million, or 57.9 per cent., in financial year 2011 (from AED 330 million in financial year 2010 to AED 521 million), principally reflecting increased cash assets and notwithstanding a slight fall in the effective interest rate received by the Group on its cash and short-term bank deposit balances from 3.7 per cent. in financial year 2010 to 3.6 per cent.

The Group's finance costs principally comprise aircraft financing costs (being the interest element of lease payments in relation to aircraft and aircraft engines financed by finance leases), interest charges on its borrowings and other interest charges. The Group's finance costs increased by AED 91 million, or 29.0 per cent., for the six months ended 30 September 2012 (from AED 314 million for the six months ended 30 September 2011 to AED 405 million), principally reflecting an increase in lease liabilities. For financial year 2012, the Group's finance costs increased by AED 151 million, or 29.8 per cent. (from AED 506 million to AED 657 million), principally reflecting an increase in outstanding bonds and lease liabilities as well as an increase in the average rate of interest paid by the Group in respect of its bond obligations. The Group's finance costs increased by AED 151 million, or 42.5 per cent., in financial year 2011 (from AED 355 million in financial year 2010 to

AED 506 million), principally reflecting an increase in lease liabilities as well as an increase in the effective interest rate in respect of the Group's borrowings and lease liabilities (see "- *Statement of Financial Position — Liabilities — Borrowings and Lease Liabilities*").

The Group's share of the results of its associated companies and joint ventures was AED 54 million in the six months ended 30 September 2012 (compared to AED 40 million in the same period 2011), AED 103 million in financial year 2012, AED 91 million in financial year 2011 and AED 77 million in financial year 2010. The principal joint ventures include one flight simulator training venture in India and the UAE and a hotel company in the UAE.

Due to the Group's strategy of remaining largely unhedged in jet fuel, there was no change in position on the fair value of derivative instruments in either the six months ended 30 September 2012 or financial year 2012. In financial year 2011, the Group sustained a loss of AED 4 million, compared to a gain of AED 48 million in financial year 2010.

Profit before Income Tax

Reflecting the above factors, the Group's profit before income tax increased by AED 867 million, or 93.2 per cent., for the six months ended 30 September 2012 (from AED 930 million for the six months ended 30 September 2011 to AED 1,797 million). For financial year 2012, the Group's profit before tax decreased by AED 3,872 million, or 69.8 per cent. (from AED 5,545 million in financial year 2011 to AED 1,673 million) and increased by AED 1,880 million in financial year 2011 (from AED 3,665 million in financial year 2010 to AED 5,545 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 41 million in income tax expense for the six months ended 30 September 2012 (compared to AED 48 million for the same period in 2011), AED 53 million in income tax expense in financial year 2012, AED 78 million in income tax expense in financial year 2011 and AED 50 million in income tax expense in financial year 2010.

Profit attributable to Emirates' Owner

Reflecting the above factors, the Group's profit attributable to Emirates' owner for the six months ended 30 September 2012 increased by AED 868 million (from AED 836 million in the six months ended 30 September 2011 to AED 1,704 million in the six months ended 30 September 2012). For financial year 2012, the Group's profit attributable to Emirates' owner decreased by AED 3,873 million (from AED 5,375 million in financial year 2011 to AED 1,502 million) and increased by AED 1,837 million for financial year 2011 (from AED 3,538 million in financial year 2010 to AED 5,375 million in financial year 2011). The Group's profit margin (calculated as profit attributable to Emirates' owner divided by the sum of revenue and other operating income) was 4.8 per cent. for the six months ended 30 September 2012, 2.4 per cent. in financial year 2012, 9.9 per cent. in financial year 2011 and 8.1 per cent. in financial year 2010.

Total Comprehensive Income attributable to Emirates' Owner

Six Months Ended 30 September 2012 compared to Six Months Ended 30 September 2011

For the six months ended 30 September 2012, the Group's other comprehensive loss was AED 269 million, reflecting an AED 271 million fair value loss on cash flow hedges and a gain of AED 2 million in currency translation differences. Coupled with the Group's profit for the period of AED 1,756 million, this resulted in total comprehensive income attributable to Emirates' owner of AED 1,435 million for the six months ended 30 September 2012 (compared to AED 699 million for the same period 2011). Total comprehensive income attributable to non-controlling interests was AED 52 million for the six months ended 30 September 2012, as compared with AED 46 million for the same period 2011.

Financial Year 2012 compared to Financial Year 2011

In financial year 2012, the Group's other comprehensive loss was AED 384 million, reflecting an AED 259 million fair value loss on cash flow hedges, AED 116 million actuarial loss on retirement benefit obligations and a loss of AED 9 million in currency translation differences. Coupled with the

Group's profit for the year of AED 1,620 million, this resulted in total comprehensive income attributable to Emirates' owner of AED 1,118 million in financial year 2012. Total comprehensive income attributable to non-controlling interests was AED 118 million in financial year 2012.

Financial Year 2011 compared to Financial Year 2010

In financial year 2011, the Group's other comprehensive loss was AED 301 million, reflecting an AED 282 million fair value loss on cash flow hedges, AED 57 million actuarial loss on retirement benefit obligations and a gain of AED 38 million in currency translation differences. Coupled with the Group's profit for the year of AED 5,467 million, this resulted in total comprehensive income attributable to Emirates' owner of AED 5,074 million in financial year 2011. Total comprehensive income attributable to non-controlling interests was AED 92 million in financial year 2011.

Consolidated Cash Flows for the Six Months Ended 30 September 2012 and 2011 and the Three Years Ended 31 March 2012

The table below summarises the Group's cash flows for the six months ended 30 September 2012 and 2011 and the three years ended 31 March 2012, 2011 and 2010, respectively.

	Six months ended 30 September		Year ended 31 March		
	2012	**2011**	**2012**	**2011**	**2010**
	(unaudited) *(AED millions)*		*(audited)* *(AED millions)*		
Net cash generated from operating activities	3,078	1,612	8,107	11,004	8,328
Net cash used in investing activities	(2,661)	(6,807)	(10,566)	(5,092)	(577)
Net cash (used in) / provided by financing activities	(3,435)	1,433	(201)	(5,046)	(2,982)
Net (decrease) / increase in cash and cash equivalents	**(3,018)**	**(3,762)**	**(2,660)**	**866**	**4,769**
Cash and cash equivalents at beginning of the period / year	7,527	10,187	10,187	9,322	4,547
Effects of exchange rate changes	—	—	—	(1)	6
Cash and cash equivalents at end of the period / year	**4,509**	**6,425**	**7,527**	**10,187**	**9,322**

For the six months ended 30 September 2012, the Group's net cash generated from operating activities was AED 3,078 million (AED 1,612 million for the same period in 2011). The Group's net cash used in investing activities in the six months ended 30 September 2012 was AED 2,661 million (AED 6,807 million for the same period in 2011), principally reflecting the net cost of property, plant and equipment (which comprises payments in respect of property, plant and equipment less the cost of assets acquired under finance leases) of AED 2,603 million and an AED 602 million investment in short-term bank deposits for the six months ended 30 September 2012 (compared to AED 3,509 million and AED 3,626 million, respectively, in the same period in 2011). The net cash used by the Group in financing activities in the six months ended 30 September 2012 was AED 3,435 million (as compared to AED 1,433 million generated in the same period in 2011), principally comprising the repayment of lease liabilities amounting to AED 953 million and AED 643 million, the repayment of bonds and loans amounting to AED 2,091 million and AED 814 million, dividends paid to Emirates' owner of AED nil and AED 500 million, aircraft financing costs of AED 324 million and AED 232 million, and inflow from bonds and loans of AED nil and AED 3,660 million, all for the six months ended 30 September 2012 and 2011, respectively.

In financial year 2012, the Group's net cash generated from operating activities was AED 8,107 million. The Group's net cash used in investing activities in the same year was AED 10,566 million, principally reflecting the net cost of property, plant and equipment of AED 6,800 million and an AED 4,278 million investment in short-term bank deposits. The net cash used by the Group in financing activities in financial year 2012 was AED 201 million, principally comprising the repayment of lease liabilities amounting to AED 1,899 million, the repayment of bonds and loans amounting to

AED 885 million, dividends paid to Emirates' owner of AED 500 million and aircraft financing costs of AED 500 million, substantially offset by proceeds from bonds and loans amounting to AED 3,706 million.

In financial year 2011, the Group's net cash generated from operating activities was AED 11,004 million. The Group's net cash used in investing activities in the same year was AED 5,092 million, principally reflecting the net cost of property, plant and equipment of AED 6,504 million and an AED 2,601 million investment in short-term bank deposits, which was partially offset by the receipt of AED 3,241 million in proceeds from the sale of property, plant and equipment. The net cash used by the Group in financing activities in financial year 2011 was AED 5,046 million, principally comprising the repayment of bonds and loans amounting to AED 2,077 million, net aircraft lease liabilities of AED 1,083 million and dividends paid to Emirates' owner of AED 2,308 million, which were partially offset by proceeds from bonds and loans amounting to AED 979 million.

In financial year 2010, the Group's net cash generated from operating activities was AED 8,328 million. The Group's net cash used in investing activities in the same year was AED 577 million, principally reflecting the net cost of property, plant and equipment of AED 3,416 million, which was partially offset by AED 1,443 million maturity of short-term bank deposits and AED 883 million received from the sale of property, plant and equipment. The net cash used by the Group in financing activities in financial year 2010 was AED 2,982 million, principally comprising net aircraft lease liabilities of AED 1,447 million and dividend payments to Emirates' owner of AED 956 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 94.6 per cent. of its total assets for the six months ended 30 September 2012. For the three years ended 31 March 2012, 2011 and 2010, respectively, these assets together comprised 94.6 per cent., 92.6 per cent. and 92.3 per cent. 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 and Note 11 to the 2012 Financial Statements. As of 30 September 2012, 63.0 per cent. of the Group's property, plant and equipment comprised aircraft and aircraft engines and parts, while for financial year 2012 it was 61.1 per cent. In addition, a further 11.4 per cent. and 12.5 per cent. of the Group's property, plant and equipment comprised pre-delivery payments in respect of aircraft as of 30 September 2012 and 31 March 2012, respectively. As of 30 September 2012, AED 28,591 million in net book value of property, plant and equipment represented aircraft held under finance leases, while as of 31 March 2012, AED 25,479 million represented aircraft held under finance leases.

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 2012 and 31 March 2012, 2011 and 2010, respectively.

	As of 30 September		As of 31 March					
	2012		2012		2011		2010	
	(unaudited)				*(audited)*			
	(AED millions)	*(%)*	*(AED millions)*	*(%)*	*(AED millions)*	*(%)*	*(AED millions)*	*(%)*
Cash and cash equivalents	4,514	34.3	7,532	48.3	10,196	73.0	9,335	88.8
Short-term bank deposits	8,657	65.7	8,055	51.7	3,777	27.0	1,176	11.2
Total cash and cash equivalents and short-term bank deposits	**13,171**	**100.0**	**15,587**	**100.0**	**13,973**	**100.0**	**10,511**	**100.0**

As of 30 September 2012, the Group's cash and cash equivalents and short-term bank deposits were AED 13,171 million, while as of 31 March 2012, they were AED 15,587 million. The Group's cash and cash equivalents comprise cash held on short-term deposit with banks with maturities of less than three months and its short-term bank deposits comprise deposits over three months in duration but less than 12 months. 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 2012, 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 25.0 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 receivables (net of provisions) amounted to AED 4,688 million as of 30 September 2012, AED 4,332 million as of 31 March 2012, AED 3,487 million as of 31 March 2011 and AED 3,142 million as of 31 March 2010. The Group's provision for trade receivables principally relates to ticketing agents which are not expected to meet their obligations and amounted to AED 130 million as of 30 September 2012 and AED 135 million as of 31 March 2012.

Liabilities

The Group's principal liabilities are its borrowings and lease liabilities and its trade and other payables which, together, accounted for 90.1 per cent. of the Group's total liabilities as of 30 September 2012, 91.3 per cent. of the Group's total liabilities as of 31 March 2012, 92.2 per cent. of the Group's total liabilities as of 31 March 2011 and 92.2 per cent. of the Group's total liabilities as of 31 March 2010.

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, including debt capital markets products using export credit agency guarantees, in the short and medium term.

The table below summarises the Group's borrowings and lease liabilities as of 30 September 2012 and as of 31 March in each of 2012, 2011 and 2010, respectively.

	As of 30 September	**As of 31 March**		
	2012	**2012**	**2011**	**2010**
	(unaudited)	*(audited)*		
		(AED millions)		
Non-current				
Bonds	4,110	5,933	4,290	4,900
Term loans	842	914	1,009	296
Lease liabilities	22,071	19,996	15,203	11,557
Total non-current	**27,023**	**26,843**	**20,502**	**16,753**
Current				
Bonds	1,836	2,020	727	1,835
Term loans	147	145	139	113
Lease liabilities	2,170	1,867	1,853	891
Bank overdrafts	5	5	9	13
Total current	**4,158**	**4,037**	**2,728**	**2,852**
Total borrowings and lease liabilities	**31,181**	**30,880**	**23,230**	**19,605**

The Group's gearing 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, at 30 September 2012 was 78.6 per cent., compared to 71.2 per cent. at 31 March 2012, 44.5 per cent. at 31 March 2011 and 52.0 per cent. at 31 March 2010. After capitalising aircraft operating leases, the gearing ratio at 30 September 2012 was 172.3 per cent., compared to 162.1 per cent. at 31 March 2012, 127.6 per cent. at 31 March 2011 and 158.5 per cent. at 31 March 2010. The effective interest rate on the Group's total borrowings and lease liabilities in financial year 2012 was 3.0 per cent., compared to 2.7 per cent. in financial year 2011 and 2.5 per cent. in financial year 2010.

Bonds

The Group successfully issued a U.S.$1 billion bond under Regulation S in June 2011 which was listed on the London Stock Exchange. The Group has three different series of bonds outstanding, each of which is unsecured. The Group repaid in full a U.S.$550 million sukuk, a SGD 250 million tranche and a U.S.$500 million bond on their maturity dates in June 2012, June 2011 and March 2011, respectively. As of 30 September 2012, 30.8 per cent. of the Group's outstanding bonds was denominated in Dirham, 61.7 per cent. was denominated in U.S. dollars and 7.5 per cent. was denominated in Singapore dollars, compared to 23.1 per cent., 71.4 per cent. and 5.5 per cent., respectively, as of 31 March 2012. Moreover, as of 30 September 2012, 30.9 per cent. of the outstanding principal amount of the Group's bonds was due to mature in less than one year and 69.1 per cent. was due to mature between two and five years after such date, compared to 25.4 per cent. and 74.6 per cent. as of 31 March 2012, respectively. All of the bonds bear floating rates of interest except for the Singapore dollar bonds and a portion of the U.S. dollar bonds, which each have a fixed rate of interest. The effective interest rate on the Group's bonds in financial year 2012 was 3.4 per cent. compared to 1.8 per cent. in financial year ended 2011 and 2.4 per cent. in financial year 2010. In addition, in February 2013 Emirates issued U.S.$750 million fixed rate bonds due 2025 under Regulation S/Rule 144A.

Term Loans

As of 30 September 2012, the Group had AED 989 million in aggregate principal amount of term loans outstanding, compared to AED 1,059 million at 31 March 2012. Of the outstanding amount of the Group's term loans, as of 30 September 2012, 14.9 per cent. was due to mature in less than one year, 45.4 per cent. was due to mature between two and five years after such date, and 39.7 per cent. had a maturity in excess of five years compared to 13.7 per cent., 45.4 per cent. and 40.9 per cent., respectively, as of 31 March 2012.

All of the term loans bear floating rates of interest. As of 30 September 2012, AED 855 million, or 86.5 per cent. of the Group's total loans were secured on aircraft, aircraft engines and parts and the remainder was unsecured as compared with AED 895 million (84.5 per cent.) as of 31 March 2012.

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 2012, the penalties that would have been payable had all leases terminated on that date would have been AED 459 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 2012 and 31 March in each of 2012, 2011 and 2010, respectively.

	As of 30 September	As of 31 March		
	2012	2012	2011	2010
		(number)		
Aircraft in operation	182	169	148	142
operating leases	120	113	103	101
owned/finance leases	62	56	45	41

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 2012 and 31 March in each of 2012, 2011 and 2010, respectively.

	As of 30 September	As of 31 March		
	2012	2012	2011	2010
	(unaudited)		*(audited)*	
		(AED millions)		
Present value of finance lease liabilities	24,241	21,863	17,056	12,448
Present value repayable:				
within one year	2,170	1,867	1,853	891
between two and five years	9,346	8,039	5,549	3,862
after five years	12,725	11,957	9,654	7,695
Present value denominated in:				
U.S. dollars	24,241	21,863	16,878	12,284
other currencies	—	—	178	164

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 2012 and 31 March in each of 2012, 2011 and 2010, respectively.

	As of 30 September	As of 31 March		
	2012	2012	2011	2010
	(unaudited)		*(audited)*	
		(AED millions)		
Aircraft fleet	35,816	32,497	28,832	31,001
Other	2,107	2,276	2,444	2,769
Total future minimum lease payments	**37,923**	**34,773**	**31,276**	**33,770**
Repayable:				
within one year	5,708	5,148	4,485	4,452
between two and five years	19,912	18,317	16,807	16,201
after five years	12,303	11,308	9,984	13,117

The Group is entitled to extend certain of the aircraft operating leases for a further period of between one to six years at the end of the initial lease period. As of 30 September 2012, the Group was entitled to purchase 12 aircraft out of a total 120 aircraft on operating leases and had eight aircraft contracted on operating leases for delivery between October 2012 and March 2016, compared to 13 aircraft, 113 aircraft and nine aircraft, respectively, as of 31 March 2012.

The Group's effective annual interest rate under its lease liabilities and term loans for the financial year 2012 was 2.9 per cent., compared to 3.0 per cent. for financial year 2011 and 2.5 per cent. for financial year 2010.

Trade and Other Payables

The table below shows the Group's trade and other payables as of 30 September 2012 and 31 March in each of 2012, 2011 and 2010, respectively.

	As of 30 September	As of 31 March		
	2012	**2012**	**2011**[(2)]	**2010**[(2)]
	(unaudited)		*(audited)*	
		(AED millions)		
Trade payables and accruals	9,941	9,802	10,112	8,402
Related parties	738	622	390	285
Passenger and cargo sales in advance[(1)]	8,475	9,458	7,080	6,209
Dividend payable	—	—	—	600
Total trade and other payables	**19,154**	**19,882**	**17,582**	**15,496**
Of which, over one year	—	—	31	21

Notes:

(1) This reflects payments received in respect of passenger flights and cargo transportation where the transportation has not yet been provided as the amounts received are only recognised as revenue when the transportation occurs, see Note 2 to the 2012 Financial Statements.

(2) The 2011 and 2010 financial information included in the table above has not been amended to reflect the impact of the reclassifications explained in section "*Presentation of Certain Financial and Other Information — Comparability of the Financial Information of the Group*".

Total trade and other payables as of 30 September 2012 was AED 728 million, or 3.7 per cent., lower than the amount as of 31 March 2012, principally as a result of decrease in passenger and cargo sales in advance. As of 31 March 2012 it was AED 2,300 million, or 13.1 per cent., higher than the amount as of 31 March 2011, principally as a result of an increase in passenger and cargo sales in advance by AED 2,378 million. Total trade and other payables as of 31 March 2011 was AED 2,086 million, or 13.5 per cent., higher than the amount as of 31 March 2010, principally as a result of an increase in passenger and cargo sales in advance and increases in line with the growth in business activity partially offset by the settlement of dividend payable.

Shareholders' Equity

The table below shows the Group's shareholder's equity as of 30 September 2012 and as of 31 March in each of 2012, 2011 and 2010, respectively.

	As of 30 September	As of 31 March		
	2012	**2012**	**2011**	**2010**
	(unaudited)		*(audited)*	
		(AED millions)		
Capital	801	801	801	801
Retained earnings	22,960	21,256	20,370	16,794
Other reserves	(1,102)	(833)	(565)	(321)
Non-controlling interest	262	242	207	201
Total shareholders' equity	**22,921**	**21,466**	**20,813**	**17,475**

Note:

The 2010 financial information included in the table above has not been amended to reflect the impact of the reclassifications and the adjustment explained in section "*Presentation of Certain Financial and Other Information — Comparability of Financial Information of the Group*".

Capital

Emirates is wholly owned by the ICD, an entity wholly owned by the Government 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 hedging instruments 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 2012 was AED 13,644 million, of which 91.0 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 2012 amounted to AED 1,257 million, of which AED 802 million, or 63.8 per cent. was spent on a range of construction projects.

The Group's capital expenditure during financial year 2011 was AED 12,238 million, of which 93.0 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 2011 amounted to AED 853 million, of which AED 613 million, or 71.9 per cent., was spent on a range of construction projects.

The Group's capital expenditure during financial year 2010 was AED 8,053 million, of which 82.9 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 2010 amounted to AED 1,378 million, of which AED 981 million, or 71.2 per cent., was spent on a range of construction projects.

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 35 to the 2012 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 2012 and as of 31 March in each of 2012, 2011 and 2010, respectively.

	As of 30 September	As of 31 March		
	2012	2012	2011	2010
	(unaudited)		*(audited)*	
		(AED millions)		
Capital commitments				
Aircraft fleet	152,570	163,489	140,145	92,145
Other	3,947	6,850	4,007	2,524
Operational commitments				
Operating leases	37,923	34,773	31,276	33,770
Sales and marketing	1,797	1,881	1,347	1,592
Guarantees				
Performance bonds and letters of credit provided by bankers	367	370	357	319

As of 30 September 2012, the Group had capital commitments in respect of 20 aircraft due for delivery in financial year 2013 and 191 aircraft due for delivery thereafter. In addition, as of 30 September 2012, the Group held options on 70 further aircraft.

Financial Risk Management

Note 36 to the 2012 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 and this business accounted for more than 94 per cent. of the Group's total revenue in each of the three financial years ended 31 March 2012 and more than 95 per cent. of the Group's total revenue in the six months ended 30 September 2012. The Group also provides destination and leisure management services and generates revenues through the sale of consumer goods, food and beverages and the provision of in-flight catering services to third parties.

The ''Emirates Group'' comprises the Group and dnata (together with its consolidated subsidiaries and associates, including dnata World Travel). 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 UAE and the sole ground handling agent at 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's group companies and associates.

According to the IATA WATS, 56th edition, in 2011 Emirates was the leading airline in the world in terms of international passenger flights measured in RPKM and ranked third in terms of international freight transported measured in FTKM. Emirates' operating profit for financial year 2012 was AED 1,813 million on revenues of AED 61,508 million. Emirates' operating profit for the six months ended 30 September 2012 was AED 1,940 million on revenues of AED 34,092 million. Emirates' revenues and other operating income grew at a compounded annual growth rate of 23.2 per cent. over the ten financial years to 31 March 2012 and profits attributable to Emirates' owner grew over the same period by an average of 5.8 per cent. per year. Emirates has recorded net profits in each of its last 24 financial years.

In the context of an uneven recovery from the global financial crisis during 2008 and 2009, the Group's revenue remained relatively flat in financial year 2010, increased by 24.6 per cent. in financial year 2011 and increased by 16.2 per cent. in financial year 2012, in each case compared to the previous financial year. The Group's operating profit increased by 56.5 per cent. in financial year 2010, by 52.7 per cent. in financial year 2011 and decreased by 66.7 per cent. in financial year 2012, in each case compared to the previous financial year. In the six months ended 30 September 2012, the Group's operating profit increased by 90.6 per cent. compared to the same period in the previous financial year.

In the six months ended 30 September 2012, 96.3 per cent. of the Group's revenue comprised transportation revenue, consisting of revenue generated from passenger transport (80.9 per cent.), cargo transport (14.8 per cent.) and excess baggage (0.6 per cent.). The remaining 3.7 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, in-flight catering services provided to third parties and leisure services (including hotel operations).

In financial year 2012, Emirates transported 34 million passengers to 111 destinations and carried approximately 1.8 million tonnes of cargo to 122 destinations. Emirates' passenger seat factor and overall load factor were 80.0 per cent. and 66.7 per cent., respectively, in financial year 2012 (compared to 80.0 per cent. and 68.9 per cent., respectively, in the previous financial year) and its breakeven load factor was 65.9 per cent. in financial year 2012 and 63.6 per cent. in financial year 2011. Emirates' RPKMs and RTKMs increased by 9.8 per cent. and 7.2 per cent., respectively, in financial year 2012 compared to financial year 2011. 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 2012 was 77 months against a global industry average of around 137 months, according to the IATA WATS, 56th edition, 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 an 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, 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 2003, Emirates signed an order for 71 aircraft worth approximately U.S.$19 billion (at list prices), the then largest single order for aircraft in aviation history. In 2010, Emirates took delivery of its 150th aircraft. In calendar year 2012, Emirates took delivery of an additional 33 aircraft, including 18 B777-300ERs and four B777-200LRFs from Boeing and 11 A380s from Airbus taking the fleet size to 194 aircraft. In financial year 2012, Emirates placed the single largest aircraft order by dollar value in Boeing's history for 50 B777-300ER aircraft for U.S.$18 billion (at list prices), with options to purchase an additional 20 B777-300ERs valued at U.S.$8 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 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 phased opening for operations on 2 January 2013, with full operations expected to commence during the first quarter of 2013.

In February 2011, Emirates was awarded Airline of the Year for 2010 by Air Transport World magazine. In 2012, Emirates was named Gold Airline of the Year by Air Transport News Awards.

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 2015 which envisages that economic growth in Dubai will be based, among other things, on travel and tourism, trade and transport and logistics, for all of which 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. In addition, in 2012, Emirates entered into separate 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**"). These agreements propose a closer level of commercial cooperation between Emirates and each of these two airlines, subject to the grant of all necessary regulatory approvals. See "— *Arrangements with Other Airlines*".

- 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, award-winning airport lounges; for first class passengers, individual private suites with showers and bar lounges on board the Airbus A380 fleet; and for all passenger classes, its industry leading on-board entertainment system and a successful frequent flyer programme. 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 currently undergoing in-flight entertainment and seat upgrades in order to maintain Emirates' high product standards throughout all aircraft.

- The Emirates' brand was named the most valuable airline brand globally by Brand Finance in its 2012 Global 500 brand survey. Emirates has received more than 500 international awards for excellence in its more than 25 years of operation, including winning Air Transport World's Airline of the Year award (in 2011), the prestigious Skytrax Airline of the Year Award twice (in 2001 and 2002), the World's Best Airline In-flight Entertainment in the Skytrax World Airline Awards (in 2012 for the seventh consecutive year), the Best Airline based in the Middle East/ Indian Sub-Continent in the OAG Airline Industry Awards (in 2009), the Long-haul Airline of the Year — Nonstop in the Annual Travel Star Awards (in 2009), the "Best of the Best" award for its Airbus A380 First Class Cabin in the Robb Report, China (in 2009) and the Cargo Airline of the Year in the Air Cargo News Awards (in 2010). In 2012, Emirates was named Gold Airline of the Year by Air Transport News 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 77 months as of 30 September 2012, compared to a global industry average of around 137 months, according to the IATA WATS, 56th edition, 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. Emirates' fleet is comprised solely of wide-body aircraft, which creates a lower unit cost than fleets with mixed wide and narrow bodied aircraft. 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.

- Emirates believes that operation of its long-haul services through a single hub at DIA combined with its network of 115 passenger destinations as of 30 September 2012 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, 56th edition, in 2011 Emirates was the leading airline in the world in terms of international passenger flights measured in RPKM and ranked third in terms of international freight transported measured in FTKM.

- 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 2012, as part of its route network Emirates flew to ten cities in India, seven cities in the United States, three cities in China and four cities in each of Germany and Australia. Emirates has subsequently added Adelaide as a fifth Australian destination. 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, adding five new destinations since 30 September 2012.

- 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, in September 2012 Emirates entered into a Master Coordination Agreement with Qantas, pursuant to which the airlines agreed to enter into codesharing arrangements across their global networks and to coordinate on pricing, sales and capacity. This partnership is intended to provide customers with enhanced access to the combined network of both carriers, commencing on 31 March 2013, subject to all necessary regulatory approvals.

- 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 is relatively more able to respond to adverse economic or political environments in any one particular location. For example, in financial year 2012, only 10.3 per cent. of the Group's total revenue was derived from the Gulf and Middle East region, with 29.6 per cent. of total revenue coming from East Asia and Australasia, 27.7 per cent. coming from Europe and the balance being split relatively evenly between West Asia and the Indian Ocean, the Americas and Africa. See "*Financial Review — Results of Operations for the Six Months Ended 30 September 2012 and 2011 and the Three Years Ended 31 March 2012 — Revenue*". In financial year 2012, Emirates transported cargo to 122 destinations. Emirates' cargo traffic generated 16.2 per cent. of the Group's transportation revenues in financial year 2012 and 15.4 per cent. of the Group's transportation revenues in the six months ended 30 September 2012.

- 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. Emirates' revenue per airline employee improved by 3.3 per cent., while capacity per airline employee remained flat, in financial year 2012 compared to financial year 2011. Emirates intends to continue to focus on productivity improvements and increasing the efficiency of its fleet. Emirates has one of the youngest fleets of any airline, with an average aircraft age of just over six years as of 30 September 2012. For financial year 2012, Emirates' fleet's average fuel efficiency results were 22.5 per cent. better than IATA industry average and CO_2 emissions are 18.1 per cent. lower than the IATA global fleet average (as measured by IATA).

- 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 65.9 per cent. in financial year 2012 and 66.3 per cent. for the six months ended 30 September 2012, its increasing aircraft departure numbers and its annual fleet average utilisation rates which (excluding two freighter aircraft held on wet lease) were 13.27, 13.84 and 13.73 block hours per aircraft day in financial years 2012, 2011 and 2010, 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 conservative capital structure, 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 3.2 times at 31 March 2012 and 2.0 times at 31 March 2011 and a cash assets to revenue and other operating income ratio of 25.0 per cent. at 31 March 2012 and 25.8 per cent. at 31 March 2011. The Group's gearing ratio (which is described in "*Financial Review — Statement of Financial*

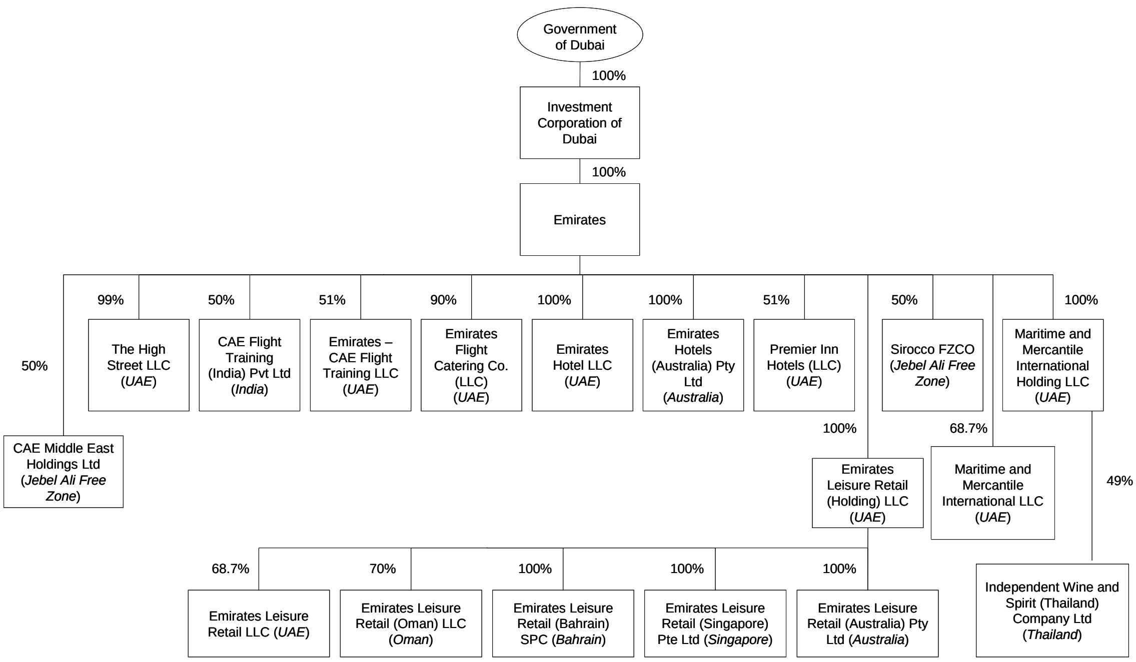
Position — Liabilities — Borrowings and Lease Liabilities'') has risen from 44.5 per cent. at 31 March 2011 to 71.2 per cent. at 31 March 2012 and to 78.6 per cent. at 30 September 2012 (excluding operating leases) and from 127.6 per cent. at 31 March 2011 to 162.1 per cent. at 31 March 2012 and to 172.3 per cent. at 30 September 2012 (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. Emirates has subsequently used similar instruments to finance six additional Boeing aircraft. 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. Accordingly, 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 one has been with Emirates for over 15 years and, together, the nine members of the senior management team have more than 230 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 24 financial years, including through significant industry crises such as the 11 September 2001 terrorist attacks, two Gulf Wars, the recent global financial crisis and recent regional conflicts, 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 2012 Financial Statements. The chart below shows Emirates and its significant subsidiaries and joint ventures.



The Group's Business

The Group's principal business is the transportation by air of both passengers and cargo and this business accounted for more than 94 per cent. of the Group's total revenue in each of the three financial years ended 31 March 2012, 2011 and 2010 and more than 95 per cent. of the Group's total revenue in the six months ended 30 September 2012. The Group also provides destination and leisure management services and generates revenues through the sale of consumer goods, food and beverages and the provision of in-flight catering services to third parties.

Overview of Emirates' Air Transportation Business

As of 30 September 2012, Emirates flew to 126 destinations (including 11 cargo-only destinations) in 74 countries worldwide. During the year ended 31 March 2012, Emirates carried 34.0 million passengers and 1.8 million tonnes of cargo. In the six months ended 30 September 2012, Emirates carried 18.7 million passengers and 1.0 million tonnes of cargo.

The table below shows the development of Emirates' air transportation business over the ten-year period from financial year 2003 to financial year 2012 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									
	2012	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**
Destination cities[(1)]	122	111	102	99	99	89	83	76	73	64
Aircraft[(2)]	169	148	142	127	109	96	85	69	61	46
Average fleet age[(3)]	77	77	69	64	67	63	61	55	46	36
Overall capacity[(4)]	35,467	32,057	28,526	24,397	22,078	19,414	15,803	13,292	10,207	7,350
Overall load carried[(5)]	23,672	22,078	19,063	15,879	14,739	12,643	10,394	8,649	6,629	5,145
Overall load factor (%)	66.7	68.9	66.8	65.1	66.8	65.1	65.8	65.1	64.9	70.0
Breakeven load factor (%)	65.9	63.6	64.4	64.1	64.1	59.9	60.2	58.0	59.0	65.4
Aircraft departures[(6)]	142,129	133,772	123,055	109,477	101,709	92,158	79,937	72,057	58,763	45,452

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 2012, 2011 and 2010. For the purposes of this table, revenue from flight operations is attributed to the geographical areas in which the relevant flight originates and ends whilst other revenue is attributed to the area in which the sale is made or service rendered.

	Financial year		
	2012	**2011**	**2010**
		(%)	
East Asia and Australasia	29.6	29.3	27.9
Europe	27.7	27.2	27.3
West Asia and Indian Ocean	11.5	12.1	12.6
Gulf and Middle East	10.3	10.4	11.6
Africa	10.0	10.6	11.2
Americas	10.9	10.4	9.4
Total	100.0	100.0	100.0

Passenger Transportation

As of 30 September 2012, Emirates flew passengers to 115 destinations in 68 countries worldwide through a range of short-, medium- and long-haul services. Emirates operated approximately 1,400 flights per week from a dedicated terminal building, Terminal 3, at its base at DIA. Emirates flew passengers to 17 destinations in the Middle East, 19 destinations in Africa, 31 destinations in Europe, eight destinations in North America, three destinations in South America, four destinations in Australia, two destinations in New Zealand and 31 destinations in Asia. Subsequent to 30 September 2012, Emirates has also commenced operations to one additional destination in each of Asia, Europe and Australia.

The table below shows the development of Emirates' passenger transportation business over the ten year period from financial year 2003 to financial year 2012 measured by the number of passengers carried, passenger capacity, RPKM and passenger seat factor:

	Financial Year									
	2012	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**
Passengers carried(1)	33,981	31,422	27,454	22,731	21,229	17,544	14,498	12,529	10,441	8,503
Passenger capacity(2)	200,687	182,757	161,756	134,180	118,290	102,337	82,009	68,930	54,657	41,337
RPKM(3)	160,446	146,134	126,273	101,762	94,346	77,947	62,260	51,398	40,110	31,661
Passenger seat factor(4)	80.0	80.0	78.1	75.8	79.8	76.2	75.9	74.6	73.4	76.6

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 80 per cent. for financial year 2012.

Emirates' customer loyalty programme, the Skywards programme, has more than eight 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 miles ("**Skywards Miles**") with every flight that they take with Emirates and with certain participating airlines. Customers can also earn Skywards Miles through Emirates' partner hotels and other third party service and product providers. The actual number of Skywards Miles earned through flights depends on the route, type of ticket purchased and class of travel. During 2010, Emirates introduced a new method of calculating miles based on a zone system rather than simply on the number of miles flown. Emirates believes that Skywards' zone system is an industry-leading innovation which simplifies the method of earning Skywards Miles and aligns it with the method by which Skywards Miles are redeemed. Skywards 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 certain participating airlines; tours and excursions with Arabian Adventures (see "*— Other Businesses — Destination and Leisure Management Business*"); and a range of products and services from the Emirates High Street (see "*— Other Businesses — Retail Businesses*"). Skywards Miles can also be redeemed for reward stays at Emirates' partner hotels as well as for car rentals and other third party service and product providers within and outside the UAE. The Group accounts for its future liability to redeem Skywards Miles as deferred revenue and, as of 30 September 2012, deferred revenue amounted to AED 2,262 million. As part of its proposed commercial cooperation with Qantas (subject to regulatory approval), Emirates intends to give Skywards members the opportunity to earn and redeem Skywards Miles on Emirates flights and a range of Qantas flights. Qantas Frequent Flyer programme members are also expected to have equivalent rights.

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. Once fully operational, Terminal 3 will have the capacity to handle approximately 43 million passengers per year with the opening of Concourse A in the first quarter of 2013. Concourse A, which is wholly dedicated to A380 aircraft, commenced its phased opening for operations on 2 January 2013 and is now fully operational. The 20 A380–capable gates and two remote stands of Concourse A have resulted in the total capacity of DIA increasing from 60 million to 75 million passengers per year. In addition, Dubai Airports has recently announced plans to construct a new Concourse D attached to Terminal 1 at DIA, which will increase the capacity of DIA to 90 million passengers per year on its scheduled completion in 2018.

Worldwide, Emirates has 34 dedicated airport lounges, including six 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. See "— *Strategy and Competitive Strengths — Product Positioning*". As part of their proposed commercial cooperation (subject to regulatory approval), Emirates and Qantas intend to allow lounge access to passengers of either airline and intend to cooperate in the provision of joint lounge facilities at selected airports.

Cargo Transportation

Emirates operates its cargo transportation business under the brand Emirates SkyCargo. 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 2012, Emirates' freighter fleet consisted of eight (one of which was on wet lease) Boeing 777-200LRF and Boeing 747-400ERF freighters (see "— *Aircraft Fleet*" below), which served the following 11 cargo-only destinations: Almaty, Bagram, Eldoret, Gothenburg, Kabul, Liège, Lilongwe, Taipei, Tripoli, Viracopos and Zaragoza.

As of 30 September 2012, Emirates offered its cargo customers a comprehensive range of solutions to 126 destinations in 74 countries, including the following products and services:

- general freight, which is the most economical global cargo distribution product offered by Emirates. This product is available on all of Emirates' flights and customers are able to make reservations on line;
- priority cargo, for time-sensitive deliveries. Customers using this product are guaranteed capacity, late acceptance of goods, priority loading and a money back guarantee if the goods are not delivered;
- courier services, which caters exclusively for airport-to-airport transportation of documents and packaged boxes; and
- integrated solutions, which gives customers the option to have their cargo collected at its point of origin and/or delivered overland to its final destination in addition to the air transportation between countries. This premium service can also include administration of all documentary formalities at the destination airport.

Emirates' cargo business is based at the approximately 970,500 square feet Cargo Mega Terminal located at DIA. The Cargo Mega Terminal has the capacity to process 1.2 million tonnes of cargo per year and benefits from each of Dubai Customs, the Department of Civil Aviation and the UAE Ministry of Agriculture and Fisheries being located in the same building.

The table below shows the development of Emirates' cargo transportation business over the ten-year period from financial year 2003 to financial year 2012 measured by the amount of cargo carried:

	Financial Year									
	2012	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**
Cargo carried(1)	1,796	1,767	1,580	1,408	1,282	1,156	1,019	838	660	525

Note:
(1) In thousands of tonnes.

Aircraft Fleet

As of 30 September 2012, Emirates operated a total of 182 wide-body aircraft. Of these aircraft, 120 were leased under operating leases, 56 were leased under finance leases and six were owned by Emirates.

The table below shows Emirates' aircraft which were in service as of 31 March 2012 (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 2011 and 2010:

	As of 30 September 2012				As of		
Aircraft type	Number of aircraft	*Of which:* Operating Lease	*Of which:* Finance Lease	*Of which:* Owned	31 March 2012	31 March 2011	31 March 2010
Passenger aircraft							
Airbus							
A330-200	26	21	—	5	26	27	29
A340-300	8	8	—	—	8	8	8
A340-500	10	8	2	—	10	10	10
A380-800	23	8	15	—	21	15	8
Boeing							
B777-200	3	2	—	1	3	3	3
B777-200ER	6	6	—	—	6	6	6
B777-200LR	10	4	6	—	10	10	10
B777-300	12	12	—	—	12	12	12
B777-300ER	77	44	33	—	67	53	52
Total passenger:	**175**	**113**	**56**	**6**	**163**	**144**	**138**
Freighter aircraft							
Boeing							
B777-200LRF	5	4	—	—	4	2	2
B747-400ER F	2	2	—	—	2	2	2
Total freighter(1)	**7**	**7**	**—**	**—**	**6**	**4**	**4**
Total Aircraft	**182**	**120**	**56**	**6**	**169**	**148**	**142**

Note:

(1) In addition to the aircraft listed in the above table, as of 30 September 2012 and 31 March in each of 2012, 2011 and 2010, Emirates also had one, two, three and three B747 freighters on wet lease for its cargo operations as of those dates, respectively. Under a wet lease, Emirates leases the aircraft, crew, maintenance and insurance from another airline and pays by reference to the hours of operation of the aircraft concerned. Emirates also provides the fuel and covers airport fees and any other duties or taxes payable. Emirates does not wet lease any of its aircraft to third party airlines.

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. Emirates currently operates this aircraft to 22 destinations: Amsterdam, Auckland, Bangkok, Beijing, Hong Kong, Jeddah, Johannesburg, Kuala Lumpur, London (Heathrow), Manchester, Melbourne, Moscow, Munich, New York (JFK), Paris, Rome, Seoul, Shanghai, Singapore, Sydney, Tokyo and Toronto.

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 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 network in the world. As of 30 September 2012, Emirates had 67 firm orders for this aircraft (for delivery from such date until 2017) in two separation variations:

- 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 — 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.

In 2011 and 2012, Airbus A380-800 aircraft operated by Emirates and other airlines were identified as being affected by cracking wing rib feet. In addition to the European Aviation Safety Authority mandated inspection and temporary repair regime that has been implemented on certain of Emirates' A380-800 aircraft during 2012, each of the affected aircraft in Emirates' fleet are scheduled to undergo a full permanent repair of wing rib feet cracks during the period commencing in March 2013 and ending in November 2014, the costs of which Airbus has publicly disclosed it will cover from its own resources. See the section entitled "*Risk Factors — Risk Factors Relating to Emirates — The newly developed Airbus A380 aircraft is a critical part of Emirates' operations, and the materials used in its construction may be found to be less efficient or durable than expected, thereby leading to lower operating hours of the Airbus A380, higher maintenance and repair costs and lower overall value*".

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 7,880 nautical miles. This aircraft has the capacity to seat up to 364 passengers (when configured into three classes) or a maximum of 442 passengers (when configured into two classes). As of 30 September 2012, Emirates had 74 firm orders for this aircraft. Emirates is the largest operator of the type of aircraft in the world.

Airbus A330-200

The Airbus A330-200 is a twin engine aircraft with a maximum range of 7,250 nautical miles. This aircraft was first introduced into Emirates' fleet in December 1998. This aircraft has the capacity to seat up to 253 passengers (when configured in three classes).

Airbus A340-300

The Airbus A340-300 is a four engine aircraft with a maximum range of up to 5,450 nautical miles. This aircraft was first introduced into Emirates' fleet in October 1996. This aircraft has the capacity to seat up to 300 passengers (when configured in three classes).

Airbus A340-500

The Airbus A340-500 is a four engine aircraft with a maximum range of up to 9,000 nautical miles. This aircraft was first introduced into Emirates' fleet in July 2003. This aircraft has the capacity to seat up to 313 passengers (when configured in three classes).

The average age of Emirates' fleet of aircraft was 77 months as of 30 September 2012. This is significantly younger than the industry average which, according to the IATA WATS, 56th edition, was around 137 months, based on available data.

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 A380-800s and Boeing 777-300ERs. These aircraft types are expected to form Emirates' core fleet in the next decade.

During February 2011, Emirates began a programme of phasing out older aircraft (such as its Airbus A330 and Airbus A340 aircraft and its Boeing 777-300 aircraft) and it currently expects that this programme will result in the following fleet size movements up to financial year 2017, although no assurance is given that this will prove to be the case:

	Financial Year				
	2013	2014	2015	2016	2017
Additions	35	25	21	25	28
Phase-out	(6)	(5)	(17)	(16)	(13)
Total[(1)]	198	218	222	231	246
Net increase	29	20	4	9	15

Note:
(1) On the basis of a total fleet size of 182 aircraft as of 30 September 2012. Excludes aircraft held on a wet lease.

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 2012 was 77 months. Emirates intends to focus on fuel efficiencies and expects to continue to be a large net buyer of new and efficient aircraft. In 2011, for example, Emirates placed an order for 50 Boeing 777-300ER aircraft, with options to purchase an additional 20 Boeing 777-300ER aircraft (none of which have been exercised as of the date of this Prospectus). Emirates also expects to retire more than 100 aircraft in the period to 2021. 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.

Group Safety

The Emirates Corporate Safety Policy outlines the commitment to safety by the senior management and staff throughout the organisation and is fully endorsed by The General Civil Aviation Authority ("**GCAA**"), which confirms Emirates' compliance with regulatory requirements and the GCAA's acceptance of Emirates' Safety Management System ("**SMS**"). Emirates' commitment to safety is also underpinned by an active Flight Operations Data Monitoring ("**FODM**") programme and a Fatigue Risk Management System ("**FRMS**"). Emirates' Line Audit Programme, based on the industry standard line operations safety audit ("**LOSA**") principles, gathers data from a high percentage of flight observations and is unique within the industry in terms of scale. Emirates continues to maintain its IATA Operational Safety Audit ("**IOSA**") accreditation. As part of its SMS, Emirates employs not only traditional reactive and proactive elements of a safety management system, but also predictive methodologies that are at the leading edge of aviation risk management. In parallel, Emirates integrates industry best practices in health and safety and environment and fire prevention strategies to ensure a safe working environment for its staff, customers and assets.

Route Planning Process

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.$34.2 billion over a period covering approximately 16 years up to 1 March 2013 for financing aircraft and corporate finance requirements. This amount includes amounts raised through traditional aircraft financing sources such as operating leases, European Union and 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 16 years up to 1 March 2013, were diversified as follows: 43 per cent. from operating leases, 18 per cent. from commercial bank lending, 12 per cent. from European export credit agencies, 12 per cent. from debt capital markets issuances, 11 per cent. from U.S. Export-Import Bank guaranteed transactions and 4 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.

Apart from six aircraft owned by Emirates as of 30 September 2012, all of Emirates' aircraft are financed either under operating or finance leases. Under operating leases, the aircraft remains in the ownership of the lessor. Under finance leases, the aircraft is secured in favour of the lessor.

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 150 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 has recently entered into 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 seven fully air conditioned hangars for heavy and light maintenance, a paint hangar and also include an engine testing facility in a nearby location. Emirates Engineering supports Emirates' fleet of Airbus and Boeing aircraft, together with those of 20 other airlines (comprised of four in Dubai and the remainder at locations outside Dubai) through third party maintenance contracts. Emirates has recently commenced work on the expansion of its engineering facility by the construction of up to four additional hangars, due to be completed in 2015.

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. In addition to the Airbus A330, Airbus A340 and Airbus A380 and Boeing 747 and Boeing 777 series currently operated by Emirates, Emirates Engineering also provides support to aircraft operated by the other airlines it services.

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 has recently entered into a cooperation agreement with flydubai (as described further below in "— *Cooperation with flydubai*") and a master coordination agreement with Qantas (as described further below in "— *Cooperation with Qantas*").

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.

Emirates currently operates codeshare fights with: Air Malta, Air Mauritius, Japan Airlines, Jet Airways, Jetblue Airways, Korean Air, Oman Air, Philippine Airlines, Qantas, South African Airways, TAP Portugal and Thai Airways. Flights with certain codeshare airlines allow Skywards members to earn miles.

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, subject to receiving approval from the relevant competition authorities, 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. With effect from 31 March 2013, Qantas will transfer its hub for its London flights from Singapore to Dubai. In connection with the implementation of this cooperation (subject to regulatory approval), Emirates and Qantas are currently in discussions regarding potential changes to the benefits they provide to passengers, including their respective frequent flyer programmes, and Emirates intends to make announcements on potential changes as the implementation of the cooperation progresses.

The implementation of this commercial cooperation is conditional upon receiving approval by competition authorities, including the Australian Competition and Consumer Comission ("**ACCC**"), the New Zealand Ministry of Transport ("**NZ MOT**") and the Competition Commission of Singapore ("**CCS**"). Emirates and Qantas submitted applications for approval of the proposed conduct to each of the ACCC, NZ MOT and CCS in September 2012. On 20 December 2012, the ACCC published a draft determination in which it indicated that it intended to approve the proposed conduct for a period of five years. On 17 January 2013, the ACCC granted interim authorisation to allow Emirates and Qantas to commence certain aspects of their cooperation, pending final approval. The final ACCC decision is due to be published in mid-March 2013.

Cooperation with flydubai

Emirates has entered into 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. This proposed cooperation has been granted regulatory approval by relevant competition law authorities.

Interline

Interline agreements allow travel agents and others with access to the global distribution system or a related system to book a journey comprising of more than one airline's flights as a single fare. In contrast to codeshare arrangements, the passenger is aware that he is flying separate flights with separate airlines, but still pays only a single price. The interline agreement governs the revenue sharing between airlines of the price paid by the passenger for the overall journey. Emirates currently has interline agreements in place with 157 other airlines.

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. Global distribution systems are computerised systems used by the travel industry to store and retrieve information, and conduct transactions, relating to airline travel. In November 2012, Emirates issued a request for tender for the implementation of a new passenger service system ("**PSS**"), including a reservation services system and departure control system. The selection of the preferred vendor and the finalisation of agreements is targeted to be completed during the first quarter of 2013. The new PSS is intended to replace Emirates' existing reservation services system by the end of 2014 and is expected to generate significant savings in Emirates' cost of sales. Under the terms of the request for tender, vendors have been requested to design and build a system that will 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 businesses include destination and leisure management, hotel operations, retail, in-flight catering and aviation training and education. Together, these businesses accounted for approximately 5 per cent. of the Group's revenue in each of financial year 2012, 2011 and 2010.

Destination and Leisure Management Business

The Group's destination and leisure management business comprises:

- tour operations through Emirates Holidays and Arabian Adventures, each of which are divisions within Emirates rather than separate legal entities. Emirates Holidays offers a range of holiday products for travellers and specialises in tailor-made programmes. Arabian Adventures is a destination management company, providing explorer programmes, tour services, desert safari, special interest and tailor-made trip services to a range of clients including tour operators, incentive houses, meeting organisers, businesses and cruise lines; and
- conference organisation through Congress Solutions International, another division within Emirates, which offers a portfolio of services in conference and exhibition management, accommodating between 200 and 100,000 guests at any one time, and related support services including marketing, communication, publicity and programme content development.

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, some of which are managed by third parties. These properties are the Al Maha 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 Wolgan Valley Resort & Spa in Australia (the first hotel in the world to achieve carbon neutral certification from an internationally accredited greenhouse gas certification scheme). The JW Marriott Marquis Hotel Dubai opened its first tower to guests in December 2012 and, upon completion, will consist of two 70-story towers. The Premier Inn joint venture in the UAE has also entered into a further joint venture in Qatar for the development of Premier Inns in Qatar.

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 over 400 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 11 outlets across Dubai and joint ventures in both Abu Dhabi and Oman, 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.

In-flight Catering Services

The Group provides in-flight catering and support services to more than 110 airlines at DIA through its 90.0 per cent. owned subsidiary, Emirates Flight Catering Company LLC ("**EFC**"). EFC has the capacity to produce 115,000 meals per day and, during May 2012, EFC served 377 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 50.0 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 ten 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.

Emirates has also recently announced plans for the construction of the Emirates Flight Training Academy at Al Maktoum International Airport. Construction of the academy, subject to regulatory approval, is scheduled to commence in 2013 with completion targeted for 2014. The facility is scheduled to be open to students in 2014 with a ramp up to full capacity in 2016. The academy is intended to train up to 400 students at any one time and will be used by Emirates to train UAE nationals enrolled in its National Cadet Pilot Programme.

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. In particular, the Group's sponsorships have included a significant number of sporting events, including the 2006, 2010 and 2014 FIFA World Cups, the annual Dubai Rugby 7s and serving as the official airline of the Rugby World Cup 2011. Emirates is the official airline of the US Open and title sponsor of the US Open Series. In horse racing, Emirates is the title sponsor of the Dubai World Cup. Emirates also supports several major golf tournaments held across the globe, including the Alstom Open de France, the Avantha Masters (India), the Malaysian Open and the BMW International Open. As the official partner of the International Cricket Council (‘‘**ICC**’’), Emirates has sponsorship rights to all major ICC tournaments including the Cricket World Cup and Champions Trophy. Emirates also sponsors many high profile football clubs, including the Arsenal football club and its home stadium, Emirates Stadium, in London, and the Italian football team, AC Milan. In July 2012, Emirates became the naming-rights sponsor of the Emirates Air Line, the cable car service across the River Thames in London.

The Group's general marketing strategy is to support Emirates' business operations by building global awareness of the Emirates name and promoting its premium products and services. The Group aims to spend an amount equal to between 2.5 and 3.0 per cent. of its total revenue each year on sponsorships and advertising. Sponsorships generally comprise around 50.0 per cent. of this amount each year. In April 2012, Emirates launched a major brand recognition campaign, ‘‘Hello Tomorrow’’, which is intended to raise Emirates' brand into a true global lifestyle brand.

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 100 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 31 December 2012, the Governments of Dubai and the UAE had entered into 158 ASAs or memoranda of understanding with other countries.

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

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

UAE and Dubai Regulation

UAE airlines are also affected by wider UAE policies, laws and regulations, particularly in relation to airports and air traffic control. In the UAE, the General Civil Aviation Authority (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 on wet lease or other similar arrangements 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.

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

Environmental Regulation

In common with other airlines, 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 takes its responsibilities in sustainability and environmental stewardship seriously. The age of its fleet, which is one of the youngest in the world and therefore one of the most environmentally friendly in the industry, makes it a leader in airline environmental best practice. Emirates focuses on maximising its fuel efficiency and attendant emissions as well as increasing the efficient use of airspace to shorten flying times and cut fuel consumption.

The most significant recent environmental legislation is the regulation implementing the EU ETS. Under the EU ETS, all commercial airlines over a threshold size operating to, from or within the European Union will be required to surrender allowances depending on the amount of carbon emissions created by those flights from 2012 onwards. 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*". In November 2012, the European Commission submitted a formal proposal to defer key parts of EU ETS aviation compliance by one year. This proposes a suspension of aspects of enforcement relating to reporting emissions and the surrender of allowances for certain flights, including international flights originating or terminating outside the EU.

Safety

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

- the operator, whose fitness to operate is attested by an Air Operator's Certificate issued by the GCAA;

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

Information Technology

The Group makes extensive use of information technology ("**IT**") for both its commercial and operational needs, including infrastructure, back office functions (such as revenue accounting) and reservations systems. The Group's principal IT team is based at its headquarters at DIA, although IT as well as certain other shared services within the Emirates Group is provided by dnata employees. The Group has two off-site data storage and back-up systems located in Dubai and a comprehensive disaster recovery and business continuity plan.

Emirates' online booking facilities are currently available to its customers on a global basis, either through Emirates' local or global websites. Internet check-in facilities are also available to customers on Emirates operated flights departing from 108 airports in the Emirates' network.

In May 2004, Emirates became the first airline in the Arab world to offer electronic ticketing. Currently, e-ticketing is available across virtually all of Emirates' network (with the exception of some limited interline arrangements). E-tickets provide faster and more efficient check-in and other airport processes, as well as improving flexibility and convenience for self-service options, such as kiosks.

The Group's general approach to software solutions is to use a mix of off-the-shelf software, software modifications and bespoke software created by its in-house IT team. Examples of bespoke software and software modifications created by the in-house IT team include:

- RAPID, a revenue accounting application used for both passenger and cargo operations;
- MARS, the Mercator Airline Reservation System, used to process the airline's bookings and ticketing functions;
- MACS, the Mercator Airport Control System, used for the airline's check-in and aircraft departure control processes;
- Trade Net, an internet-based application built in-house that allows easy quotation booking and communication between Emirates Holidays and more than 1,000 agents in 12 countries;
- Sky Chain 3.0, a bespoke information technology cargo management system created for Emirates SkyCargo;
- PROFIT, an inventory management improvement system, particularly in relation to last minute bookings;
- emirates.com mobile, an in-house mobile web development project; and
- Credit Card Repository, an innovative application developed entirely in house for Emirates Group Finance to render the business ready for compliance with industry standards.

In November 2012, Emirates issued a request for tender for the implementation of a new passenger services system, which is intended to be implemented by the end of 2014. See "— *Airline Sales and Distribution*".

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 subject to civil litigation (in the form of class action) in the United States arising out of investigations by the United States competition authorities into fuel and security surcharges in relation to cargo flights. Emirates has entered into a settlement of these proceedings on a no admission of liability basis, which is subject to final approval of the court following notification to the potential class of plaintiffs and the expiry of the opt-out period. Emirates is also potentially subject to individual actions in connection with these proceedings by potential class action members who elect to opt out of the settlement and initiate individual proceedings. In addition, following the recent settlement by Emirates of proceedings initiated in Australia by the ACCC relating to fuel and security surcharges in relation to cargo flights, Emirates could potentially be subject to inclusion in existing class action proceedings in Australia. In October 2012, five of the respondent airlines to these existing Australian class action proceedings filed applications seeking leave of the Federal Court to file cross-claims against Emirates and another airline. These applications were contested by Emirates and the other airline at a hearing in November 2012. A further hearing of these applications is due to occur in March 2013. See "*Risk Factors — Risk Factors 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.

Environment

The Emirates Group issues an annual environmental report to monitor its performance on several key measures and has implemented a group wide environmental policy and operates an environmental programme, called Environment. Emirates supports IATA's four-pillar strategy to reduce aviation-related CO_2 emissions and has commenced a number of environmental initiatives such as continuous efforts to improve the fuel efficiency of its fleet, recycling of industrial materials involved in Emirates' businesses and the development of eco-resorts such as Al Maha Desert Resort & Spa (and management of the adjoining Dubai Desert Conservation Reserve) and Emirates Wolgan Valley Resort & Spa.

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 777-300ER, 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. Emirates' fuel efficiency for all passenger flights in financial year 2012 was 4.11 L/100PK (litres per 100 passenger-kilometres flown), which was an increase of 1 per cent. over the previous financial year's amount. This was partly due to the impact of deploying aircraft optimised for long-range and ultra-long range on short and medium-range routes. However, despite this slight increase, Emirates' total fuel efficiency for that period was still 22.5 per cent. lower than IATA's forecast 2011 industry average of 5.3 L/100PK.

Emissions

Total CO_2 emissions from Emirates' passenger and cargo operations rose 9.4 per cent. in financial year 2012 compared to the previous financial year, reflecting Emirates' growth in capacity. Emirates CO_2 emissions efficiency for passenger flights rose by 1 per cent. for the same period, but was still 18.1 per cent. lower than the IATA global fleet average.

Noise Efficiency

Emirates has introduced a Noise Efficiency factor for Takeoff ("**NEF-T**") and Landing ("**NEF-L**") in line with its view that aircraft with lower noise efficiency have less of an impact on their surrounding communities. Emirates' noise efficiency factor for takeoff and landing increased during financial year 2012, due to the increase of the Airbus A380 and Boeing 777-300ER fleets. Although these newer aircraft are "quieter", their increased use on a medium-range routes resulted in higher NEF-T and NEF-L.

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 have totalled U.S.$2.3 billion to date. 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 2015 (the "**DSP 2015**"), which focuses on core areas of economic development, social development, security, justice and safety, infrastructure, land and development, and government excellence. The DSP 2015 envisages that economic growth in Dubai will be focused on travel and tourism, financial services, professional services, transport and logistics, trade and storage, and construction.

  Emirates is an integral facilitator of the DSP 2015 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 150 airlines operating out of DIA, accounting for more than 60 per cent. of the 57.7 million passengers using DIA during 2012. Since October 2008, Emirates has had its own dedicated terminal at DIA, Terminal 3, which is capable of accepting Airbus A380 aircraft, including the recently opened 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. Emirates does not currently operate at Al Maktoum International Airport. Dubai Airports has also recently announced plans to construct a new Concourse D, attached to Terminal 1 at DIA, which will increase the capacity of DIA to 90 million passengers per year on its scheduled completion in 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 Maurice Flanagan	Executive Vice Chairman
Tim Clark	President — Emirates Airline
Gary Chapman	President — Group Services & dnata
Adel Ahmad Al Redha	Executive Vice President — Engineering & Operations
Thierry Antinori	Executive Vice President — Passenger Sales Worldwide
Abdulaziz Al Ali	Executive Vice President — Human Resources
Nigel Hopkins	Executive Vice President — Service Departments
Ali Mubarak Al Soori	Executive Vice President — Chairman's office, Facilities/Projects Management and Procurement and Logistics (Non-Aircraft)

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 Airline and 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 Deputy Chairman of the Dubai Executive Council, Chairman of the Supreme Fiscal Committee of the Government of Dubai, Chairman of Dubai Airports, Chairman of Dubai Airport Free Zone Authority, Chairman of Dubai World, Chairman 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 Maurice Flanagan KBE, CBE, BA, Hon. FRAeS, FRAeS, FCIT

Sir Maurice is the Executive Vice Chairman of Emirates.

Sir Maurice started his career in 1953 with British Overseas Airways Corporation (the forerunner of British Airways) working in variety of posts. Prior to joining Emirates, he worked as a member of British Airways' senior management team for four years and later as Director and General Manager of dnata. Sir Maurice was managing director of Emirates from its creation in 1985 until July 2003.

Sir Maurice holds an honorary Doctor of Letters degree from the University of Bradford and an honorary Doctor of Laws from the University of Liverpool.

Tim Clark

Mr Clark is President of Emirates.

Prior to joining Emirates Mr 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. Mr Clark became President of Emirates in 2003.

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

Mr 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 President of Group Services and dnata. Mr Chapman's principal responsibilities are to oversee the Group's corporate support functions of Finance, Human Resources, Medical Services, Legal and IT. Mr Chapman is also responsible for jet fuel price risk management and manages the global operations of dnata and a number of its associated entities.

Prior to joining the Group, Mr Chapman spent 12 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 and Mercantile International L.L.C. and dnata Singapore Pte Ltd, and is a member of the board of directors for Emirates Flight Catering Co. LLC, Emirates CAE Flight Training, Premier Inn Hotels LLC and dnata's overseas ground handling and aircraft catering operations.

Mr Chapman qualified as a Chartered Accountant in New Zealand. Mr Chapman was recently confirmed as 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-Engineering & Operations. Mr Al Redha's principal responsibilities involve overseeing several major departments, including Flight Operations, Network Operations (including managing the Network Control Centre), Flight Training, Engineering and Aircraft Procurement.

Mr Al Rehda joined Emirates as an engineer in 1988, having worked for two years previously as a trainee aircraft engineer with another carrier in the region. He has held a number of positions within Emirates, including head of the Procurement & Logistics department and, more recently, Director of Engineering.

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 Executive Vice President-Passenger Sales Worldwide. Mr Antinori's principal responsibilities are overseeing Commercial Operation, Revenue Optimisation, Distribution and Interline, Network Passenger Sales Development and Skywards. Mr Antinori joined Emirates in October 2011.

Prior to joining Emirates, 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. Mr Al Ali's principal responsibilities are to develop effective training procedures for new employees and to ensure that employees adhere to the Group's policies, procedures and rules.

Mr Al Ali joined Emirates in 1988. Prior to becoming Executive Vice President-Human Resources in 2003, Mr Al Ali held a number of other posts at Emirates, including Director of Human Resources.

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.

Nigel Hopkins

Mr Hopkins is the Executive Vice President-Service Departments. Mr Hopkins' principal responsibilities relate to the Finance, Treasury, IT, Legal and Insurance services within the 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 Group Finance team. Prior to joining Emirates, Mr Hopkins worked at British Airways for ten years.

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

Ali Mubarak Al Soori

Mr Al Soori is the Executive Vice President-Chairman's Office, Facilities/Projects Management and Procurement and Logistics (Non-Aircraft). Mr Al Soori's principal responsibilities are to ensure all projects are executed on time and within budget, which involves undertaking feasibility studies, approving budgets and timeframes, and appointing consultants and specialists, as well as negotiating contracts.

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. Mr Al Soori has overseen the construction of many of the buildings in the Group's property portfolio, including the Emirates Engineering Centre, the Harbour Hotel and Residence, Emirates' Crew Training Centre, Emirates Group Headquarters and the Sevens sports complex.

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 the fact that its average work force attrition rate over the five financial years ended 31 March 2012 was approximately 7.1 per cent. (and approximately 5.9 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 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 2012, 2011 and 2010.

	Financial year ended 31 March		
	2012	**2011**	**2010**
Cabin crew	13,277	11,715	10,785
Flight deck crew	2,845	2,434	2,237
Engineering	2,241	2,083	1,904
Other	9,911	9,086	9,084
Total employees in the UAE	**28,274**	**25,318**	**24,010**
Overseas stations	5,360	4,940	4,676
Total Emirates	**33,634**	**30,258**	**28,686**
Subsidiary companies	8,788	8,539	7,966
Average employee strength	**42,422**	**38,797**	**36,652**

Employee productivity for Emirates, measured in terms of revenue per airline employee, was AED 1.8 million in financial year 2012, AED 1.7 million in financial year 2011 and AED 1.5 million in financial year 2010. Capacity per airline employee was 1,054 thousand ATKM in financial year 2012 compared to 1,059 thousand ATKM in financial year 2011 and 994 thousand ATKM in financial year 2010. Load carried per airline employee was 704 thousand RTKM in financial year 2012 compared to 730 thousand RTKM in financial year 2011 and 665 thousand RTKM in financial year 2010.

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, such as the National Cadet Pilot Programme and National Graduate Recruitment Programme. Emirates has also recently 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 gross domestic product ("**GDP**"). Although GDP was one of the primary drivers of growth in the past, other factors, particularly including affordable fares, in part due to the expansion of low fare carriers, are likely to continue to contribute increasingly to traffic growth.

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

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

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

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

Technological Developments

Technology has also played an important role in the development of the airline industry. New technologies allow airlines to reduce costs. In the early 1970s, the introduction of the Boeing 747 revolutionised long-haul transport and, in the 1980s, computer reservation systems enabled airlines to manage their capacity better. Fuel efficiency and the reduction in noise and emissions have been significant drivers of technological development. The manufacturers of large civil aircraft (primarily Airbus and Boeing) have developed larger aircraft (for example the Airbus A380) and longer range aircraft variants (for example, the Airbus A340-500, Airbus A340-600, Boeing 777-200LR and Boeing 777-300ER aircraft). The new ultra long-range aircraft (for example, the Airbus A340-500 and Boeing 777-200LR aircraft, have an extended range of over 8,000 nautical miles and can fly non-stop for over 16 hours) provide airlines with the ability to link any two destinations on their global network with one single stop at their hub (for example in relation to Emirates, New York to Sydney, with one stop in Dubai). Similarly, the Airbus A380 ultra long-range is currently the largest passenger aircraft in production, with some of the lowest per-seat-mile costs in the industry and long haul capability of approximately 8,300 nautical miles. These aircraft will potentially allow new markets to be developed and may relieve some airport congestion, providing a solution to slot-constrained airports. Other technological developments, such as electronic commerce, have also allowed airlines to reduce operating costs, particularly those relating to ticket sales and distribution.

Recent Traffic Trends

On 9 January 2013, IATA announced a 5.3 per cent. increase in the worldwide number of passengers carried and a 1.6 per cent. decrease in the total volume of cargo transported during the eleven months ended November 2012. IATA also announced that the passenger load factor for the same period of 2012 was 79.2 per cent., representing an increase of one percentage point from 2011, and that the freight load factor was 44.9 per cent., representing a decrease of one percentage point from 2011. Load factors are a measure of how well an airline is utilising its available capacity and are calculated by dividing the airline's RTKM by its ATKM. IATA further reported that Middle Eastern carriers reported the strongest growth of passenger demand during this period out of all of the regions it surveyed at 15.5 per cent., reflecting an increase in regional capacity of 12.5 per cent., largely as a result of deliveries of aircraft to Gulf-based carriers. Also according to IATA, passenger load factors for Middle Eastern carriers recorded a two percentage point increase during this period to 77.4 per cent.

Traffic Forecasts

According to Boeing's Current Market Outlook 2012-2031, the international passenger traffic forecast over the 20-year period from 2011 to 2031 is for average annual growth of 5.0 per cent. during the period. The same forecast, by region, shows the Middle East experiencing average annual growth of 6.4 per cent. during that period, compared to the Asia/Pacific region at 6.4 per cent., Africa at 5.6 per cent., Latin America at 6.6 per cent., Europe at 4.1 per cent. and North America at 2.8 per cent.

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

- 6.9 per cent. (in respect of African traffic flows to and from the Middle East);
- 5.1 per cent. (in respect of European traffic flows to and from the Middle East);
- 6.4 per cent. (in respect of Middle Eastern traffic flows to and from North America);
- 7.2 per cent. (in respect of Middle Eastern traffic flows to and from Asia Pacific); and
- 5.1 per cent. (in respect of traffic flows within the Middle East region).

Industry Statistics

According to the IATA WATS, 56th edition, in terms of 2011 international RPKMs, Emirates was the leading airline with 153,264 million RPKMs, ahead of Lufthansa (135,479 million RPKMs), Delta Air Lines (124,415 million RPKMs), Air France (123,106 million RPKMs) and British Airways (114,158 million RPKMs). No other airline was credited by IATA with exceeding 100,000 million international RPKMs in 2011. IATA has not yet published equivalent data for 2012.

Domestic RPKMs tables are dominated by U.S. and Chinese airlines reflecting the size of their respective domestic markets. Unlike many other comparable airlines, Emirates does not have a domestic market. Nevertheless, measured in terms of combined international and domestic RPKMs, Emirates was ranked fourth by the IATA WATS, 56th edition, in 2011, behind Delta Air Lines, American Airlines and United Airlines.

In terms of international and overall RTKMs, Emirates was ranked third and fifth, respectively, by the IATA WATS, 56th edition, in 2011.

Complementing Emirates' rankings, DIA was ranked as the fourth busiest airport in the world during the 12-month period ended July 2012 in terms of international passengers by Airports Council International ("**ACI**"). In addition, DIA was ranked by ACI as the third busiest airport in the world for the same 12-month period in terms of international freight traffic.

Primary Industry Sensitivities

The primary sensitivities of the airline industry are to changes in jet fuel prices, insurance charges and the level of passenger demand, each of which is influenced by a number of different factors, including, but not limited to, the state of the world economy and by political events. See "*Risk Factors – 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*". All of these factors have shown some volatility in recent years, particularly the price of jet fuel which, according to an IATA press release dated December 2012, accounts for 33.5 per cent. of airlines' operating costs and is the most significant operating cost item for most airlines. See "*Risk Factors — The Group's results of operations may be materially affected by changes in jet fuel prices*". Environmental issues in the form of more stringent noise and emission standards, including the recently announced EU carbon emissions trading scheme, also impose higher operating costs on the airline industry, although the future of this latter scheme is not certain given the announcement in November 2012 of the decision to defer enforcement of the scheme for 2012 pending the outcome of further discussions regarding the establishment of a global scheme relating to aviation carbon emissions. See "*Risk Factors — 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*".

SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection at the offices of the Principal Paying Agent (as defined in the Conditions).

Purchase of Services Agreement

On the Issue Date, 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) (the "**Additional Rights to Travel**"), out of Emirates' total available passenger capacity (measured in ATKMs) for the last Distribution Period.

An aggregate of 2,308,817,073 Allotted Rights to Travel will be purchased by the Trustee as described in the previous paragraph, and will be sold 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 346,322,561 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.$993,310,000, that the acquisition cost per ATKM equates to U.S.$0.374 (or AED 1.374 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 2012 (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 servicing agent (in such capacity the "**Service Agent**") by the Trustee (as principal) to 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 "**Outstanding Rights to Travel**") and Additional Rights to Travel, which will be governed by English law.

The Service Agent will undertake to provide, or procure the provision of, certain services (the "**Services**") to the Trustee for the period commencing on the Issue Date and ending on the Scheduled Dissolution Date or, if earlier, on the date on which all the Certificates are redeemed in full in accordance with the Conditions (the "**Period**"). The Services include an undertaking from the Service Agent to sell exclusively, for and on behalf of the Trustee, in respect of each Distribution Period, 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.$0.517 (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, if and to the extent that insufficient Outstanding Rights to Travel are available for purchase by Emirates under the Purchase Undertaking as a result of the Service Agent having previously sold Rights to Travel in an amount in excess of the Allotted Rights to Travel in contravention of the terms of the Service Agency Agreement, the Service Agent will pay to the Trustee out of the Reserve Account (or, if the amounts standing to the credit of the Reserve Account are not sufficient after re-crediting any Interim Incentive Payments (as described below), the Service Agent will pay to the Trustee by way of indemnity on an after tax basis) an amount equal to the Exercise Price, Sale Exercise Price or Change of Control Exercise Price, as applicable, as each such amount would have been payable under the Purchase Undertaking. The Service Agent will satisfy payment of such amount due by paying such amount into the Transaction Account.

The Service Agency Agreement will provide that amounts standing to the credit of the Reserve Account shall be applied as follows:

(a) if on a Distribution Determination Date (after (i) payment of an amount equal to the amounts standing to the credit of the Collection Account into the Transaction Account 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, a Sales Shortfall or any shortfall arising from insufficient Outstanding Rights to Travel being available (as described above); and

(c) following payment in full of all amounts due and payable under the Certificates on the Dissolution Date, the Service Agent shall be entitled to retain (i) any 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, 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 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 give effect to the relevant purchase.

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

(b) 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 19 March 2013 between Emirates, the Trustee Administrator, 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 Declaration of Trust. After enforcing or realising the Trust Assets and distributing the net proceeds of the Trust Assets in accordance with the Declaration of Trust, the obligations of the Trustee in respect of the Certificates shall be satisfied and no Certificateholder may take any further steps against the Trustee (or any steps against the Delegate) or any other person to recover any further sums in respect of the Certificates and the right to receive any such sums unpaid shall be extinguished.

Pursuant to the Declaration of Trust, the Trustee will, *inter alia*:

(a) hold the Trust Assets on trust absolutely for the Certificateholders *pro rata* according to the face amount of Certificates held by each Certificateholder in accordance with the provisions of the Declaration of Trust and the Conditions; and

(b) act as trustee in respect of the Trust Assets, distribute the income from the Trust Assets and perform its duties in accordance with the provisions of the Declaration of Trust and the Conditions.

In the Declaration of Trust, the Trustee shall by way of security for the performance of all covenants, obligations and duties of the Trustee 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 execute, deliver and perfect all documents, and to exercise all of the present and future duties, 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 or otherwise upon becoming aware thereof, the Delegate shall promptly 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;

(b) upon the occurrence and continuation of a Dissolution Event, 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 Declaration of Trust.

Agency Agreement

The Agency Agreement will be entered into on 19 March 2013 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, amongst other things, to authenticate and deliver the Global Certificate and, if any, each Definitive Certificate; the Principal Paying Agent has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to pay all sums due under such Global Certificate; and the Transfer Agent has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to effect requests to transfer all of part of the Definitive Certificate and issue Definitive Certificates in accordance with each request.

On the Issue Date, the Registrar will (i) authenticate the Global Certificate in accordance with the terms of the Declaration of Trust; and (ii) deliver the Global Certificate to the Common Depositary.

Emirates shall cause to be deposited into the Transaction Account opened by the Trustee with the Principal Paying Agent, in same day freely transferable, cleared funds, any payment which may be due under the Certificates in accordance with the Conditions.

The Principal Paying Agent agrees that it shall, on each Periodic Distribution Date and on the date fixed for payment of the Dissolution Distribution Amount, or any earlier date specified for the redemption of the Certificates, apply the monies standing to the credit of the Transaction Account in accordance with the order of priority set out in the Declaration of Trust.

TAXATION

The following is a general description based on the Trustee and Emirate's understanding of certain Cayman Islands, United Arab Emirates and European Union tax considerations relating to the Certificates as in effect on the date of this Prospectus and is subject to any change in law or relevant fiscal rules and practice and their interpretation that may take effect after such date (possibly with retrospective effect). It does not purport to be a complete analysis of all tax considerations relating to the Certificates and does not constitute legal or tax advice. Prospective purchasers of the Certificates should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of the Cayman Islands and of the United Arab Emirates of acquiring, holding and disposing of Certificates and receiving payments under the Certificates

Cayman Islands

There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of present legislation. The Trustee has applied for and expects to obtain an undertaking from the governor-in-cabinet of the Cayman Islands, pursuant to the Tax Concessions Law (as amended) of the Cayman Islands, that for a period of 20 years from the date of grant of that undertaking no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Trustee or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations which is in the nature of estate duty or inheritance tax shall be payable on or in respect of the shares, debentures or other obligations (which includes the Certificates) of the Trustee or by way of the withholding in whole or part of any relevant payment. No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of the Certificates. An annual registration fee is payable by the Trustee to the Cayman Islands Registry of Companies which is calculated by reference to the nominal amount of its authorised capital. At current rates, this annual registration fee is approximately U.S.$853.66. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

United Arab Emirates

There is currently in force in Dubai legislation establishing a general corporate taxation regime (the Dubai Income Tax Decree 1969 (as amended)). The regime is, however, not enforced save in respect of companies active in the hydrocarbon industry, some related service industries and branches of foreign banks operating in the UAE. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of UAE or Dubai taxation in respect of payments made by 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.

EU Savings Directive

The EU has adopted a Directive regarding the taxation of savings income. The Directive requires Member States to provide to the tax authorities of other Member States details of payments of interest and other similar income, which may include Periodic Distribution Amounts, paid by a person to an individual or to certain other persons in another Member State, except that Austria and Luxembourg may instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. A number of non-EU countries and territories, including Switzerland, have adopted similar measures with effect from the same date. The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

SUBSCRIPTION AND SALE

Pursuant to a subscription agreement (the "**Subscription Agreement**") dated 14 March 2013 between the Trustee, Emirates, Abu Dhabi Commercial Bank PJSC, Abu Dhabi Islamic Bank PJSC, Citigroup Global Markets Limited, Dubai Islamic Bank PJSC, Emirates NBD Capital Limited, Standard Chartered Bank (together, the "**Joint Lead Managers**"), Barwa Bank Group, Sharjah Islamic Bank PJSC and Union National Bank PJSC (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.$1,000,000,000 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 Joint Lead Managers will be paid certain commissions in respect of their services for managing the issue and sale of the Certificates. The Joint Lead 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.

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.

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, 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.

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 has been nor will be made to any member of the public of the Cayman Islands to subscribe for the Certificates.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Manager has represented and agreed that the Certificates have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

Dubai International Financial Centre

Each Manager has represented and agreed that it has not offered and will not offer the Certificates to any person in the Dubai International Financial Centre unless such offer is:

(a) an "Exempt Offer" in accordance with the Markets Rules (MKT) module of the Dubai Financial Services Authority (the "**DFSA**"); and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Module.

Kingdom of Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Certificates. Any investor in the Kingdom of Saudi Arabia (a "**Saudi Investor**") who acquires Certificates pursuant to any offering should note that the offer of Certificates is being made as a private placement by way of an "offer restricted to sophisticated investors" pursuant to Article 10 of the "Offer of Securities Regulations" as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the "**KSA Regulations**"), through a person authorised by the Capital Markets Authority ("**CMA**") to carry on the securities activity of arranging and following a notification to the CMA under the KSA Regulations.

The Certificates may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "sophisticated investors" under Article 10 of the KSA Regulations. Each Manager has represented, warranted and undertaken that any offer of Certificates to a Saudi Investor will comply with the KSA Regulations.

Investors are informed that Article 17 of the KSA Regulations place restrictions on secondary market activity with respect to the Certificates, including as follows:

(a) a Saudi Investor (referred to as a "**transferor**") who has acquired Certificates pursuant to a private placement may not offer or sell Certificates to any person (referred to as a "**transferee**") unless the offer or sale is made through an authorised person where one of the following requirements is met:

   (i) the price to be paid for the Certificates in any one transaction is equal to or exceeds Saudi Riyals one million or an equivalent amount;

   (ii) the Certificates are offered or sold to a sophisticated investor; or

   (iii) the Certificates are being offered or sold in such other circumstances as the CMA may prescribe for these purposes;

(b) if the requirement of paragraph (a)(l) above cannot be fulfilled because the price of the Certificates being offered or sold to the transferee has declined since the date of the original private placement, the transferor may offer or sell the Certificates to the transferee if their purchase price during the period of the original private placement was equal to or exceeded Saudi Riyals 1 million or an equivalent amount;

(c) if the requirement in paragraph (b) above cannot be fulfilled, the transferor may offer or sell Certificates if he/she sells his/her entire holding of Certificates to one transferee; and

(d) the provisions of paragraphs (a), (b) and (c) (inclusive) above shall apply to all subsequent transferees of the Certificates.

Kingdom of Bahrain

Each Manager has represented and agreed that no invitation has been, or will be made to any person in the Kingdom of Bahrain to subscribe for the Certificates.

State of Qatar

Each Manager has represented and agreed that it has not offered or sold, and will not offer or sell or deliver, directly or indirectly, any Certificates in the State of Qatar, 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**"). While a copy of the Prospectus will be deposited with the SC, the SC takes no responsibility for its content; and

(b) accordingly, the Certificates have not been and will not be issued, offered for subscription or purchase, sold or delivered, nor will any invitation to subscribe for or purchase the Certificates be made, directly or indirectly, nor may the prospectus, any application for the Certificates or any document or other material in connection with the offering, the prospectus or the Certificates be circulated or distributed in Malaysia, other than to persons falling within Schedule 6 (paragraph 229(l)(b)), Schedule 7 or Section 230(l)(b), Schedule 8 or Section 257(3) of the CMSA, subject to any law, order, regulation, or official directive of the Central Bank of Malaysia, the 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

It is expected that the Certificates which are to be admitted to the 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 Official List and to NASDAQ Dubai for the Certificates to be admitted to trading on NASDAQ Dubai. The listing of the Certificates is expected to be granted on or around 20 March 2013.

Authorisation

The issue of the Certificates has been duly authorised by a resolution of the Board of Directors of the Trustee dated 11 March 2013. Medjool 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 5 March 2013.

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 090423231 and ISIN XS0904232310.

The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, LI 855 Luxembourg.

Significant or Material Change

There has been no significant change in the financial or trading position of Emirates or of the Group since 30 September 2012, and no material adverse change in the financial position or prospects of Emirates or of the Group since 31 March 2012. There has been no significant change in the financial or trading position of the Trustee and no material adverse change in the prospects of the Trustee, in each case since the date of its incorporation.

Litigation

The Trustee is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Trustee is aware) 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 2012 and 31 March 2011. 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 at the office of the Principal Paying Agent:

(a) the Transaction Documents;

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

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

(d) the Interim Financial Statements;

(e) the published annual report for the year ended 31 March 2011, which includes the 2011 Financial Statements and the published annual report for the year ended 31 March 2012 which includes the 2012 Financial Statements; and

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

***Shari'a* Approvals**

The transaction structure relating to the Certificates (as described in this Prospectus) has been approved by the Fatwa and *Shari'a* Supervisory Board of Abu Dhabi Commercial Bank PJSC, the Executive Committee of the Fatwa & *Shari'a* Supervisory Committee of Abu Dhabi Islamic Bank PJSC, the Executive Committee of the Fatwa and Sharia Supervision Board of Dubai Islamic Bank PJSC and Dar Al Sharia Legal & Financial Consultancy, the *Shari'a* Supervisory Board of Citi Islamic Investment Bank E.C. and the *Shari'a* Supervisory Committee of Standard Chartered Bank. Prospective Certificateholders should not rely on any of the approvals referred to above in deciding whether to make an investment in the Certificates and should consult their own *Shari'a* advisers as to whether the proposed transaction is in compliance with *Shari'a* principles.

Description of members of the Fatwa and *Shari'a* Supervisory Board of Abu Dhabi Commercial Bank PJSC, the Executive Committee of the Fatwa & *Shari'a* Supervisory Committee of Abu Dhabi Islamic Bank PJSC, 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 and the *Shari'a* Supervisory Committee of Standard Chartered Bank

The Fatwa and Shari'a Supervisory Board of Abu Dhabi Commercial Bank PJSC

Dr Hussain Hamed Hassan

Dr Hussain Hamed Hassan holds a PhD and is the head of the *Shari'a* Board of Dubai Islamic Bank PJSC and a member of Fatwa and *Shari'a* boards of numerous other leading global Islamic finance institutions including Islamic Development Bank (IDB), Jeddah.

For over 50 years, he has advised various central banks and regulators, has supervised the establishment and conversion of various Islamic financial institutions and advised presidents of various Islamic Republics. He has established Islamic universities and faculties worldwide, including in Makkah, Islamabad, Kazakhstan and Libya. He is member of AAOIFI and the IFSB, the International Fiqh Academy of OIC, the Fiqh Academy of Muslim World League, Saudi Arabia and is also a President of American Muslim Jurists Association. Dr Hussain has authored 21 books and over 400 articles, has supervised translation of the Holy Quran into Russian and of 200 Islamic books into various languages.

Dr. Mohamed Zoeir

Dr. Mohamed Zoeir holds a PhD in Islamic Economy and is a member of many Islamic Banks across the Middle East and Africa and he has many researches and studies in Islamic Finance and banking. He is a *Shari'a* inspector, Secretary General of Board of *Shari'a* at Dubai Islamic Bank PJSC and Chief Editor of Islamic Economics magazine.

Dr. Muhammad Qaseem

Dr. Muhammad Qaseem holds a PhD in Islamic Studies from Faculty of Usul ud Dinis, country head of *Shari'a* of Dubai Islamic Bank Pakistan Limited (DIBPL) and served as *Shari'a* Board member of many other institutions. He also has written various articles on Islamic Banking.

He has been teaching various courses in various BA and MA programmes of International Islamic University, Islamabad (IIUI). Dr. Muhammad Qaseem has many academic contributions, articles and literary and translation work.

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

Dr Abdul Sattar Abu Ghuddah

Dr. Abdul Sattar Abu Ghuddah holds a PhD in Islamic Law from Al Azhar University Cairo, Egypt. He is a professor of Fiqh, Islamic studies and Arabic in Riyadh and an active member of the Jeddah-based Islamic Fiqh Academy and the Accounting & Auditing Standards Board of Islamic Financial Institutions. He also served in the Ministry of Awqaf, Kuwait. Dr. Abu Ghuddah has written several books on Islamic finance. He is a *Shari'a* Advisor to several international and local financial institutions world-wide.

Professor Jassim Ali Al Shamsi

Dr Jassim studied holds a PhD in Civil Law from Cairo University as well as a *Shari'a* diploma from College of Law, Ain Shams University. He also holds a Licentiate in *Shari'a* & Law from UAE University. He is currently the Dean of Faculty of Law in UAE University.

In addition to his extensive knowledge of *Shari'a* law, he is a member on the board of 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 *Shari'a*.

Sheikh Nizam Yaquby

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 & 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.

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 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. Mohammed Ali Elgari holds a PhD in economics from the University of California. Dr. Mohamed Ali Elgari is a Professor of Islamic Economics and the former Director of the Centre for Research in Islamic Economics at King Abdul Aziz University in Saudi Arabia. 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 and is the Director of Center for Research in Islamic Economics at King Abdulaziz University in Jeddah. He has published numerous articles and books on Islamic banking and finance and is the editor of the Review of Islamic Economics and a member of the Academic Committee of Islamic Development Bank.

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

Dr Hussain Hamed Hassan

Please see the description of Dr Hussain Hamed Hassan set out above.

Dr. Mohamed Zoeir

Please see the description of Dr. Mohamed Zoeir set out above.

Dr. Muhammad Qaseem

Please see the description of Dr. Muhammad Qaseem set out above.

Shari'a Supervisory Committee of Standard Chartered Bank

Dr. Abdul Sattar Abu Ghuddah

Please see the description of Dr. Abdul Sattar Abu Ghuddah set out above.

Dr. Mohammed Ali Elgari

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

Sheikh Nizam Yaquby

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

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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 2012 and the interim consolidated income statement, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34, 'Interim Financial Reporting' ('IAS 34') as issued by the International Accounting Standard Board ('IASB'). Our responsibility is to express a conclusion on this interim financial information 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 do not present fairly, in all material respects, the financial position of Emirates as at 30 September 2012, and of its financial performance and its cash flows for the six-month period then ended in accordance with IAS 34.

PricewaterhouseCoopers
12 November 2012

Paul Suddaby

Paul Suddaby

Registered Auditor Number 309
Dubai, United Arab Emirates

PricewaterhouseCoopers, Emaar Square, Building 4, Level 8, PO Box 11987, Dubai, United Arab Emirates
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W Hunt, AH Nasser, P Suddaby and JE Fakhoury are registered as practising auditors with the UAE Ministry of Economy

A

Emirates

INTERIM CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

	Note	Unaudited 30 Sep 2012 AED m	Unaudited 30 Sep 2011 AED m
Revenue	7	34,092	29,849
Other operating income	8	1,328	337
Operating costs	9	(33,480)	(29,168)
Operating profit		**1,940**	**1,018**
Finance income	10	208	186
Finance costs	10	(405)	(314)
Share of results in associates and joint ventures		54	40
Profit before income tax		**1,797**	**930**
Income tax expense		(41)	(48)
Profit for the period		**1,756**	**882**
Profit attributable to non-controlling interests		**52**	**46**
Profit attributable to Emirates' Owner		**1,704**	**836**

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

	Note	Unaudited 30 Sep 2012 AED m	Unaudited 30 Sep 2011 AED m
Profit for the period		**1,756**	**882**
Currency translation differences	14	2	(24)
Cash flow hedges	14	(271)	(113)
Other comprehensive income		**(269)**	**(137)**
Total comprehensive income for the period		**1,487**	**745**
Total comprehensive income attributable to non-controlling interests		**52**	**46**
Total comprehensive income attributable to Emirates' Owner		**1,435**	**699**

Notes 1 to 24 form an integral part of the interim condensed consolidated financial statements.

Emirates

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2012

	Note	Unaudited 30 Sep 2012 AED m	Audited 31 Mar 2012 AED m
ASSETS			
Non-current assets			
Property, plant and equipment	12	52,362	49,198
Intangible assets		910	902
Investments in associates and joint ventures		465	430
Advance lease rentals		499	370
Loans and other receivables		750	917
Derivative financial instruments		62	69
Deferred income tax asset		7	10
		55,055	**51,896**
Current assets			
Inventories		1,587	1,469
Trade and other receivables		8,974	8,126
Derivative financial instruments		1	8
Short term bank deposits		8,657	8,055
Cash and cash equivalents		4,514	7,532
		23,733	**25,190**
Total assets		**78,788**	**77,086**

	Note	Unaudited 30 Sep 2012 AED m	Audited 31 Mar 2012 AED m
EQUITY AND LIABILITIES			
Capital and reserves			
Capital	13	801	801
Retained earnings		22,960	21,256
Other reserves	14	(1,102)	(833)
Attributable to Emirates' Owner		**22,659**	**21,224**
Non-controlling interests		**262**	**242**
Total equity		**22,921**	**21,466**
Non-current liabilities			
Borrowings and lease liabilities	15	27,023	26,843
Provisions	19	1,555	1,350
Deferred revenue		1,244	1,074
Deferred credits		323	350
Derivative financial instruments		1,214	957
		31,359	**30,574**
Current liabilities			
Trade and other payables		19,154	19,882
Income tax liabilities		27	36
Borrowings and lease liabilities	15	4,158	4,037
Deferred revenue		1,018	915
Deferred credits		110	136
Derivative financial instruments		41	40
		24,508	**25,046**
Total liabilities		**55,867**	**55,620**
Total equity and liabilities		**78,788**	**77,086**

Notes 1 to 24 form an integral part of the interim condensed consolidated financial statements.

Emirates

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

	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 2011	801	(565)	20,370	20,606	207	20,813
Currency translation differences	-	(24)	-	(24)	-	(24)
Cash flow hedges	-	(113)	-	(113)	-	(113)
Other comprehensive income	**-**	**(137)**	**-**	**(137)**	**-**	**(137)**
Profit for the period	-	-	836	836	46	882
Total comprehensive income for the period	**-**	**(137)**	**836**	**699**	**46**	**745**
Dividend	-	-	(500)	(500)	(26)	(526)
Transactions with owners	**-**	**-**	**(500)**	**(500)**	**(26)**	**(526)**
30 September 2011	**801**	**(702)**	**20,706**	**20,805**	**227**	**21,032**
1 April 2012	**801**	**(833)**	**21,256**	**21,224**	**242**	**21,466**
Currency translation differences	-	2	-	2	-	2
Cash flow hedges	-	(271)	-	(271)	-	(271)
Other comprehensive income	**-**	**(269)**	**-**	**(269)**	**-**	**(269)**
Profit for the period	-	-	1,704	1,704	52	1,756
Total comprehensive income for the period	**-**	**(269)**	**1,704**	**1,435**	**52**	**1,487**
Dividend	-	-	-	-	(32)	(32)
Transactions with owners	**-**	**-**	**-**	**-**	**(32)**	**(32)**
30 September 2012	**801**	**(1,102)**	**22,960**	**22,659**	**262**	**22,921**

Notes 1 to 24 form an integral part of the interim condensed consolidated financial statements.

Emirates

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

	Unaudited **30 Sep 2012** AED m	Unaudited **30 Sep 2011** AED m
Operating activities		
Profit before income tax	1,797	930
Adjustments for:		
Depreciation and amortisation (Note 9)	2,457	1,939
Finance costs - net	197	128
Gain on sale of property, plant and equipment	(50)	(63)
Share of results in associates and joint ventures	(54)	(40)
Net provision for impairment of trade receivables	5	8
Provision for employee benefits	255	227
Net movement on derivative financial instruments	1	31
Employee benefit payments	(215)	(188)
Income tax paid	(61)	(42)
Change in inventories	(118)	(159)
Change in receivables and advance lease rentals	(734)	(840)
Change in payables, deferred credits and deferred revenue	(402)	(319)
Net cash generated from operating activities	**3,078**	**1,612**

	Unaudited **30 Sep 2012** AED m	Unaudited **30 Sep 2011** AED m
Investing activities		
Proceeds from sale of property, plant and equipment	433	219
Additions to intangible assets	(49)	(37)
Additions to property, plant and equipment (Note 21)	(2,603)	(3,509)
Investments in associates and joint ventures	(16)	(6)
Movement in short term bank deposits	(602)	(3,626)
Interest income	140	113
Dividends from associates and joint ventures	36	39
Net cash used in investing activities	**(2,661)**	**(6,807)**
Financing activities		
Proceeds from issue of bonds and loans	-	3,660
Repayment of bonds and loans	(2,091)	(814)
Aircraft financing costs	(324)	(232)
Other finance charges	(35)	(12)
Repayment of lease liabilities	(953)	(643)
Dividend paid	-	(500)
Dividend paid to non-controlling shareholders	(32)	(26)
Net cash (used in) / provided by financing activities	**(3,435)**	**1,433**
Net decrease in cash and cash equivalents	**(3,018)**	**(3,762)**
Cash and cash equivalents at the beginning of the period	7,527	10,187
Cash and cash equivalents at the end of the period	**4,509**	**6,425**

Notes 1 to 24 form an integral part of the interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

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, 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, cargo and postal carriage services
- wholesale and retail of consumer goods
- in-flight and institutional catering
- hotel operations

The interim condensed consolidated financial statements were approved by management on 12 November 2012.

The interim condensed consolidated financial statements have been reviewed (and not audited) in accordance with International Standard on Review Engagements (ISRE) 2410.

2. Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 September 2012 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 2012, 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 2012, as described in those statements.

At the date of authorisation of the interim condensed consolidated financial statements, certain new standards, interpretations and amendments to the existing standards have been published that are mandatory for accounting periods commencing on or after 1 April 2013, but have not been early adopted. Management is currently assessing the following standards, interpretations and amendments which are likely to have an impact on Emirates' operations:

- IAS 1 (revised), Presentation of Financial Statements (effective from 1 July 2012)
- IAS 19 (revised), Employee Benefits (effective from 1 January 2013)
- IAS 28 (revised), Investments in Associates and Joint Ventures (effective from 1 January 2013)
- IFRS 10, Consolidated Financial Statements (effective from 1 January 2013)
- IFRS 11, Joint Arrangements (effective from 1 January 2013)
- IFRS 12, Disclosure of Interest in Other Entities (effective from 1 January 2013)
- IFRS 13, Fair value Measurement (effective from 1 January 2013)
- IFRS 9, Financial Instruments (effective from 1 January 2015)

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 same as those applied to the consolidated financial statements for the year ended 31 March 2012.

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 and changing global economic conditions, the interim results for the six months ended 30 September 2012 may not necessarily be indicative of the annual results for the year ending 31 March 2013.

6. Financial risk management

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 2012.

7. Revenue

	Unaudited **30 Sep 2012** AED m	Unaudited **30 Sep 2011** AED m
Services		
Passenger	27,574	23,698
Cargo	5,040	4,818
Excess baggage	195	156
Destination and leisure	105	89
Hotel operations	72	66
Others	143	121
	33,129	**28,948**
Sale of goods		
Consumer goods	528	479
In-flight catering	222	213
Food and beverage	213	209
	963	**901**
	34,092	**29,849**

8. Other operating income (unaudited)

Other operating income includes AED 869 m (30 Sep 2011: Nil) from liquidated damages, AED 47 m (30 Sep 2011: AED 69 m) being the gain on sale and leaseback of aircraft, aircraft engines and parts and income from ancilliary services and activities incidental to Emirates' operations is AED 412 m (30 Sep 2011: AED 268 m).

9. Operating costs

	Unaudited **30 Sep 2012** AED m	Unaudited **30 Sep 2011** AED m
Jet fuel	13,134	11,870
Employee	4,421	3,838
Aircraft operating leases	2,740	2,267
Sales and marketing	2,476	1,873
Depreciation (Note 12)	2,416	1,899
Handling	1,928	1,717
In-flight catering and related costs	1,517	1,344
Overflying	989	930
Aircraft maintenance	890	607
Office accommodation and IT costs	784	694
Landing and parking	637	552
Cost of goods sold	452	413
Amortisation	41	40
Corporate overheads	1,055	1,124
	33,480	**29,168**

10. Finance income and costs

	Unaudited **30 Sep 2012** AED m	Unaudited **30 Sep 2011** AED m
Finance income		
Interest income on short term bank deposits	171	149
Related parties	37	37
	208	**186**
Finance costs		
Aircraft financing costs	(346)	(248)
Interest and other finance costs	(59)	(66)
	(405)	**(314)**

11. Segment information (unaudited)

Emirates' management 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 under "all other segments".

The performance of airline, in-flight catering and other segments is evaluated based on net profit or loss and is measured consistently with profit for the period 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 in the reconciliation. 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 represented in the reconciliation.

The segment information for the six months ended 30 September 2012 is as follows:

	Airline	In-flight catering	All other segments	Reconciliation	Total
	AED m	AED m	AED m	AED m	AED m
30 Sep 2012					
Total segment revenue	33,259	838	767	(134)	34,730
Inter-segment revenue	-	616	22	-	638
Revenue from external customers	33,259	222	745	(134)	34,092
Segment profit	1,584	110	62	-	1,756
30 Sep 2012					
Segment assets	73,117	1,828	4,682	(839)	78,788

The segment information for the six months ended 30 September 2011 is as follows:

	Airline	In-flight catering	All other segments	Reconciliation	Total
	AED m	AED m	AED m	AED m	AED m
30 Sep 2011					
Total segment revenue	29,012	810	711	(68)	30,465
Inter-segment revenue	-	597	19	-	616
Revenue from external customers	29,012	213	692	(68)	29,849
Segment profit / (loss)	774	119	(11)	-	882
31 Mar 2012					
Segment assets	71,908	1,789	4,385	(996)	77,086

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 2012	32,589	3,868	7,435	9,810	9,044	62,746
Additions	-	145	2	976	4,811	5,934
Transfer from capital projects	4,061	260	22	114	(4,457)	-
Disposals / write off	(30)	(454)	-	(618)	-	(1,102)
Currency translation differences	-	-	1	1	2	4
30 September 2012	**36,620**	**3,819**	**7,460**	**10,283**	**9,400**	**67,582**
Depreciation						
1 April 2012	5,304	1,106	1,707	5,431	-	13,548
Charge for the period	1,058	127	179	1,052	-	2,416
Disposals / write off	(30)	(101)	-	(613)	-	(744)
30 September 2012	**6,332**	**1,132**	**1,886**	**5,870**	**-**	**15,220**
Net book amount						
30 September 2012	**30,288**	**2,687**	**5,574**	**4,413**	**9,400**	**52,362**

13. Capital (unaudited)

Capital represents the permanent capital of Emirates.

14. Other reserves (unaudited)

	Hedge reserve	Translation reserve	Total
	AED m	AED m	AED m
1 April 2011	**(661)**	**96**	**(565)**
Currency translation differences	-	(24)	(24)
Loss on fair value of cash flow hedges	(318)	-	(318)
Transferred to the interim consolidated income statement	205	-	205
30 September 2011	**(774)**	**72**	**(702)**
1 April 2012	**(920)**	**87**	**(833)**
Currency translation differences	-	2	2
Loss on fair value of cash flow hedges	(353)	-	(353)
Transferred to the interim consolidated income statement	82	-	82
30 September 2012	**(1,191)**	**89**	**(1,102)**

15. Borrowings and lease liabilities

	Unaudited 30 Sep 2012 AED m	Audited 31 Mar 2012 AED m
Non-current		
Bonds (Note 16)	4,110	5,933
Term loans (Note 17)	842	914
Lease liabilities (Note 18)	22,071	19,996
	27,023	**26,843**
Current		
Bonds (Note 16)	1,836	2,020
Term loans (Note 17)	147	145
Lease liabilities (Note 18)	2,170	1,867
Bank overdrafts	5	5
	4,158	**4,037**
	31,181	**30,880**

16. Bonds

	Unaudited 30 Sep 2012 AED m	Audited 31 Mar 2012 AED m
Bonds are denominated in the following currencies:		
UAE Dirhams	1,837	1,837
Singapore Dollars	449	438
US Dollars	3,673	5,693
	5,959	**7,968**
Less: Transaction costs	(13)	(15)
	5,946	**7,953**
Bonds are repayable as follows:		
Within one year (Note 15)	**1,836**	**2,020**
Between 2 and 5 years	4,110	5,933
Total over one year (Note 15)	**4,110**	**5,933**

17. Term loans

	Unaudited 30 Sep 2012 AED m	Audited 31 Mar 2012 AED m
Balance brought forward	**1,070**	**1,161**
Additions during the period / year	-	50
Repayments during the period / year	(71)	(141)
Balance carried forward	**999**	**1,070**
Less: Transaction costs	(10)	(11)
	989	**1,059**
Loans are repayable as follows:		
Within one year (Note 15)	**147**	**145**
Between 2 and 5 years	449	481
After 5 years	393	433
Total over one year (Note 15)	**842**	**914**

18. Lease liabilities

Finance leases

	Unaudited 30 Sep 2012 AED m	Audited 31 Mar 2012 AED m
Gross lease liabilities:		
Within one year	2,917	2,481
Between 2 and 5 years	12,151	10,413
After 5 years	14,428	13,453
	29,496	**26,347**
Future interest	(5,255)	(4,484)
Present value of finance lease liabilities	**24,241**	**21,863**
The present value of finance lease liabilities is repayable as follows:		
Within one year (Note 15)	**2,170**	**1,867**
Between 2 and 5 years	9,346	8,039
After 5 years	12,725	11,957
Total over one year (Note 15)	**22,071**	**19,996**

18. Lease liabilities (continued)

Operating leases

	Unaudited 30 Sep 2012 AED m	Audited 31 Mar 2012 AED m
Future minimum lease payments are as follows:		
Aircraft fleet	35,816	32,497
Other	2,107	2,276
	37,923	**34,773**
Within one year	5,708	5,148
Between 2 and 5 years	19,912	18,317
After 5 years	12,303	11,308
	37,923	**34,773**

19. Provisions

	Unaudited 30 Sep 2012 AED m	Audited 31 Mar 2012 AED m
Retirement benefit obligations	671	631
Provisions for maintenance	884	719
	1,555	**1,350**

20. Commitments

Capital commitments

	Unaudited 30 Sep 2012 AED m	Audited 31 Mar 2012 AED m
Authorised and contracted:		
Aircraft fleet	152,570	163,489
Non-aircraft	1,896	2,021
Joint ventures	87	116
	154,553	**165,626**
Authorised but not contracted:		
Non-aircraft	1,937	4,683
Joint ventures	27	30
	1,964	**4,713**
	156,517	**170,339**

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:

	Six months ended	
	Unaudited 30 Sep 2012 AED m	Unaudited 30 Sep 2011 AED m
Payments for property, plant and equipment	5,934	4,523
Less: Assets acquired under finance leases	(3,331)	(1,014)
	2,603	**3,509**

22. Related party transactions

	Six months ended	
	Unaudited	Unaudited
	30 Sep 2012	**30 Sep 2011**
	AED m	AED m
Trading transactions:		
Purchase of goods and services		
Purchase of goods - Associates	91	88
Purchase of goods - Companies under common control	2,158	1,936
Services received - Companies under common control	1,079	913
	3,328	**2,937**

In addition to the above, Emirates has also entered into transactions with other government controlled entities in the normal course of business. The amounts involved are, both individually and in aggregate, not significant.

23. Effect of change in accounting policy

Emirates has changed its accounting policy for the recognition of retirement benefit obligations from the corridor to the equity approach with effect from 1 April 2011 as disclosed in the consolidated financial statements for the year ended 31 March 2012.

The effect of change in accounting policy on the corresponding figures included in the interim condensed consolidated financial statements is tabulated below:

	Unaudited
	30 Sep 2011
	AED m
Decrease in operating costs	9
Increase in profit before income tax	9
Increase in total comprehensive income for the period	9
Increase in retirement benefit obligations	80
Decrease in retained earnings	80

24. Corresponding figures

The following corresponding figures have been reclassified to conform with the current period's presentation so that they appropriately reflect the nature of the balances and transactions:

- Certain intercompany transactions have been presented on a net basis which has resulted in both revenue and operating costs decreasing by AED 95 m.

- Amounts provided for maintenance of AED 719 m have been reclassified from 'Trade and other payables' in current liabilities and included under 'Provisions' in non-current liabilities to appropriately reflect the expected settlement pattern.

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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 2012 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 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 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers
2 May 2012

Warwick Hunt
Registered Auditor Number 643
Dubai, United Arab Emirates

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W Hunt, AH Nasser, P Suddaby and JE Fakhoury are registered as practising auditors with the UAE Ministry of Economy

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Emirates

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 AED m	2011 AED m
Revenue	4	61,508	52,945
Other operating income	5	779	1,286
Operating costs	6	(60,474)	(48,788)
Operating profit		**1,813**	**5,443**
Other gains and losses	7	-	(4)
Finance income	8	414	521
Finance costs	8	(657)	(506)
Share of results in associates and joint ventures	13	103	91
Profit before income tax		**1,673**	**5,545**
Income tax expense	9	(53)	(78)
Profit for the year		**1,620**	**5,467**
Profit attributable to non-controlling interests		**118**	**92**
Profit attributable to Emirates' Owner		**1,502**	**5,375**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012	2011
Profit for the year		**1,620**	**5,467**
Currency translation differences	19	(9)	38
Cash flow hedges	19	(259)	(282)
Actuarial losses on retirement benefit obligations	24	(116)	(57)
Other comprehensive income		**(384)**	**(301)**
Total comprehensive income for the year		**1,236**	**5,166**
Total comprehensive income attributable to non-controlling interests		**118**	**92**
Total comprehensive income attributable to Emirates' Owner		**1,118**	**5,074**

Notes 1 to 39 form an integral part of the consolidated financial statements.

Emirates

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2012

	Note	2012 AED m	2011 AED m
ASSETS			
Non-current assets			
Property, plant and equipment	11	49,198	39,848
Intangible assets	12	902	901
Investments in associates and joint ventures	13	430	386
Advance lease rentals	14	370	384
Loans and other receivables	15	917	1,704
Derivative financial instruments	33	69	-
Deferred income tax asset	27	10	-
		51,896	**43,223**
Current assets			
Inventories	16	1,469	1,290
Trade and other receivables	17	8,126	6,481
Derivative financial instruments	33	8	123
Short term bank deposits	31	8,055	3,777
Cash and cash equivalents	31	7,532	10,196
		25,190	**21,867**
Total assets		**77,086**	**65,090**

	Note	2012 AED m	2011 AED m
EQUITY AND LIABILITIES			
Capital and reserves			
Capital	18	801	801
Retained earnings		21,256	20,370
Other reserves	19	(833)	(565)
Attributable to Emirates' Owner		**21,224**	**20,606**
Non-controlling interests		**242**	**207**
Total equity		**21,466**	**20,813**
Non-current liabilities			
Borrowings and lease liabilities	20	26,843	20,502
Retirement benefit obligations	24	631	479
Deferred revenue	25	1,074	930
Deferred credits	26	350	401
Deferred income tax liability	27	-	2
Trade and other payables	28	-	31
Derivative financial instruments	33	957	642
		29,855	**22,987**
Current liabilities			
Trade and other payables	28	20,601	17,551
Income tax liabilities		36	22
Borrowings and lease liabilities	20	4,037	2,728
Deferred revenue	25	915	792
Deferred credits	26	136	136
Derivative financial instruments	33	40	61
		25,765	**21,290**
Total liabilities		**55,620**	**44,277**
Total equity and liabilities		**77,086**	**65,090**

The consolidated financial statements were approved on 2 May 2012 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 the consolidated financial statements.

Emirates

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2012

	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 2010 - as reported earlier	801	(321)	16,794	17,274	201	17,475
Effect of change in accounting policy (Note 38)	-	-	(34)	(34)	-	(34)
1 April 2010 - as restated	801	(321)	16,760	17,240	201	17,441
Currency translation differences	-	38	-	38	-	38
Cash flow hedges	-	(282)	-	(282)	-	(282)
Actuarial losses on retirement benefit obligations	-	-	(57)	(57)	-	(57)
Other comprehensive income	**-**	**(244)**	**(57)**	**(301)**	**-**	**(301)**
Profit for the year	-	-	5,375	5,375	92	5,467
Total comprehensive income for the year	**-**	**(244)**	**5,318**	**5,074**	**92**	**5,166**
Dividends	-	-	(1,708)	(1,708)	(86)	(1,794)
Transactions with owners	**-**	**-**	**(1,708)**	**(1,708)**	**(86)**	**(1,794)**
31 March 2011	**801**	**(565)**	**20,370**	**20,606**	**207**	**20,813**
Currency translation differences	-	(9)	-	(9)	-	(9)
Cash flow hedges	-	(259)	-	(259)	-	(259)
Actuarial losses on retirement benefit obligations	-	-	(116)	(116)	-	(116)
Other comprehensive income	**-**	**(268)**	**(116)**	**(384)**	**-**	**(384)**
Profit for the year	-	-	1,502	1,502	118	1,620
Total comprehensive income for the year	**-**	**(268)**	**1,386**	**1,118**	**118**	**1,236**
Dividends	-	-	(500)	(500)	(83)	(583)
Transactions with owners	**-**	**-**	**(500)**	**(500)**	**(83)**	**(583)**
31 March 2012	**801**	**(833)**	**21,256**	**21,224**	**242**	**21,466**

Notes 1 to 39 form an integral part of the consolidated financial statements.

Emirates

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2012

	2012 AED m	2011 AED m
Operating activities		
Profit before income tax	1,673	5,545
Adjustments for:		
Depreciation and amortisation (Note 6)	4,134	3,677
Finance costs - net (Note 8)	243	(15)
Gain on sale of property, plant and equipment	(52)	(454)
Gain on sale of available-for-sale investments (Note 5)	-	(195)
Gain on sale of associate	-	(15)
Share of results in associates and joint ventures (Note 13)	(103)	(91)
Net provision for impairment of trade receivables (Note 17)	24	42
Provision for employee benefits (Note 6)	430	371
Change in fair value of derivative financial instruments at fair value through profit or loss	-	4
Net movement on derivative financial instruments	27	(40)
Employee benefit payments	(394)	(347)
Income tax paid	(82)	(77)
Change in inventories	(179)	(204)
Change in receivables and advance lease rentals	(738)	133
Change in payables, deferred credits and deferred revenue	3,124	2,670
Net cash generated from operating activities	**8,107**	**11,004**

	2012 AED m	2011 AED m
Investing activities		
Proceeds from sale of property, plant and equipment	223	3,241
Additions to intangible assets (Note 12)	(83)	(49)
Additions to property, plant and equipment (Note 32)	(6,800)	(6,504)
Investments in associates and joint ventures (Note 13)	(23)	-
Proceeds from sale of investments in associates and joint ventures (Note 13)	-	82
Proceeds from sale of available-for-sale investments	-	195
Movement in short term bank deposits	(4,278)	(2,601)
Interest income	312	451
Dividends from associates and joint ventures (Note 13)	83	93
Net cash used in investing activities	**(10,566)**	**(5,092)**
Financing activities		
Proceeds from bonds and loans	3,706	979
Repayment of bonds and loans	(885)	(2,077)
Aircraft financing costs	(500)	(412)
Other finance charges	(40)	(59)
Repayment of lease liabilities	(1,899)	(1,083)
Dividend paid	(500)	(2,308)
Dividend paid to non-controlling shareholders	(83)	(86)
Net cash used in financing activities	**(201)**	**(5,046)**
Net (decrease) / increase in cash and cash equivalents	**(2,660)**	**866**
Cash and cash equivalents at beginning of year	10,187	9,322
Effects of exchange rate changes	-	(1)
Cash and cash equivalents at end of year (Note 31)	**7,527**	**10,187**

Notes 1 to 39 form an integral part of the 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, 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, cargo and postal carriage services
- wholesale and retail of consumer goods
- in-flight and institutional catering
- hotel operations

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 IFRIC interpretations. 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, interpretations and amendments to published standards that are not yet effective, have not been early adopted and are relevant to Emirates' operations

At the date of authorisation of these consolidated financial statements, certain new standards, interpretations and amendments to the existing standards have been published that are mandatory for accounting periods commencing after 1 April 2012 or later periods, but have not been early adopted. Management is currently assessing the following standards, interpretations and amendments which are likely to have an impact on Emirates' operations:

- IAS 1 (revised), Presentation of Financial Statements (effective from 1 July 2012)
- IAS 19 (revised), Employee Benefits (effective from 1 January 2013)
- IAS 28 (revised), Investments in Associates and Joint Ventures (effective from 1 January 2013)
- IFRS 10, Consolidated Financial Statements (effective from 1 January 2013)
- IFRS 11, Joint Arrangements (effective from 1 January 2013)
- IFRS 12, Disclosure of Interest in Other Entities (effective from 1 January 2013)
- IFRS 13, Fair value Measurement (effective from 1 January 2013)
- IFRS 9, Financial Instruments (effective from 1 January 2015)

Basis of consolidation

Subsidiaries are those entities (including special purpose entities) in which Emirates has the power to govern the entity's operating and financial policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are 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 subsidiaries are eliminated.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred and the liabilities incurred to the former owners of the acquiree. 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.

2. Summary of significant accounting policies (continued)

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Associates are those entities in which Emirates has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by applying the equity method and include goodwill (net of accumulated impairment loss, if any) identified on acquisition.

Joint ventures are contractual arrangements which establish joint control. Investments in jointly controlled entities are accounted for by applying the equity method.

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 control or significant influence ceases, the retained interest in the entity is remeasured to fair value as at that date, with the change in the carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently 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 of. This could result in amounts previously recognised in other comprehensive income being reclassified to profit or loss. If the ownership in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss.

Revenue

Passenger 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 sale of goods is recognised when risks and rewards of ownership are transferred to the customer and are stated net of discounts and returns. Other revenue is recognised net of discounts when services are rendered.

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 when a contractual entitlement exists, amounts can be reliably measured and receipt is virtually certain. When such claims do not relate to a compensation for loss of income or 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 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.

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 in associates and joint ventures are translated into UAE Dirhams at average exchange rates for the year. Translation differences relating to investments in subsidiaries, 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 subsidiaries, associates or joint ventures are disposed of, the translation differences held in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

2. Summary of significant accounting policies (continued)

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.

Emissions liability

Under the European Union Emissions Trading Scheme ("ETS") regulations, effective 1 January 2012, airlines with flights originating or landing in the European Union member states must monitor their CO_2 emissions, annually report them and are obliged every year to return an amount of emission allowances to the government that is equivalent to their CO_2 emissions in that year. Emirates is allocated an initial emission allowance free of charge under the scheme and has an obligation to return any excess emission over the free allowance through the purchase of additional allowances. An expense is recognised on actual usage and is measured on the basis of the estimated weighted average cost expected to be incurred for the annual reporting period under the ETS.

Taxation

The tax expense for the period comprises current and deferred tax.

Taxation is provided for as and when the liability arises except where management is of the opinion that exemption from such liability will ultimately be granted by the relevant authorities in the countries concerned.

Deferred income tax is provided in full, using the liability method, 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 accounted for 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 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 - 8 years (residual value 10 - 20%)
Aircraft engines and parts	5 - 15 years (residual value 0 - 10%)
Buildings	15 - 20 years
Other property, plant and equipment	3 - 15 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 residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An impairment review is carried out whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its estimated recoverable amount and is reviewed at the end of each reporting period for possible reversal of the impairment loss. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

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.

2. Summary of significant accounting policies (continued)

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.

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.

Profits arising on sale and leaseback transactions resulting in operating leases are recognised in the consolidated income statement to the extent that the sale proceeds do not exceed the fair value of the assets concerned. Any excess of sale proceeds over the fair value is accounted for as deferred credit and amortised over the lease term. 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 consideration transferred over the fair value of the share 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 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 unit 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.

An impairment review is carried out whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When the carrying amount of an intangible asset is greater than its estimated recoverable amount, it is written down immediately to its estimated recoverable amount and is reviewed at the end of each reporting period for possible reversal of the impairment loss. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

2. Summary of significant accounting policies (continued)

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified as loans and receivables, held-to-maturity financial assets or financial assets at fair value through profit or loss. Such investments are initially recognised in the consolidated statement of financial position on the trade date at fair value including transaction costs. Assets in this category are included in non-current assets unless management intends to dispose of the investment within 12 months from the end of reporting period. The investments are derecognised when rights to receive cash flows have expired or have been transferred along with substantially all the risks and rewards of ownership.

Quoted investments are subsequently measured at their fair value based on quoted bid prices.

Unrealised gains and losses arising from a change in fair value are recognised in other comprehensive income until the investment is sold or impaired, at which time the cumulative gain or loss previously recognised in equity is included in the consolidated income statement.

At the end of each reporting period, an assessment is made whether there is any objective evidence of impairment. In such instances, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less impairment loss previously recognised in the consolidated income statement - is reclassified from equity to the consolidated income statement.

Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity that management has the intent and ability to hold to maturity are recognised in the consolidated statement of financial position on the trade date as held-to-maturity financial assets. Such investments are initially recognised at fair value including transaction costs and are carried at amortised cost using the effective interest method. The investments 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.

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 either as a hedge of the fair value of a recognised asset or liability or of a firm commitment (fair value hedge) or a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge). Fair values are obtained from quoted market prices or dealer quotes for similar instruments, discounted cash flow models and option pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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.

2. Summary of significant accounting policies (continued)

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that are highly effective are recorded in the consolidated income statement, along with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. This accounting treatment is discontinued when the fair value hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting.

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 an asset or of a liability, the gains and losses previously deferred in equity are transferred from equity and recognised in profit or loss in the same period during which the asset or liability affects profit or loss. In all other cases, amounts deferred in equity 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.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated 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.

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 other comprehensive income in the period in which they arise.

2. Summary of significant accounting policies (continued)

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. In these instances, 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.

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, 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.

Dividend distribution

Dividend distribution to Emirates' Owner is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved.

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 makes strategic decisions and is responsible for allocating resources and assessing performance of the operating segments.

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 discussion 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 adjustment is necessary.

Taxation

Income tax liabilities are not provided for when management is of the opinion that exemption from income tax will ultimately be granted by the relevant authorities in the concerned jurisdictions. In making its judgement, management considers the status of discussions with the relevant authorities in different countries, the existence of reciprocal exemptions or of a memorandum of understanding. The resolution of issues is not always within the control of management and is often dependant upon external parties. When, due to a change in circumstances, it is unlikely that a tax exemption will be obtained, the income tax liability is fully provided for on a conservative basis until a resolution is reached or the final tax outcome is determined.

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. A rolling 12 month historical trend forms the basis of the calculations. 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. It is also difficult to present the sensitivity of a change in the value of one or set of the inputs given the complexity of the workings.

4. Revenue

	2012	2011
	AED m	AED m
Services		
Passenger	48,950	41,415
Cargo	9,546	8,803
Excess baggage	332	293
Destination and leisure	245	226
Hotel operations	155	148
Others	263	286
	59,491	**51,171**
Sale of goods		
Consumer goods	1,081	957
In-flight catering	482	395
Food and beverage	454	422
	2,017	**1,774**
	61,508	**52,945**

5. Other operating income

Other operating income includes AED 194 m (2011: AED 209 m) from liquidated damages, AED 69 m (2011: AED 479 m) being the gain on sale and leaseback of aircraft, aircraft engines and parts, AED Nil (2011: AED 195 m) being the gain on sale of available-for-sale financial assets, AED Nil (2011: AED 5 m) being net foreign exchange gain and income from ancilliary services and activities incidental to Emirates' operations is AED 516 m (2011: AED 398 m).

6. Operating costs

	2012	2011
	AED m	AED m
Jet fuel	24,292	16,820
Employee (see (a) below)	7,936	7,615
Aircraft operating leases (see (b) below)	4,788	4,317
Depreciation (Note 11)	4,053	3,600
Sales and marketing	4,023	3,862
Handling	3,584	3,137
In-flight catering and related costs	2,836	2,305
Overflying	1,878	1,620
Office accommodation and IT costs	1,450	1,281
Aircraft maintenance	1,296	1,030
Landing and parking	1,128	974
Cost of goods sold	926	839
Amortisation (Note 12)	81	77
Corporate overheads (see (c) below)	2,203	1,311
	60,474	**48,788**

(a) Employee costs include AED 430 m (2011: AED 371 m) in respect of post-employment benefits and AED Nil (2011: AED 770 m) in respect of an employee profit share scheme.

(b) Aircraft operating lease charges include AED 361 m (2011: AED 433 m) in respect of "wet" leases of freighter aircraft.

(c) Corporate overheads include non-aircraft operating lease charges amounting to AED 474 m (2011: AED 451 m) and a net foreign exchange loss of AED 356 m (2011: Nil).

7. Other gains and losses

Other gains and losses represent changes in the fair value of financial instruments at fair value through profit and loss. As part of its programme of managing jet fuel costs, Emirates uses certain derivatives that do not qualify for hedge accounting.

8. Finance income and costs

	2012	2011
	AED m	AED m
Finance income		
Interest income on short term bank deposits	336	448
Related parties (Note 35)	76	68
Other finance income	2	5
	414	**521**
Finance costs		
Aircraft financing costs	(559)	(444)
Interest charges on borrowings	(95)	(59)
Other finance costs	(3)	(3)
	(657)	**(506)**

Finance costs of AED 209 m (2011: AED 84 m) were capitalised during the year using a weighted average capitalisation rate of 4.1% (2011: 2.4%).

9. Income tax expense

	2012	2011
	AED m	AED m
The components of income tax expense are:		
Current tax expense	65	80
Deferred tax credit (Note 27)	(12)	(2)
	53	**78**

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 where Emirates is subject to income tax. Providing information on effective tax rates is therefore not meaningful.

10. Segment information

Emirates' management 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.

The in-flight catering operation qualifies as a reportable segment in the current year. Prior year numbers are restated for comparative purposes.

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 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 from staff leave passage and duty travel which are included in total segment revenue under the airline segment but adjusted against operating costs when preparing the consolidated financial statements. This adjustment is presented in the reconciliation. The breakdown of revenue from external customers by nature of business activity is provided in Note 4.

Segment assets include inter-segment loans and receivables, which are eliminated on consolidation. This consolidation adjustment is represented in the reconciliation.

The segment information for the year ended 31 March 2012 is as follows:

	Airline	In-flight catering	All other segments	Recon-ciliation	Total
	AED m	AED m	AED m	AED m	AED m
Total segment revenue	59,596	1,733	1,596	(124)	62,801
Inter-segment revenue	-	1,251	42	-	1,293
Revenue from external customers	59,596	482	1,554	(124)	61,508
Segment profit for the year	1,176	301	143	-	1,620
Finance income	438	4	1	(29)	414
Finance costs	(651)	(6)	29	(29)	(657)
Income tax expense	(93)	-	40	-	(53)
Depreciation and amortisation	(3,949)	(68)	(117)	-	(4,134)
Share of results in associates and joint ventures	-	-	103	-	103
Segment assets	71,908	1,789	4,385	(996)	77,086
Investments in associates and joint ventures	-	-	430	-	430
Additions to property, plant and equipment	12,955	120	486	-	13,561
Additions to intangible assets	79	-	4	-	83
Additions to advance lease rentals	93	-	-	-	93

10. Segment information (continued)

The segment information for the year ended 31 March 2011 is as follows:

	Airline	In-flight catering	All other segments	Recon-ciliation	Total
	AED m	AED m	AED m	AED m	AED m
Total segment revenue	51,261	1,351	1,449	(124)	53,937
Inter-segment revenue	-	956	36	-	992
Revenue from external customers	51,261	395	1,413	(124)	52,945
Segment profit for the year	4,939	252	276	-	5,467
Finance income	540	5	3	(27)	521
Finance costs	(497)	(9)	27	(27)	(506)
Income tax expense	(76)	-	(2)	-	(78)
Depreciation and amortisation	(3,509)	(62)	(106)	-	(3,677)
Share of results in associates and joint ventures	-	-	91	-	91
Segment assets	60,611	1,448	3,899	(868)	65,090
Investments in associates and joint ventures	-	-	386	-	386
Additions to property, plant and equipment	11,787	51	351	-	12,189
Additions to intangible assets	44	-	5	-	49
Additions to advance lease rentals	262	-	-	-	262

Geographical information

	2012	2011
	AED m	AED m
Revenue from external customers:		
East Asia and Australasia	18,227	15,503
Europe	17,058	14,433
West Asia and Indian Ocean	7,083	6,405
Americas	6,696	5,518
Gulf and Middle East	6,314	5,488
Africa	6,130	5,598
	61,508	**52,945**

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 2010	21,866	3,546	6,167	7,219	4,215	43,013
Additions	487	393	13	1,488	9,808	12,189
Transfer from capital projects	5,901	222	378	428	(6,929)	-
Disposals / write off	(3,275)	(783)	(162)	(787)	-	(5,007)
Currency translation differences	-	-	51	10	(1)	60
31 March 2011	**24,979**	**3,378**	**6,447**	**8,358**	**7,093**	**50,255**
Depreciation						
1 April 2010	3,723	1,152	1,216	3,169	-	9,260
Charge for the year	1,535	200	302	1,563	-	3,600
Disposals / write off	(1,307)	(441)	(162)	(548)	-	(2,458)
Currency translation differences	-	-	3	2	-	5
31 March 2011	**3,951**	**911**	**1,359**	**4,186**	**-**	**10,407**
Net book amount						
31 March 2011	**21,028**	**2,467**	**5,088**	**4,172**	**7,093**	**39,848**

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 2011	24,979	3,378	6,447	8,358	7,093	50,255
Additions	-	201	16	1,629	11,715	13,561
Transfer from capital projects	8,069	312	970	408	(9,759)	-
Disposals / write off	(459)	(23)	(1)	(586)	-	(1,069)
Currency translation differences	-	-	3	1	(5)	(1)
31 March 2012	**32,589**	**3,868**	**7,435**	**9,810**	**9,044**	**62,746**
Depreciation						
1 April 2011	3,951	911	1,359	4,186	-	10,407
Charge for the year	1,698	211	349	1,795	-	4,053
Disposals / write off	(345)	(16)	(1)	(552)	-	(914)
Currency translation differences	-	-	-	2	-	2
31 March 2012	**5,304**	**1,106**	**1,707**	**5,431**	**-**	**13,548**
Net book amount						
31 March 2012	**27,285**	**2,762**	**5,728**	**4,379**	**9,044**	**49,198**

The net book amount of property, plant and equipment includes AED 25,479 m (2011: AED 19,497 m) in respect of aircraft held under finance leases.

The net book amount of aircraft, aircraft engines and parts includes an amount of AED 1,125 m (2011: AED 1,209 m) in respect of assets provided as security against term loans.

Land of AED 306 m (2011: AED 306 m) is carried at cost and is not depreciated.

Property, plant and equipment includes capitalised interest amounting to AED 209 m (2011: AED 84 m) using a weighted average capitalisation rate of 4.1% (2011: 2.4%).

Capital projects include pre-delivery payments of AED 6,165 m (2011: AED 4,995 m) in respect of aircraft (Note 29) due for delivery between 2012 and 2024.

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 2010	564	162	19	19	496	1,260
Additions	-	-	-	5	44	49
Disposals / write off	-	-	-	-	(1)	(1)
Currency translation differences	-	-	-	3	-	3
31 March 2011	**564**	**162**	**19**	**27**	**539**	**1,311**
Amortisation and impairment						
1 April 2010	7	55	1	1	269	333
Amortisation for the year	-	10	1	2	64	77
Disposals / write off	-	-	-	-	(1)	(1)
Currency translation differences	-	-	-	1	-	1
31 March 2011	**7**	**65**	**2**	**4**	**332**	**410**
Net book value						
31 March 2011	**557**	**97**	**17**	**23**	**207**	**901**

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 2011	564	162	19	27	539	1,311
Additions	-	-	-	-	83	83
Disposals / write off	-	-	-	-	(1)	(1)
31 March 2012	**564**	**162**	**19**	**27**	**621**	**1,393**
Amortisation and impairment						
1 April 2011	7	65	2	4	332	410
Amortisation for the year	-	11	1	2	67	81
31 March 2012	**7**	**76**	**3**	**6**	**399**	**491**
Net book value						
31 March 2012	**557**	**86**	**16**	**21**	**222**	**902**

Computer software includes an amount of AED 80 m (2011: AED 52 m) in respect of projects under implementation.

For the purpose of testing goodwill for 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. The key assumptions used in the value-in-use calculations include a risk adjusted pre-tax discount rate, growth rates based on management's expectations for market development and historical gross margins. The growth rate does not exceed the long term average growth rate for the markets in which the cash generating units operate. The goodwill allocated to the cash generating unit, or group of cash generating units, and the key assumptions used in the value-in-use calculations are as follows:

Cash generating unit	Location	Reportable segment	Goodwill		Gross margin	Terminal growth	Discount rate
			2012	2011			
			AED m	AED m	%	%	%
Consumer goods	UAE	Others	159	159	25	4	12
In-flight catering	UAE	In-flight catering	369	369	35	4	12
Food and beverages	UAE	Others	25	25	21	3	10
Food and beverages	Australia	Others	4	4	20	3	12
			557	**557**			

13. Investments in subsidiaries, associates and joint ventures

	Percentage of equity owned	Principal activities	Country of incorporation and principal operations
Principal subsidiaries			
Maritime & Mercantile International L.L.C.	68.7	Wholesale and retail of consumer goods	UAE
Maritime & Mercantile International Holding L.L.C.	100.0	Holding company	UAE
Emirates Leisure Retail Holding L.L.C.	100.0	Holding company	UAE
Emirates Leisure Retail L.L.C.	68.7	Food and beverage operations	UAE
Emirates Leisure Retail (Oman) L.L.C.	70.0	Food and beverage operations	Oman
Emirates Leisure Retail (Singapore) Pte Ltd.	100.0	Food and beverage operations	Singapore
Emirates Leisure Retail (Australia) Pty Ltd.	100.0	Food and beverage operations	Australia
Emirates Hotel L.L.C.	100.0	Hotel operations	UAE
Emirates Hotels (Australia) Pty Ltd.	100.0	Hotel operations	Australia
Emirates Flight Catering Company L.L.C.	90.0	In-flight and institutional catering	UAE

Principal associates

The investment in Alpha Flight Services Pty Ltd. was sold during the previous year.

Principal joint ventures			
Emirates-CAE Flight Training L.L.C.	50.0	Flight simulator training	UAE
Premier Inn Hotels L.L.C.	51.0	Hotel operations	UAE
CAE Flight Training (India) Private Ltd.	50.0	Flight simulator training	India
CAE Middle East Holdings Limited	50.0	Holding company	UAE
Independent Wine and Spirit (Thailand) Company Limited	49.0	Wholesale and retail of consumer goods	Thailand

The investment in CAE Middle East Holdings Limited was made during the year and the investment in Independent Wine and Spirit (Thailand) Company Limited was acquired during the year.

Premier Inn Hotels L.L.C. and Independent Wine and Spirit (Thailand) Company Limited are subject to joint control and therefore accounted for as jointly controlled entities.

13. Investments in subsidiaries, associates and joint ventures (continued)

Movement of investments in associated companies and joint ventures

	2012 AED m	2011 AED m
Balance brought forward	**386**	**461**
Investments during the year	10	-
Acquisition	13	-
Share of results	103	91
Dividends	(83)	(93)
Currency translation differences	1	9
Disposal during the year	-	(82)
Balance carried forward	**430**	**386**

The carrying value of the investments in associates amounted to AED 91 m (2011: AED 91 m) and the share of results amounted to AED 71 m (2011: AED 76 m).

Summarised financial information in respect of the associates is set out below:

	2012 AED m	2011 AED m
Total assets	390	382
Total liabilities	112	114
Net assets	278	268
Revenue	572	938
Profit for the year	169	176

Summarised financial information in respect of Emirates' share in jointly controlled entities is set out below:

	2012 AED m	2011 AED m
Non-current assets	588	550
Current assets	82	74
Non-current liabilities	278	274
Current liabilities	53	55
Total income	176	135
Total expense	144	120

14. Advance lease rentals

	2012 AED m	2011 AED m
Balance brought forward	**480**	**283**
Additions during the year	93	262
Charge for the year	(99)	(65)
Balance carried forward	**474**	**480**
Advance lease rentals will be charged to the consolidated income statement as follows:		
Within one year (Note 17)	**104**	**96**
Total over one year	**370**	**384**

Advance lease rentals are non-refundable in the event of the related lease being terminated prior to its expiry.

15. Loans and other receivables

	2012 AED m	2011 AED m
Related parties (Note 35)	784	1,558
Other receivables	62	65
	846	**1,623**
Prepayments	71	81
	917	**1,704**

The amounts (excluding prepayments) are receivable as follows:		
Between 2 and 5 years	831	1,596
After 5 years	15	27
	846	**1,623**

Loans and other receivables (excluding prepayments) are denominated in the following currencies:		
UAE Dirhams	64	55
US Dollars	747	1,523
Others	35	45

The fair value of loans and receivables amounts to AED 851 m (2011: AED 1,623 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 maximum exposure to credit risk at the reporting date is the carrying value of the loans and other receivables. At the end of the reporting period, loans and other receivables were neither past due nor impaired.

16. Inventories

	2012 AED m	2011 AED m
Engineering	577	548
In-flight consumables	551	454
Consumer goods	217	186
Other	124	102
	1,469	**1,290**

In-flight consumables include AED 286 m (2011: AED 239 m) relating to items which are not expected to be consumed within twelve months after the reporting period.

17. Trade and other receivables

	2012 AED m	2011 AED m
Trade receivables - net of provision	4,332	3,487
Related parties (Note 35)	2,226	1,977
Prepayments	1,045	1,026
Advance lease rentals (Note 14)	104	96
Operating lease and other deposits	767	905
Other receivables	569	694
	9,043	**8,185**
Less: Receivables over one year (Note 15)	(917)	(1,704)
	8,126	**6,481**

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.

17. Trade and other receivables (continued)

Movements in the provision for impairment of trade receivables are as follows:

	2012 AED m	2011 AED m
Balance brought forward	**122**	**90**
Charge for the year	66	76
Unused amounts reversed	(42)	(34)
Amounts written off as uncollectible	(9)	(13)
Currency translation differences	(2)	3
Balance carried forward	**135**	**122**

The other classes of trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk of current trade and other receivables at the reporting date is the carrying value of each class of receivables.

Ageing of receivables that are past due but not impaired is as follows:

	2012 AED m	2011 AED m
Below 3 months	292	275
3-6 months	41	19
Above 6 months	104	109
	437	**403**

18. Capital

Capital represents the permanent capital of Emirates.

19. Other reserves

	Fair value reserve			
	Hedging instruments	**Other**	**Translation reserve**	**Total**
	AED m	AED m	AED m	AED m
1 April 2010	**(379)**	**-**	**58**	**(321)**
Currency translation differences	-	-	53	53
Loss on available-for-sale financial assets	-	195	-	195
Loss on fair value of cash flow hedges	(525)	-	-	(525)
Transferred to the consolidated income statement	243	(195)	(15)	33
31 March 2011	**(661)**	**-**	**96**	**(565)**
Currency translation differences	-	-	(9)	(9)
Loss on fair value of cash flow hedges	(476)	-	-	(476)
Transferred to the consolidated income statement	217	-	-	217
31 March 2012	**(920)**	**-**	**87**	**(833)**

The amounts transferred to the consolidated income statement have been (debited)/credited to the following line items:

	2012	**2011**
	AED m	AED m
Revenue	103	(41)
Other operating income	-	210
Operating costs	(29)	(38)
Finance costs	(291)	(164)
	(217)	**(33)**

20. Borrowings and lease liabilities

	2012 AED m	2011 AED m
Non-current		
Bonds (Note 21)	5,933	4,290
Term loans (Note 22)	914	1,009
Lease liabilities (Note 23)	19,996	15,203
	26,843	**20,502**
Current		
Bonds (Note 21)	2,020	727
Term loans (Note 22)	145	139
Lease liabilities (Note 23)	1,867	1,853
Bank overdrafts (Note 31)	5	9
	4,037	**2,728**
	30,880	**23,230**
Borrowings and lease liabilities are denominated in the following currencies:		
UAE Dirhams	2,015	2,023
US Dollars	28,427	19,860
Singapore Dollars	438	1,164
Others	-	183

The effective interest rate per annum on lease liabilities and term loans was 2.9% (2011: 3.0%) and on bonds was 3.4% (2011: 1.8%).

21. Bonds

	2012 AED m	2011 AED m
Bonds are denominated in the following currencies:		
UAE Dirhams	1,837	1,836
Singapore Dollars	438	1,164
US Dollars	5,693	2,020
	7,968	**5,020**
Less: Transaction costs	(15)	(3)
	7,953	**5,017**

	2012 AED m	2011 AED m
Bonds are repayable as follows:		
Within one year (Note 20)	**2,020**	**727**
Between 2 and 5 years	5,933	3,854
After 5 years	-	436
Total over one year (Note 20)	**5,933**	**4,290**

Contractual repricing dates are set at six month intervals except for bonds denominated in Singapore Dollars amounting to AED 438 m (2011: AED 582 m) and US Dollars amounting to AED 3,673 m (2011: Nil) which carry a fixed interest rate over their term.

USD bonds, carried at AED 2,020 m (2011: AED 2,020 m), represent the proceeds raised from an Islamic 'sukuk' (bond) issue to finance the construction of certain buildings.

The fair value of the bonds in aggregate amounts to AED 8,009 m (2011: AED 4,802 m). The fair value of the Singapore Dollar bonds is AED 405 m (2011: AED 1,095 m) and the fair value of the fixed rate US Dollar bonds is AED 3,802 m (2011: Nil), which are based on listed prices. The fair value of the other bonds 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.

22. Term loans

	2012 AED m	2011 AED m
Balance brought forward	**1,161**	**409**
Additions during the year	50	992
Repayments during the year	(141)	(240)
Balance carried forward	**1,070**	**1,161**
Less: Transaction costs	(11)	(13)
	1,059	**1,148**
Loans are repayable as follows:		
Within one year (Note 20)	**145**	**139**
Between 2 and 5 years	481	498
After 5 years	433	511
Total over one year (Note 20)	**914**	**1,009**

22. Term loans (continued)

	2012 AED m	2011 AED m
Loans are denominated in the following currencies:		
UAE Dirhams	175	189
US Dollars	884	959

Contractual repricing dates are set at three to six month intervals. Term loans amounting to AED 895 m (2011: AED 973 m) are secured on aircraft, aircraft engines and parts.

The fair value of the term loans amounts to AED 1,045 m (2011: AED 1,129 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.

23. Lease liabilities

Finance leases

	2012 AED m	2011 AED m
Gross lease liabilities:		
Within one year	2,481	2,390
Between 2 and 5 years	10,413	7,671
After 5 years	13,453	11,238
	26,347	**21,299**
Future interest	(4,484)	(4,243)
Present value of finance lease liabilities	**21,863**	**17,056**
The present value of finance lease liabilities is repayable as follows:		
Within one year (Note 20)	**1,867**	**1,853**
Between 2 and 5 years	8,039	5,549
After 5 years	11,957	9,654
Total over one year (Note 20)	**19,996**	**15,203**

	2012 AED m	2011 AED m
The present value of finance lease liabilities are denominated in the following currencies:		
US Dollars	21,863	16,878
Others	-	178

The lease liabilities are secured on the related aircraft and aircraft engines. In the event of these finance leases being terminated prior to their expiry, penalties are payable. Had these leases been cancelled at 31 March 2012, the penalties would have been AED Nil (2011: AED 64 m).

The fair value of lease liabilities amounts to AED 21,297 m (2011: AED 16,377 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.

Operating leases

	2012 AED m	2011 AED m
Future minimum lease payments are as follows:		
Aircraft fleet	32,497	28,832
Other	2,276	2,444
	34,773	**31,276**
Within one year	5,148	4,485
Between 2 and 5 years	18,317	16,807
After 5 years	11,308	9,984
	34,773	**31,276**

In the event of the aircraft leases being terminated prior to their expiry, penalties are payable. Had these leases been cancelled at 31 March 2012, the penalties would have been AED 459 m (2011: AED 414 m).

23. Lease liabilities (continued)

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. Further, Emirates is entitled to purchase thirteen out of one hundred and thirteen (2011: fifteen out of one hundred and three) aircraft under these leases.

In addition, Emirates has nine (2011: seven) Boeing aircraft contracted on operating leases for delivery between April 2012 and March 2016.

24. 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 2012, in respect of employees' end of service benefits payable under relevant local regulations and contractual arrangements. The assessment assumed expected salary increases averaging 5.0% (2011: 5.0%) and a discount rate of 5.0% (2011: 6.0%) per annum. The present values of the defined benefit obligations at 31 March 2012 were computed using the actuarial assumptions set out above.

The liabilities recognised in the consolidated statement of financial position are:

	2012 AED m	2011 AED m
Funded scheme		
Present value of defined benefit obligations	1,251	1,099
Less: Fair value of plan assets	(1,236)	(1,087)
	15	**12**
Unfunded scheme		
Present value of defined benefit obligations	**616**	**467**
Liability recognised in the consolidated statement of financial position	**631**	**479**

(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 between seventy five and one hundred percent of their fund balance. Vested assets of the scheme are not available to Emirates or its creditors in any circumstances.

The liability of AED 15 m (2011: AED 12 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 are as follows:

	2012 AED m	2011 AED m
Balance brought forward	**1,087**	**851**
Contributions received	195	170
Benefits paid	(55)	(41)
Change in fair value	9	107
Balance carried forward	**1,236**	**1,087**

24. Retirement benefit obligations (continued)

Contributions received include the transfer of accumulated benefits from unfunded schemes. Emirates expects to contribute approximately AED 222 m for existing plan members during the year ending 31 March 2013.

Actuarial gains and losses and 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:

	2012 AED m	2011 AED m
Balance brought forward - as reported earlier		**354**
Effect of change in accounting policy (Note 38)		34
Balance brought forward - as restated	**467**	**388**
Current service cost	65	61
Interest cost	20	17
Actuarial losses	116	57
Payments made during the year	(52)	(56)
Balance carried forward	**616**	**467**

Payments made during the year include the transfer of accumulated benefits to Emirates' funded scheme.

The cumulative amount of actuarial losses recognised in other comprehensive income is AED 207 m (2011: AED 91 m).

The total amount recognised in the consolidated income statement is as follows:

	2012 AED m	2011 AED m
Defined benefit plan		
Funded scheme		
Contributions expensed	188	159
Net change in the present value of defined benefit obligations over plan assets	3	2
	191	**161**
Unfunded scheme		
Current service cost	65	61
Interest cost	20	17
	85	**78**
Defined contribution plan		
Contributions expensed	**154**	**132**
Recognised in the consolidated income statement	**430**	**371**

25. Deferred revenue

Deferred revenue relates to the frequent flyer programme and represents the fair value of outstanding award credits. Revenue is recognised when Emirates fulfills 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 the expected redemption pattern.

26. Deferred credits

	2012 AED m	2011 AED m
Balance brought forward	**537**	**622**
Net additions during the year	97	109
Recognised during the year	(148)	(167)
Transferred to property, plant and equipment	-	(27)
Balance carried forward	**486**	**537**

26. Deferred credits (continued)

	2012 AED m	2011 AED m
Deferred credits will be recognised as follows:		
Within one year	**136**	**136**
Over one year	**350**	**401**

Deferred credits transferred to property, plant and equipment are consequent to a change in the classification of certain aircraft from an operating lease to a finance lease.

27. 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 analysis of the deferred tax asset and the deferred tax liability is as follows:

	2012 AED m	2011 AED m
Deferred income tax asset	10	-
Deferred income tax liability	-	(2)
	10	**(2)**
The movement in the deferred income tax account is as follows:		
Balance brought forward	**(2)**	**(4)**
Credited to the consolidated income statement (Note 9)	12	2
Balance carried forward	**10**	**(2)**

The deferred income tax asset is on account of unused tax losses.

A deferred tax asset has not been recognised in respect of carried forward tax losses amounting to AED 1,869 m (2011: AED 1,620 m).

28. Trade and other payables

	2012 AED m	2011 AED m
Trade payables and accruals	10,521	10,112
Related parties (Note 35)	622	390
Passenger and cargo sales in advance	9,458	7,080
	20,601	**17,582**
Less: Payables over one year	-	(31)
	20,601	**17,551**

The carrying value of trade and other payables over one year approximate their fair value.

29. Commitments

Capital commitments

	2012 AED m	2011 AED m
Authorised and contracted:		
Aircraft fleet	163,489	140,145
Non-aircraft	2,021	1,451
Joint ventures	116	66
	165,626	**141,662**
Authorised but not contracted:		
Non-aircraft	4,683	2,429
Joint ventures	30	61
	4,713	**2,490**
	170,339	**144,152**

Commitments have been entered into for the purchase of aircraft for delivery as follows (Note 11):

Financial year	**Aircraft**
2012 - 2013	32
Beyond 2012 - 2013	191

In addition, options are held on fifty Airbus and twenty Boeing aircraft.

29. Commitments (continued)

Operational commitments

	2012 AED m	2011 AED m
Sales and marketing	1,881	1,347

30. Guarantees

	2012 AED m	2011 AED m
Performance bonds and letters of credit provided by bankers in the normal course of business	370	357

31. Short term bank deposits and cash and cash equivalents

	2012 AED m	2011 AED m
Bank deposits	14,284	12,753
Cash and bank	1,303	1,220
Cash and bank balances	**15,587**	**13,973**
Less: Short term bank deposits - over 3 months	(8,055)	(3,777)
Cash and cash equivalents as per the consolidated statement of financial position	**7,532**	**10,196**
Bank overdraft (Note 20)	(5)	(9)
Cash and cash equivalents as per the consolidated statement of cash flows	**7,527**	**10,187**

Cash and bank balances earned an effective interest rate of 2.6% (2011: 3.6%) per annum.

32. 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:

	2012 AED m	2011 AED m
Payments for property, plant and equipment	13,561	12,189
Less: Assets acquired under finance leases	(6,761)	(5,685)
	6,800	**6,504**

33. Derivative financial instruments

Description	2012		2011	
	Term	AED m	Term	AED m
Non-current assets				
Cash flow hedge				
Currency swaps and forwards	2012-2017	69		-
		69		**-**
Current assets				
Cash flow hedge				
Currency swaps and forwards		8		53
Fair value through profit and loss				
Jet fuel price futures and options		-		70
		8		**123**
Non-current liabilities				
Cash flow hedge				
Interest rate swaps	2012-2023	(830)	2011-2021	(552)
Currency swaps and forwards	2012-2016	(127)	2011-2017	(90)
		(957)		**(642)**
Current liabilities				
Cash flow hedge				
Interest rate swaps		(1)		(4)
Currency swaps and forwards		(39)		(57)
		(40)		**(61)**

The notional principal amounts outstanding are:

	2012	2011
	AED m	AED m
Interest rate contracts	11,715	6,822
Currency contracts	4,082	4,998
Fuel price contracts	-	4,297

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.

Net losses on account of terminated currency derivatives amounting to AED 3 m (2011: AED 27 m) will enter into the determination of profit between 2012 and 2017.

Gains on account of terminated interest rate derivatives amounting to AED 3 m (2011: AED 19 m) will enter into the determination of profit during 2012.

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.

34. 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
2011				
Assets				
Loans and other receivables (excluding prepayments)	1,623	-	-	1,623
Derivative financial instruments	-	123	-	123
Trade and other receivables (excluding prepayments and advance lease rentals)	5,440	-	-	5,440
Short term bank deposits	3,777	-	-	3,777
Cash and cash equivalents	10,196	-	-	10,196
Total	**21,036**	**123**	**-**	**21,159**
Liabilities				
Borrowings and lease liabilities	-	-	23,230	23,230
Trade and other payables (excluding passenger and cargo sales in advance and other non financial liabilities)	-	-	9,665	9,665
Derivative financial instruments	-	703	-	703
Total	**-**	**703**	**32,895**	**33,598**

34. 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
2012				
Assets				
Loans and other receivables (excluding prepayments)	846	-	-	846
Derivative financial instruments	-	77	-	77
Trade and other receivables (excluding prepayments and advance lease rentals)	7,048	-	-	7,048
Short term bank deposits	8,055	-	-	8,055
Cash and cash equivalents	7,532	-	-	7,532
Total	**23,481**	**77**	**-**	**23,558**
Liabilities				
Borrowings and lease liabilities	-	-	30,880	30,880
Trade and other payables (excluding passenger and cargo sales in advance and other non financial liabilities)	-	-	10,426	10,426
Derivative financial instruments	-	997	-	997
Total	**-**	**997**	**41,306**	**42,303**

Financial instruments held at fair value by level of fair value hierarchy

The levels of fair value hierarchy are defined as follows:

Level 1 : Measurement is made by using quoted prices (unadjusted) from active market.

Level 2 : Measurement is made by means of valuation 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.

Derivative financial instruments fall into Level 2 of the fair value hierarchy.

35. Related party transactions

The following transactions were carried out with related parties:

	2012 AED m	2011 AED m
Trading transactions:		
(i) Sale of goods and services		
Sale of goods · Associates	46	51
Sale of goods · Companies under common control	9	12
Services rendered · Joint ventures	11	12
Services rendered · Companies under common control	59	78
	125	**153**
(ii) Purchase of goods and services		
Purchase of goods · Associates	165	268
Purchase of goods · Companies under common control	3,793	2,668
Services received · Companies under common control	2,019	1,634
Services received · Joint ventures	14	-
	5,991	**4,570**
Other transactions:		
(i) Finance income		
Joint ventures	7	8
Companies under common control	69	60
	76	**68**
(ii) Compensation to key management personnel		
Salaries and short term employee benefits	96	187
Post-employment benefits	15	14
	111	**201**

	2012 AED m	2011 AED m
(iii) Sale of investment		
Sale of investment in associate· Companies under common control	**-**	**82**
Year end balances		
(i) Receivables - sale of goods and services		
Associates	20	14
Joint ventures	3	9
Companies under common control	2	13
	25	**36**
(ii) Receivables - other transactions		
Joint ventures	6	6
Companies under common control	776	773
	782	**779**
Receivable within one year	**466**	**115**
Receivable over one year (Note 15)	**316**	**664**

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.

35. Related party transactions (continued)

	2012 AED m	2011 AED m
(iii) Payables - purchase of goods and services (Note 28)		
Associates	29	30
Companies under common control	570	360
	599	**390**
(iv) Other payables (Note 28)		
Parent company	**23**	-
(iv) Loans		
Joint ventures	83	96
Companies under common control	1,331	1,062
	1,414	**1,158**
Movement in the loans were as follows:		
Balance brought forward	**1,158**	**604**
Additions during the year	608	571
Repayments during the year	(346)	(18)
Currency translation differences	(6)	1
Balance carried forward	**1,414**	**1,158**
Receivable within one year	**948**	**265**
Receivable over one year (Note 15)	**466**	**893**

The effective interest rate on the loans was 3.8% (2011: 5.2%) per annum.

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.

	2012 AED m	2011 AED m
(v) Loans and advances to key management personnel		
Balance brought forward	**4**	**6**
Additions during the year	6	3
Repayments during the year	(5)	(5)
Balance carried forward	**5**	**4**
Receivable within one year	**3**	**3**
Receivable over one year (Note 15)	**2**	**1**

Loans and advances are interest free and repayable over a period up to sixty months. Emirates has the right to recover outstanding loans and advances against the final dues payable to the employees.

In addition to the above, Emirates has also entered into transactions with other government controlled entities in the normal course of business. The amounts involved are, both individually and in aggregate, not significant.

36. 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.

Risk management programme is carried out under procedures that are approved by a steering group comprising of 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 most important types of risk are credit risk, market risk and liquidity risk. Market risk includes commodity price risk, currency risk and interest rate risk.

(i) Credit risk

Emirates is exposed to credit risk, which is the risk that the 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 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 27% (2011: 38%) of short term bank deposits and cash and cash equivalents are held with financial institutions under common control. Approximately 89% (2011: 93%) 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. 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.

Other receivables mainly include advances to employees, VAT receivables and interest accruals on bank deposits. Emirates has the right to recover outstanding employee advances against the final dues payable to the employees.

The table below presents an analysis of short term bank deposits and cash and cash equivalents 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:

	2012	**2011**
	AED m	AED m
AA- to AA+	489	388
A- to A+	13,872	12,167
Lower than A-	866	977

36. 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 utilises commodity futures and options to achieve a level of control over higher jet fuel costs so that profitability is not adversely affected. The hedging activity during the year was not significant.

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, the functional currency 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 UK Pounds, Euro, Australian Dollars 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.

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, by hedging around half of its net interest rate exposure going forward, 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 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.

	2012		2011	
	Effect on profit	**Effect on equity**	**Effect on profit**	**Effect on equity**
	AED m	AED m	AED m	AED m
Interest cost				
- 100 basis points				
UAE Dirhams	8	8	21	21
US Dollars	119	(381)	76	(209)
Singapore Dollars	1	1	6	6
Others	-	(13)	-	(21)
	128	**(385)**	**103**	**(203)**
+ 100 basis points				
UAE Dirhams	(8)	(8)	(21)	(21)
US Dollars	(119)	381	(76)	209
Singapore Dollars	(1)	(1)	(6)	(6)
Others	-	13	-	21
	(128)	**385**	**(103)**	**203**

36. Financial risk management (continued)

	2012		2011	
	Effect on profit	Effect on equity	Effect on profit	Effect on equity
	AED m	AED m	AED m	AED m
Interest income				
- 100 basis points	(42)	(42)	(29)	(29)
+ 100 basis points	42	42	29	29
Currency - UK Pounds				
+ 1%	2	(2)	1	(5)
- 1%	(2)	2	(1)	5
Currency - Euro				
+ 1%	3	(2)	2	(7)
- 1%	(3)	2	(2)	7
Currency - Australian Dollars				
+ 1%	4	(5)	1	(5)
- 1%	(4)	5	(1)	5
Currency - Japanese Yen				
+ 1%	-	(4)	-	(3)
- 1%	-	4	-	3
Currency - Singapore Dollars				
+ 1%	(4)	(4)	(12)	(12)
- 1%	4	4	12	12
Fuel price				
+ 5 US Dollar	-	-	-	44
- 5 US Dollar	-	-	-	(22)

(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 the 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. Emirates maintains diversified credit lines to enable this to happen.
- Maintaining rolling forecasts of Emirates' liquidity position on the basis of expected cash flows.
- Monitoring liquidity ratios against internal standards.
- Maintaining debt financing plans.
- Entering into stand-by credit facility arrangements.

Sources of liquidity are regularly reviewed by senior management to maintain a diversification by geography, provider, product and term.

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
2012				
Borrowings and lease liabilities	4,950	17,672	13,917	36,539
Derivative financial instruments	241	655	7	903
Trade and other payables (excluding passenger and cargo sales in advance and other non financial liabilities)	10,426	-	-	10,426
	15,617	**18,327**	**13,924**	**47,868**

36. Financial risk management (continued)

	Less than 1 year	2 - 5 years	Over 5 years	Total
	AED m	AED m	AED m	AED m
2011				
Borrowings and lease liabilities	3,196	12,523	12,328	28,047
Derivative financial instruments	299	335	(24)	610
Trade and other payables (excluding passenger and cargo sales in advance and other non financial liabilities)	9,634	31	-	9,665
	13,129	**12,889**	**12,304**	**38,322**

37. 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 2012, Emirates achieved a return on Owner's equity funds of 7.2% (2011: 28.4%) in comparison to an effective interest rate of 3.0% (2011: 2.7%) on borrowings.

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 to total equity. In 2012 this ratio was 71.2% (2011: 44.5%) and if aircraft operating leases are included, the same ratio was 162.1% (2011: 127.6%).

38. Effect of change in accounting policy

Emirates has changed its accounting policy for the recognition of retirement benefit obligations from the corridor to the equity approach with effect from 1 April 2011. This is consistent with the direction that the International Accounting Standards Board (IASB) has taken to reflect retirement benefit obligations more appropriately in the future standard. As a result, actuarial gains and losses are recognised in equity through other comprehensive income in the period in which they arise. Previously, actuarial gains and losses in excess of the corridor limits determined in accordance with IAS 19, were charged/credited in the consolidated income statement over a period of three years.

In line with the guidance provided in IAS 8, the change in accounting policy has been applied retrospectively and comparative figures for 2011 have been restated. Opening retained earnings at 1 April 2010 have decreased by AED 34 m and the opening retirement benefit obligation at 1 April 2010 has increased by AED 34 m, which represents the unrecognised actuarial gains and losses under the corridor approach as at 1 April 2010.

The effect of change in accounting policy is tabulated below:

	2012 AED m	**2011** AED m
Decrease in operating costs	18	2
Increase in profit before income tax	18	2
Decrease in other comprehensive income	116	57
Decrease in total comprehensive income for the year	98	55
Increase in retirement benefit obligation	187	89
Decrease in retained earnings	187	89

39. Comparatives

The following comparative figures have been reclassified to conform with the current year's presentation so that they appropriately reflect the nature of the balances and transactions:

- Certain intercompany transactions have been presented on a net basis which has resulted in both revenue and operating costs decreasing by AED 153 m.
- Deferred revenue relating to Emirates' frequent flyer programme amounting to AED 792 m has been reclassified from non-current liabilities to current liabilities to reflect the expected redemption pattern.

Independent auditor's report in respect of the consolidated financial statements of Emirates and its subsidiaries for the year ended 31 March 2011

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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 2011 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 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 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 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers
4 May 2011

Warwick Hunt
Registered Auditor Number 643
Dubai, United Arab Emirates

W Hunt, AH Nasser, P Suddaby and JE Fakhoury are registered as practising auditors with the UAE Ministry of Economy

Emirates
Consolidated income statement
for the year ended 31 March 2011

	Note	2011 AED m	2010 AED m
Revenue	4	53,098	42,477
Other operating income	5	1,286	978
Operating costs	6	(48,943)	(39,890)
Operating profit		**5,441**	**3,565**
Other gains and losses	7	(4)	48
Finance income	8	521	330
Finance costs	8	(506)	(355)
Share of results in associated companies and joint ventures	13	91	77
Profit before income tax		**5,543**	**3,665**
Income tax expense	9	(78)	(50)
Profit for the year		**5,465**	**3,615**
Profit attributable to non-controlling interests		**92**	**77**
Profit attributable to Emirates' Owner		**5,373**	**3,538**

Consolidated statement of comprehensive income
for the year ended 31 March 2011

	Note	2011	2010
Profit for the year		**5,465**	**3,615**
Currency translation differences	19	38	124
Cash flow hedges	19	(282)	(244)
Other comprehensive income		**(244)**	**(120)**
Total comprehensive income for the year		**5,221**	**3,495**
Total comprehensive income attributable to non-controlling interests		**92**	**77**
Total comprehensive income attributable to Emirates' Owner		**5,129**	**3,418**

Notes 1 to 37 form an integral part of the consolidated financial statements.

Emirates
Consolidated statement of financial position
as at 31 March 2011

	Note	2011 AED m	2010 AED m
ASSETS			
Non-current assets			
Property, plant and equipment	11	39,848	33,753
Intangible assets	12	901	927
Investments in associated companies and joint ventures	13	386	461
Advance lease rentals	14	384	233
Loans and other receivables	15	1,704	1,432
Derivative financial instruments	33	-	64
		43,223	**36,870**
Current assets			
Inventories	16	1,290	1,084
Trade and other receivables	17	6,481	7,008
Derivative financial instruments	33	123	74
Short term bank deposits	31	3,777	1,176
Cash and cash equivalents	31	10,196	9,335
		21,867	**18,677**
Total assets		**65,090**	**55,547**

	Note	2011 AED m	2010 AED m
EQUITY AND LIABILITIES			
Capital and reserves			
Capital	18	801	801
Retained earnings		20,459	16,794
Other reserves	19	(565)	(321)
Attributable to Emirates' Owner		**20,695**	**17,274**
Non-controlling interests		**207**	**201**
Total equity		**20,902**	**17,475**
Non-current liabilities			
Borrowings and lease liabilities	20	20,502	16,753
Retirement benefit obligations	24	390	364
Deferred revenue	25	1,722	1,483
Deferred credits	26	401	460
Deferred income tax liability	27	2	4
Trade and other payables	28	31	21
Derivative financial instruments	33	642	467
		23,690	**19,552**
Current liabilities			
Trade and other payables	28	17,551	15,475
Income tax liabilities		22	19
Borrowings and lease liabilities	20	2,728	2,852
Deferred credits	26	136	162
Derivative financial instruments	33	61	12
		20,498	**18,520**
Total liabilities		**44,188**	**38,072**
Total equity and liabilities		**65,090**	**55,547**

The consolidated financial statements were approved on 4 May 2011 and signed by:

Sheikh Ahmed bin Saeed Al-Maktoum
Chairman and Chief Executive

Timothy Clark
President

Notes 1 to 37 form an integral part of the consolidated financial statements.

Emirates
Consolidated statement of changes in equity
for the year ended 31 March 2011

	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 2009	801	(201)	14,812	15,412	159	15,571
Currency translation differences	-	124	-	124	-	124
Cash flow hedges	-	(244)	-	(244)	-	(244)
Other comprehensive income	**-**	**(120)**	**-**	**(120)**	**-**	**(120)**
Profit for the year	-	-	3,538	3,538	77	3,615
Total comprehensive income for the year	**-**	**(120)**	**3,538**	**3,418**	**77**	**3,495**
Dividend	-	-	(1,556)	(1,556)	(35)	(1,591)
Transactions with owners	**-**	**-**	**(1,556)**	**(1,556)**	**(35)**	**(1,591)**
31 March 2010	**801**	**(321)**	**16,794**	**17,274**	**201**	**17,475**
Currency translation differences	-	38	-	38	-	38
Cash flow hedges	-	(282)	-	(282)	-	(282)
Other comprehensive income	**-**	**(244)**	**-**	**(244)**	**-**	**(244)**
Profit for the year	-	-	5,373	5,373	92	5,465
Total comprehensive income for the year	**-**	**(244)**	**5,373**	**5,129**	**92**	**5,221**
Dividend	-	-	(1,708)	(1,708)	(86)	(1,794)
Transactions with owners	**-**	**-**	**(1,708)**	**(1,708)**	**(86)**	**(1,794)**
31 March 2011	**801**	**(565)**	**20,459**	**20,695**	**207**	**20,902**

Notes 1 to 37 form an integral part of the consolidated financial statements.

Emirates
Consolidated statement of cash flows
for the year ended 31 March 2011

	2011 AED m	2010 AED m
Operating activities		
Profit before income tax	5,543	3,665
Adjustments for:		
Depreciation and amortisation (Note 6)	3,677	2,962
Finance costs - net (Note 8)	(15)	25
Gain on sale of property, plant and equipment	(454)	(258)
Gain on sale of available-for-sale investments (Note 5)	(195)	-
Gain on sale of associate	(15)	-
Share of results in associated companies and joint ventures (Note 13)	(91)	(77)
Net provision for impairment of trade receivables (Note 17)	42	14
Impairment of available-for-sale financial assets	-	109
Provision for employee benefits (Note 6)	373	301
Change in fair value of derivative financial instruments at fair value through profit or loss	4	(48)
Net movement on derivative financial instruments	(40)	(299)
Employee benefit payments	(347)	(304)
Income tax paid	(77)	(63)
Change in inventories	(204)	(32)
Change in receivables and advance lease rentals	133	(316)
Change in payables, deferred credits and deferred revenue	2,670	2,649
Net cash generated from operating activities	**11,004**	**8,328**

Notes 1 to 37 form an integral part of the consolidated financial statements.

	2011 AED m	2010 AED m
Investing activities		
Proceeds from sale of property, plant and equipment	3,241	883
Additions to intangible assets (Note 12)	(49)	(72)
Additions to property, plant and equipment (Note 32)	(6,504)	(3,416)
Investments in associated companies and joint ventures (Note 13)	-	(18)
Proceeds from sale of investments in associated companies and joint ventures (Note 13)	82	-
Proceeds from sale of available-for-sale investments	195	-
Movement in short term bank deposits	(2,601)	1,443
Net movement in held-to-maturity financial assets	-	200
Interest income	451	308
Dividends from associated companies and joint ventures (Note 13)	93	95
Net cash used in investing activities	**(5,092)**	**(577)**
Financing activities		
Repayment of bonds	(1,837)	-
Net loan drawdown / repayment (Note 22)	739	(122)
Aircraft financing costs	(412)	(319)
Other finance charges	(59)	(103)
Net lease liabilities	(1,083)	(1,447)
Dividend paid	(2,308)	(956)
Dividend paid to non-controlling shareholders	(86)	(35)
Net cash used in financing activities	**(5,046)**	**(2,982)**
Net increase in cash and cash equivalents	**866**	**4,769**
Cash and cash equivalents at beginning of year	9,322	4,547
Effects of exchange rate changes	(1)	6
Cash and cash equivalents at end of year (Note 31)	**10,187**	**9,322**

Notes to the consolidated financial statements
for the year ended 31 March 2011

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, 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, cargo and postal carriage services
- wholesale and retail of consumer goods
- in-flight and institutional catering
- hotel operations

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 and comply with International Financial Reporting Standards (IFRS) and IFRIC interpretations. 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, interpretations and amendments to published standards that are not yet effective, have not been early adopted and are relevant to Emirates' operations

At the date of authorisation of these consolidated financial statements, certain new standards, interpretations and amendments to the existing standards have been published that are mandatory for accounting periods commencing after 1 April 2011 or later periods, but have not been early adopted. Management is currently assessing the following standards, interpretations and amendments which are likely to have an impact on Emirates' operations:

- IFRS 9, Financial instruments (effective from 1 January 2013)
- IAS 24 (Revised), Related Party Disclosures (effective from 1 January 2011)

Basis of consolidation

Subsidiaries are those entities (including special purpose entities) in which Emirates has the power to govern the entity's operating and financial policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are 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 the acquisition of subsidiaries. The consideration transferred for the acquisition of a subsidiary is the fair value of assets transferred and liabilities incurred or assumed. 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 at their fair values at the acquisition date. On an acquisition-by-acquisition basis any non-controlling interests in the acquiree is recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

2. Summary of significant accounting policies (continued)

Transactions with non-controlling interests are treated as transactions with the equity Owner of Emirates. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recorded in equity. Gains or losses on disposal to non-controlling interests are also recorded in equity.

Associated companies are those entities in which Emirates has significant influence but not control, generally accompanying a shareholding between 20% and 50% of voting rights. Investments in associated companies are accounted for by applying the equity method and include goodwill (net of accumulated impairment loss, if any) identified on acquisition.

Joint ventures are contractual arrangements which establish joint control. Investments in jointly controlled entities are accounted for by applying the equity method.

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, associated companies and joint ventures have been changed where necessary to ensure consistency with Emirates' accounting policies.

When control or significant influence ceases, the retained interest in the entity is remeasured to fair value, with the change in the carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently 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 and liabilities have been directly disposed of. This could result in amounts previously recognised in other comprehensive income being reclassified to profit or loss. If the ownership in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss.

Emirates has changed its accounting policy for transactions with non-controlling interests and the accounting for the loss of control or significant influence from 1 April 2010 when revised IAS 27, Consolidated and separate financial statements became applicable. The revision to IAS 27 contained consequential amendments to IAS 28, Investments in associates and IAS 31, Interests in joint ventures.

Previously transactions with non-controlling interests were treated as transactions with external parties. Disposals therefore resulted in gains or losses that were recorded in the consolidated income statement while purchases resulted in the recognition of goodwill.

Previously, when Emirates ceased to have control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence ceased, became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial asset.

The new policy has been applied prospectively to transactions occurring on or after 1 April 2010 and no adjustments have been made to any of the amounts previously recognised in the consolidated financial statements.

Revenue

Passenger and cargo (which includes courier and mail) 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 sale of goods is recognised when risks and rewards of ownership are transferred to the customer and are stated net of discounts and returns. Other revenue is recognised net of discounts when services are rendered.

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 when a contractual entitlement exists, amounts can be reliably measured and receipt is virtually certain. When such claims do not relate to a compensation for loss of income or 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 determine their own functional currency and items included in the financial statements of these companies are measured using that functional currency.

2. Summary of significant accounting policies (continued)

Foreign currency transactions are translated into functional currency at exchange rates approximating to those ruling on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates ruling at the end of 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.

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 the translation reserve in equity.

Share of results in associated companies and joint ventures are translated into UAE Dirhams at average exchange rates for the year. Translation differences relating to investments in subsidiaries, associated companies, joint ventures and monetary assets and liabilities that form part of a net investment in a foreign operation are classified as a translation reserve in equity. When the investment in subsidiaries, associated companies or joint ventures are disposed of, the translation differences held in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

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 ruling at the end of reporting period.

Taxation

Taxation is provided for as and when the liability arises except where management is of the opinion that exemption from such taxation will ultimately be granted by the relevant authorities in the countries concerned.

Deferred income tax

Deferred income tax is provided in full, using the liability method, 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 accounted for 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. 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 and the cost can be reliably measured. Repairs and maintenance are charged to the consolidated income statement during the period in which they are incurred.

Land is not depreciated. Depreciation is calculated on other items of property, plant and equipment so as to write off its cost, less estimated residual values, on a straight-line basis over the estimated useful lives of the assets concerned.

The estimated useful lives and residual values are:

Aircraft - new	15 years (residual value 10%)
Aircraft - used	5 - 8 years (residual value 10-20%)
Aircraft engines and parts	5 - 15 years (residual value 0 - 10%)
Buildings	15 - 20 years
Other property, plant and equipment	3 - 15 years or over the lease term, if shorter

Major overhaul expenditure is depreciated over the shorter of the period to the next major overhaul or lease term or 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.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its estimated recoverable amount and is reviewed at the end of each reporting period for possible reversal of the impairment loss.

Capital projects are stated at cost. When the asset is ready for its intended use, it is transferred from capital projects to the appropriate category under property, plant and equipment and depreciated.

2. Summary of significant accounting policies (continued)

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.

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.

Profits arising on sale and leaseback transactions resulting in operating leases are recognised in the consolidated income statement to the extent that the sale proceeds do not exceed the fair value of the assets concerned. Any excess of sale proceeds over the fair value is accounted as deferred credit and amortised over the lease term. 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 cost of an acquisition over the fair value of the share of the net identifiable assets acquired by Emirates in its subsidiaries at the date of acquisition. In the case of a subsequent exchange transaction where control is already established, goodwill is calculated with reference to the net asset value at the date of transaction. Goodwill is presented within intangible assets.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to 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 unit 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.

2. Summary of significant accounting policies (continued)

When the carrying amount of an intangible asset is greater than its estimated recoverable amount, it is written down immediately to its estimated recoverable amount and is reviewed at the end of each reporting period for possible reversal of the impairment loss.

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified as loans and receivables, held-to-maturity financial assets or financial assets at fair value through profit or loss. Such investments are initially recognised in the consolidated statement of financial position on the trade date at fair value including transaction costs. Assets in this category are included in non-current assets unless management intends to dispose of the investment within 12 months from the end of reporting period. The investments are derecognised when rights to receive cash flows have expired or have been transferred along with substantially all the risks and rewards of ownership.

Quoted investments are subsequently measured at their fair value based on quoted bid prices.

Unquoted investments in this category are stated at fair value or at cost less impairment when fair values cannot be reliably measured.

Unrealised gains and losses arising from a change in fair value are recognised in the fair value reserves in equity until the investment is sold or impaired, at which time the cumulative gain or loss previously recognised in equity is included in the consolidated income statement.

At the end of each reporting period, an assessment is made whether there is any objective evidence of impairment. In such instances, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less impairment loss previously recognised in the consolidated income statement - is removed from equity and recognised in the consolidated income statement.

Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity that management has the intent and ability to hold to maturity are recognised in the consolidated statement of financial position on the trade date as held-to-maturity financial assets. Such investments are initially recognised at fair value including transaction costs and are carried at amortised cost using the effective interest method. The investments 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.

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 either as a hedge of the fair value of a recognised asset or liability or of a firm commitment (fair value hedge) or a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge). Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

2. Summary of significant accounting policies (continued)

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 fair value hedges and that are highly effective, are recorded in the consolidated income statement, along with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. This accounting treatment is discontinued when the fair value hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting.

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 the fair value reserve in equity. When the forecasted transaction results in the recognition of an asset or of a liability, the gains and losses previously deferred in equity are transferred from equity and recognised in profit or loss in the same period during which the asset or liability affects profit or loss. In all other cases, amounts deferred in equity 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.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated 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.

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.

2. Summary of significant accounting policies (continued)

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, together with adjustments for unrecognised past-service costs and unamortised actuarial gains and losses. 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 experience adjustments and changes in actuarial assumptions that are in excess of the corridor limits determined in accordance with IAS 19, are amortised to the consolidated income statement over a period of three years.

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. In these instances, 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.

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, liquid funds with an original maturity of three months or less, and bank overdrafts. 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 on the consolidated statement of financial position.

Dividend distribution

Dividend distribution to Emirates' Owner is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved.

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 makes strategic decisions and is responsible for allocating resources and assessing performance of the operating segments.

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 discussion 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 adjustment is necessary.

Taxation

Income tax liabilities are not provided for when management is of the opinion that exemption from income tax will ultimately be granted by the relevant authorities in the concerned jurisdictions. In making its judgement, management considers the status of discussions with the relevant authorities in different countries, the existence of reciprocal exemptions or of a memorandum of understanding. The resolution of issues is not always within the control of management and is often dependant upon external parties. When, due to a change in circumstances, it is unlikely that a tax exemption will be obtained, the income tax liability is fully provided for on a conservative basis until a resolution is reached or the final tax outcome is determined.

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. A rolling 12 month historical trend forms the basis of the calculations. 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. It is also difficult to present the sensitivity of a change in the value of one or set of the inputs given the complexity of the workings.

4. Revenue

	2011 AED m	2010 AED m
Services		
Passenger	41,415	32,995
Cargo	8,803	6,899
Excess baggage	293	278
Destination and leisure	226	156
Hotel operations	148	143
Others	286	279
	51,171	**40,750**
Sale of goods		
Consumer goods	957	882
In-flight catering	548	472
Food and beverage	422	373
	1,927	**1,727**
	53,098	**42,477**

5. Other operating income

Other operating income includes AED 209 m (2010: AED 224 m) from liquidated damages, AED 479 m (2010: AED 211 m) being the gain on sale and leaseback of aircraft, aircraft engines and parts, AED 195 m (2010: Nil) being the gain on sale of available-for-sale financial assets and a net foreign exchange gain of AED 5 m (2010: AED 113 m).

6. Operating costs

	2011 AED m	2010 AED m
Jet fuel	16,820	11,908
Employee (see (a) below)	7,617	6,345
Aircraft operating leases (see (b) below)	4,317	4,111
Sales and marketing	3,862	3,020
Depreciation (Note 11)	3,600	2,893
Handling	3,195	2,807
In-flight catering and related costs	2,305	2,180
Overflying	1,620	1,438
Aircraft maintenance	1,030	847
Landing and parking	974	874
Cost of goods sold	934	844
Amortisation (Note 12)	77	69
Corporate overheads (see (c) below)	2,592	2,554
	48,943	**39,890**

(a) Employee costs include AED 373 m (2010: AED 301 m) in respect of post-employment benefits and AED 770 m (2010: AED 175 m) in respect of an employee profit share scheme.

(b) Aircraft operating lease charges include AED 433 m (2010: AED 467 m) in respect of "wet" leases of freighter aircraft.

(c) Corporate overheads include non-aircraft operating lease charges amounting to AED 451 m (2010: AED 383 m).

7. Other gains and losses

Other gains and losses represent changes in the fair value of financial instruments at fair value through profit and loss. As part of its programme of managing jet fuel costs, Emirates uses certain derivatives that do not qualify for hedge accounting.

8. Finance income and costs

	2011 AED m	2010 AED m
Finance income		
Interest income on short term bank deposits	448	255
Related parties (Note 35)	39	39
Other interest income	34	36
	521	**330**
Finance costs		
Aircraft financing costs	(444)	(272)
Interest charges on borrowings	(59)	(81)
Other interest charges	(3)	(2)
	(506)	**(355)**

9. Income tax expense

	2011 AED m	2010 AED m
The components of income tax expense are:		
Current tax expense	80	59
Deferred tax credit (Note 27)	(2)	(9)
	78	**50**

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 where Emirates is subject to income tax. Providing information on effective tax rates is therefore not meaningful.

10. Segment information

Emirates' management 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 and postal carriage services is the main reportable segment.

Other operations include in-flight and institutional catering, 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 airline 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 from staff leave passage and duty travel which are included in total segment revenue under the airline segment but adjusted against operating costs when preparing the consolidated financial statements. This adjustment is presented in the reconciliation. The breakdown of revenue from external customers by nature of business activity is provided in Note 4.

Segment assets include inter-segment loans and receivables, which are eliminated on consolidation. This consolidation adjustment is represented in the reconciliation.

The segment information for the year ended 31 March 2011 is as follows:

	Airline AED m	All other segments AED m	Recon-ciliation AED m	Total AED m
Total segment revenue	51,261	2,800	(124)	53,937
Inter-segment revenue	-	839	-	839
Revenue from external customers	51,261	1,961	(124)	53,098
Segment profit	4,718	747	-	5,465
Finance income	513	8	-	521
Finance costs	(497)	(9)	-	(506)
Income tax expense	(76)	(2)	-	(78)
Depreciation and amortisation	(3,509)	(168)	-	(3,677)
Share of results in associated companies and joint ventures	-	91	-	91
Segment assets	60,611	5,347	(868)	65,090
Investments in associated companies and joint ventures	-	386	-	386
Additions to property, plant and equipment	11,787	402	-	12,189
Additions to intangible assets	44	5	-	49
Additions to advance lease rentals	262	-	-	262

10. Segment information (continued)

The segment information for the year ended 31 March 2010 is as follows:

	Airline	All other segments	Reconciliation	Total
	AED m	AED m	AED m	AED m
Total segment revenue	40,815	2,522	(116)	43,221
Inter-segment revenue	-	744	-	744
Revenue from external customers	40,815	1,778	(116)	42,477
Segment profit	3,313	302	-	3,615
Finance income	323	7	-	330
Finance costs	(340)	(15)	-	(355)
Income tax expense	(49)	(1)	-	(50)
Depreciation and amortisation	(2,811)	(151)	-	(2,962)
Share of results in associated companies and joint ventures	-	77	-	77
Impairment of available-for-sale financial assets	-	(109)	-	(109)
Segment assets	51,107	5,094	(654)	55,547
Investments in associated companies and joint ventures	-	461	-	461
Additions to property, plant and equipment	7,213	768	-	7,981
Additions to intangible assets	70	2	-	72
Additions to advance lease rentals	93	-	-	93

Geographical information

	2011	2010
	AED m	AED m
Revenue from external customers:		
East Asia and Australasia	15,503	11,843
Europe	14,433	11,612
West Asia and Indian Ocean	6,405	5,322
Gulf and Middle East	5,641	4,941
Africa	5,598	4,756
Americas	5,518	4,003
	53,098	**42,477**

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 AED m	Aircraft engines and parts AED m	Land and buildings AED m	Other property, plant and equipment AED m	Capital projects AED m	Total AED m
Cost						
1 April 2009	16,435	3,852	5,312	5,687	5,189	36,475
Additions	-	123	13	1,441	6,404	7,981
Currency translation differences	-	-	34	10	51	95
Transfer from capital projects	6,180	115	828	415	(7,429)	109
Disposals / write off	(749)	(544)	(20)	(334)	-	(1,647)
31 March 2010	**21,866**	**3,546**	**6,167**	**7,219**	**4,215**	**43,013**
Depreciation						
1 April 2009	3,126	1,048	959	2,256	-	7,389
Charge for the year	1,205	221	267	1,200	-	2,893
Currency translation differences	-	-	1	1	-	2
Disposals / write off	(608)	(117)	(11)	(288)	-	(1,024)
31 March 2010	**3,723**	**1,152**	**1,216**	**3,169**	**-**	**9,260**
Net book amount						
31 March 2010	**18,143**	**2,394**	**4,951**	**4,050**	**4,215**	**33,753**

11. Property, plant and equipment (continued)

	Aircraft AED m	Aircraft engines and parts AED m	Land and buildings AED m	Other property, plant and equipment AED m	Capital projects AED m	Total AED m
Cost						
1 April 2010	21,866	3,546	6,167	7,219	4,215	43,013
Additions	487	393	13	1,488	9,808	12,189
Currency translation differences	-	-	51	10	(1)	60
Transfer from capital projects	5,901	222	378	428	(6,929)	-
Disposals / write off	(3,275)	(783)	(162)	(787)	-	(5,007)
31 March 2011	**24,979**	**3,378**	**6,447**	**8,358**	**7,093**	**50,255**
Depreciation						
1 April 2010	3,723	1,152	1,216	3,169	-	9,260
Charge for the year	1,535	200	302	1,563	-	3,600
Currency translation differences	-	-	3	2	-	5
Disposals / write off	(1,307)	(441)	(162)	(548)	-	(2,458)
31 March 2011	**3,951**	**911**	**1,359**	**4,186**	**-**	**10,407**
Net book amount						
31 March 2011	**21,028**	**2,467**	**5,088**	**4,172**	**7,093**	**39,848**

The net book amount of property, plant and equipment includes AED 19,497 m (2010: AED 14,459 m) in respect of aircraft held under finance leases.

The net book amount of aircraft, aircraft engines and parts includes an amount of AED 1,209 m (2010: AED 305 m) in respect of assets provided as security against term loans.

Land of AED 306 m (2010: AED 279 m) is carried at cost and is not depreciated.

Capital projects include pre-delivery payments of AED 4,995 m (2010: AED 2,376 m) in respect of aircraft (Note 29) due for delivery between 2011 and 2020. During the previous year, an amount of AED 109 m was transferred to deferred credits consequent to the sale and lease back of certain aircraft.

12. Intangible assets

	Goodwill AED m	Service rights AED m	Trade names AED m	Contractual rights AED m	Computer software AED m	Total AED m
Cost						
1 April 2009	563	162	19	17	432	1,193
Additions	-	-	-	2	70	72
Disposals / write off	-	-	-	-	(7)	(7)
Currency translation differences	1	-	-	-	1	2
31 March 2010	**564**	**162**	**19**	**19**	**496**	**1,260**
Amortisation and impairment						
1 April 2009	7	44	-	-	219	270
Amortisation for the year	-	11	1	1	56	69
Disposals / write off	-	-	-	-	(6)	(6)
31 March 2010	**7**	**55**	**1**	**1**	**269**	**333**
Net book amount						
31 March 2010	**557**	**107**	**18**	**18**	**227**	**927**

12. Intangible assets (continued)

	Goodwill AED m	Service rights AED m	Trade names AED m	Contractual rights AED m	Computer software AED m	Total AED m
Cost						
1 April 2010	564	162	19	19	496	1,260
Additions	-	-	-	5	44	49
Disposals / write off	-	-	-	-	(1)	(1)
Currency translation differences	-	-	-	3	-	3
31 March 2011	**564**	**162**	**19**	**27**	**539**	**1,311**
Amortisation and impairment						
1 April 2010	7	55	1	1	269	333
Amortisation for the year	-	10	1	2	64	77
Disposals / write off	-	-	-	-	(1)	(1)
Currency translation differences	-	-	-	1	-	1
31 March 2011	**7**	**65**	**2**	**4**	**332**	**410**
Net book amount						
31 March 2011	**557**	**97**	**17**	**23**	**207**	**901**

Computer software includes an amount of AED 52 m (2010: AED 67 m) in respect of projects under implementation.

For the purpose of testing goodwill for impairment, goodwill amounting to AED 159 m (2010: AED 159 m) is allocated to the consumer goods cash generating unit, AED 25 m (2010: AED 25 m) is allocated to the food and beverages cash generating unit and AED 369 m (2010: AED 369 m) is allocated to the in-flight catering services cash generating unit. These cash generating units are based in the UAE. The recoverable amounts for these cash generating units have been determined on the basis of value-in-use calculations.

The key assumptions used in the value-in-use calculations include a risk adjusted discount rate, growth rates based on management's expectations for market development and historical gross margins of 24%, 24% and 27% for consumer goods, food and beverages and in-flight catering services cash generating units respectively. Cash flow projections are based on forecasts approved by management covering a three year period. Projected cash flows are discounted using a pre-tax discount rate of 12% per annum, which reflects specific risks relating to the cash generating units. Cash flows beyond the three year period have been extrapolated using a growth rate of 4% per annum. The growth rate does not exceed the long term average growth rate for the markets in which the cash generating units operate.

Goodwill allocated to the food and beverages cash generating unit in Australia amounts to AED 4 m (2010: AED 4 m) and management is of the opinion that this goodwill is not impaired.

13. Investments in subsidiaries, associated companies and joint ventures

	Percentage of equity owned	Principal activities	Country of incorporation and principal operations
Principal subsidiaries			
Maritime & Mercantile International L.L.C.	68.7	Wholesale and retail of consumer goods	UAE
Maritime & Mercantile International Holding L.L.C.	100.0	Holding company	UAE
Emirates Leisure Retail Holding L.L.C.	100.0	Holding company	UAE
Emirates Leisure Retail L.L.C.	68.7	Food and beverage operations	UAE
Emirates Leisure Retail (Oman) L.L.C.	70.0	Food and beverage operations	Oman
Emirates Leisure Retail (Singapore) Pte Ltd.	100.0	Food and beverage operations	Singapore
Emirates Leisure Retail (Australia) Pty Ltd.	100.0	Food and beverage operations	Australia
Emirates Hotel L.L.C.	100.0	Hotel operations	UAE
Emirates Hotels (Australia) Pty Ltd.	100.0	Hotel operations	Australia
Emirates Flight Catering Company L.L.C.	90.0	In-flight and institutional catering	UAE

Principal associated company

The investment in Alpha Flight Services Pty Ltd. was sold during the year.

Principal joint ventures			
Emirates-CAE Flight Training L.L.C.	50.0	Flight simulator training	UAE
Premier Inn Hotels L.L.C.	51.0	Hotel operations	UAE
CAE Flight Training (India) Private Ltd.	50.0	Flight simulator training	India

Premier Inn Hotels L.L.C. is subject to joint control and is therefore accounted for as a jointly controlled entity.

13. Investments in subsidiaries, associated companies and joint ventures (continued)

Movement of investments in associated companies and joint ventures

	2011 AED m	2010 AED m
Balance brought forward	**461**	**441**
Investments during the year	-	18
Share of results	91	77
Dividends	(93)	(95)
Currency translation differences	9	20
Disposal during the year	(82)	-
Balance carried forward	**386**	**461**

The carrying value of the investments in associated companies amounted to AED 91 m (2010: AED 165 m) and the share of results amounted to AED 76 m (2010: AED 72 m).

Summarised financial information in respect of the associated companies is set out below:

	2011 AED m	2010 AED m
Total assets	382	625
Total liabilities	114	205
Net assets	268	420
Revenue	938	866
Profit for the year	176	164

Summarised financial information in respect of Emirates' share in jointly controlled entities is set out below:

	2011 AED m	2010 AED m
Non-current assets	550	506
Current assets	74	60
Non-current liabilities	274	221
Current liabilities	55	49
Total income	135	103
Total expense	120	98

14. Advance lease rentals

	2011 AED m	2010 AED m
Balance brought forward	**283**	**223**
Additions / transfers during the year	262	93
Charge for the year	(65)	(33)
Balance carried forward	**480**	**283**
Advance lease rentals will be charged to the consolidated income statement as follows:		
Within one year (Note 17)	**96**	**50**
Total over one year	**384**	**233**

Advance lease rentals are non-refundable in the event of the related lease being terminated prior to its expiry.

15. Loans and other receivables

	2011 AED m	2010 AED m
Related parties (Note 35)	1,558	1,333
Other receivables	65	99
	1,623	**1,432**
Prepayments	81	-
	1,704	**1,432**
The amounts (excluding prepayments) are receivable as follows:		
Between 2 and 5 years	1,596	1,363
After 5 years	27	69
	1,623	**1,432**
Loans and other receivables (excluding prepayments) are denominated in the following currencies:		
UAE Dirhams	55	53
US Dollars	1,523	1,334
Others	45	45

The fair value of loans and receivables amounts to AED 1,623 m (2010: AED 1,435 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 maximum exposure to credit risk at the reporting date is the carrying value of the loans and other receivables. At the end of the reporting period, loans and other receivables were neither past due nor impaired.

16. Inventories

	2011 AED m	2010 AED m
Engineering	548	483
In-flight consumables	454	355
Consumer goods	186	149
Other	102	97
	1,290	**1,084**

In-flight consumables include AED 239 m (2010: AED 154 m) relating to items which are not expected to be consumed within twelve months after the reporting period.

17. Trade and other receivables

	2011 AED m	2010 AED m
Trade receivables - net of provision	3,487	3,142
Related parties (Note 35)	1,977	2,010
Prepayments	1,026	1,532
Advance lease rentals (Note 14)	96	50
Operating lease and other deposits	905	899
Other receivables	694	807
	8,185	**8,440**
Less: Receivables over one year (Note 15)	(1,704)	(1,432)
	6,481	**7,008**

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.

17. Trade and other receivables (continued)

Movements in the provision for impairment of trade receivables are as follows:

	2011 AED m	2010 AED m
Balance brought forward	**90**	**84**
Charge for the year	76	47
Unused amounts reversed	(34)	(33)
Amounts written off as uncollectible	(13)	(10)
Currency translation differences	3	2
Balance carried forward	**122**	**90**

The other classes of trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk of current trade and other receivables at the reporting date is the carrying value of each class of receivables.

Ageing of receivables that are past due but not impaired is as follows:

	2011 AED m	2010 AED m
Below 3 months	275	516
3-6 months	19	31
Above 6 months	109	94
	403	**641**

18. Capital

Capital represents the permanent capital of Emirates.

19. Other reserves

	Fair value reserve			
	Hedging instruments	**Other**	**Translation reserve**	**Total**
	AED m	AED m	AED m	AED m
1 April 2009	**(135)**	**-**	**(66)**	**(201)**
Currency translation differences	-	-	124	124
Loss on available-for-sale financial assets	-	(109)	-	(109)
Loss on fair value of cash flow hedges	(167)	-	-	(167)
Transferred to the consolidated income statement	(77)	109	-	32
31 March 2010	**(379)**	**-**	**58**	**(321)**
Currency translation differences	-	-	53	53
Gain on available-for-sale financial assets	-	195	-	195
Loss on fair value of cash flow hedges	(525)	-	-	(525)
Transferred to the consolidated income statement	243	(195)	(15)	33
31 March 2011	**(661)**	**-**	**96**	**(565)**

The amounts transferred to the consolidated income statement have been (debited) / credited to the following line items:

	2011	**2010**
	AED m	AED m
Revenue	(41)	177
Other operating income	210	-
Operating costs	(38)	(137)
Finance costs	(164)	(72)
	(33)	**(32)**

20. Borrowings and lease liabilities

	2011 AED m	2010 AED m
Non-current		
Bonds (Note 21)	4,290	4,900
Term loans (Note 22)	1,009	296
Lease liabilities (Note 23)	15,203	11,557
	20,502	**16,753**
Current		
Bonds (Note 21)	727	1,835
Term loans (Note 22)	139	113
Lease liabilities (Note 23)	1,853	891
Bank overdrafts (Note 31)	9	13
	2,728	**2,852**
	23,230	**19,605**
Borrowings and lease liabilities are denominated in the following currencies:		
UAE Dirhams	2,023	2,085
US Dollars	19,860	16,301
Singapore Dollars	1,164	1,046
Others	183	173

The effective interest rate per annum on lease liabilities and term loans was 3.0% (2010: 2.5%) and on bonds was 1.8% (2010: 2.4%).

21. Bonds

	2011 AED m	2010 AED m
Bonds are denominated in the following currencies:		
UAE Dirhams	1,836	1,837
Singapore Dollars	1,164	1,047
US Dollars	2,020	3,857
	5,020	**6,741**
Less: Transaction costs	(3)	(6)
	5,017	**6,735**

	2011 AED m	2010 AED m
Bonds are repayable as follows:		
Within one year (Note 20)	**727**	**1,835**
Between 2 and 5 years	3,854	4,507
After 5 years	436	393
Total over one year (Note 20)	**4,290**	**4,900**

Contractual repricing dates are set at six month intervals except for bonds denominated in Singapore Dollars amounting to AED 582 m (2010: AED 524 m) which carry a fixed interest rate over their term.

USD bonds, carried at AED 2,020 m (2010: AED 2,020 m), represent the proceeds raised from an Islamic 'sukuk' (bond) issue to finance the construction of certain buildings.

The fair value of bonds amount to AED 4,802 m (2010: AED 6,268 m). The fair value of the Singapore Dollar bonds is AED 1,095 m (2010: AED 879 m), which is based on listed prices. The fair value of the other bonds 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.

22. Term loans

	2011 AED m	2010 AED m
Balance brought forward	**409**	**531**
Additions during the year	992	-
Repayments during the year	(240)	(122)
Balance carried forward	**1,161**	**409**
Less: Transaction costs	(13)	-
	1,148	**409**
Loans are repayable as follows:		
Within one year (Note 20)	**139**	**113**
Between 2 and 5 years	498	296
After 5 years	511	-
Total over one year (Note 20)	**1,009**	**296**

22. Term loans (continued)

	2011 AED m	2010 AED m
Loans are denominated in the following currencies:		
UAE Dirhams	189	251
US Dollars	959	158

Contractual repricing dates are set at three to six month intervals. Term loans amounting to AED 973 m (2010: AED 158 m) are secured on aircraft, aircraft engines and parts.

The fair value of the term loans amounts to AED 1,129 m (2010: AED 404 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.

23. Lease liabilities

Finance leases

	2011 AED m	2010 AED m
Gross lease liabilities:		
Within one year	2,390	1,280
Between 2 and 5 years	7,671	5,700
After 5 years	11,238	9,048
	21,299	**16,028**
Future interest	(4,243)	(3,580)
Present value of finance lease liabilities	**17,056**	**12,448**
The present value of finance lease liabilities is repayable as follows:		
Within one year (Note 20)	**1,853**	**891**
Between 2 and 5 years	5,549	3,862
After 5 years	9,654	7,695
Total over one year (Note 20)	**15,203**	**11,557**

	2011 AED m	2010 AED m
The present value of finance lease liabilities are denominated in the following currencies:		
US Dollars	16,878	12,284
Others	178	164

The lease liabilities are secured on the related aircraft and aircraft engines. In the event of these finance leases being terminated prior to their expiry, penalties are payable. Had these leases been cancelled at 31 March 2011, the penalties would have been AED 64 m (2010: AED 264 m).

The fair value of lease liabilities amounts to AED 16,377 m (2010: AED 10,730 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.

Operating leases

	2011 AED m	2010 AED m
Future minimum lease payments are as follows:		
Aircraft fleet	28,832	31,001
Other	2,444	2,769
	31,276	**33,770**
Within one year	4,485	4,452
Between 2 and 5 years	16,807	16,201
After 5 years	9,984	13,117
	31,276	**33,770**

In the event of the aircraft leases being terminated prior to their expiry, penalties are payable. Had these leases been cancelled at 31 March 2011, the penalties would have been AED 414 m (2010: AED 1,014 m).

23. Lease liabilities (continued)

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. Further, Emirates is entitled to purchase fifteen of one hundred and three (2010: eighteen of one hundred and one) aircraft under these leases.

In addition, Emirates has seven (2010: seven) Boeing aircraft contracted on operating leases for delivery between April 2011 and March 2016.

24. 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 2011, in respect of employees' end of service benefits payable under relevant local regulations and contractual arrangements. The assessment assumed expected salary increases averaging 5.0% (2010: 5.0%) and a discount rate of 6.0% (2010: 6.0%) per annum. The present values of the defined benefit obligations at 31 March 2011 were computed using the actuarial assumptions set out above.

The liabilities recognised in the consolidated statement of financial position are:

	2011 AED m	2010 AED m
Funded scheme		
Present value of defined benefit obligations	1,099	861
Less: Fair value of plan assets	(1,087)	(851)
	12	**10**
Unfunded scheme		
Present value of defined benefit obligations	467	388
Unamortised actuarial losses	(89)	(34)
	378	**354**
Liability recognised in the consolidated statement of financial position	**390**	**364**

(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 between seventy five and one hundred percent of their fund balance. Vested assets of the scheme are not available to Emirates or its creditors in any circumstances.

The liability of AED 12 m (2010: AED 10 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.

24. Retirement benefit obligations (continued)

The movement in the fair value of the plan assets are as follows:

	2011 AED m	2010 AED m
Balance brought forward	**851**	**603**
Contributions received	170	152
Benefits paid	(41)	(19)
Change in fair value	107	115
Balance carried forward	**1,087**	**851**

Contributions received include the transfer of accumulated benefits from unfunded schemes. Emirates expects to contribute approximately AED 175 m for existing plan members during the year ending 31 March 2012.

Actuarial gains and losses and expected returns 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, together with adjustments for past-service costs and unamortised actuarial gains.

The movement in the defined benefit obligation is as follows:

	2011 AED m	2010 AED m
Balance brought forward	**354**	**335**
Current service cost	63	52
Interest cost	17	14
Payments made during the year	(56)	(47)
Balance carried forward	**378**	**354**

Payments made during the year include the transfer of accumulated benefits to Emirates' funded scheme.

The total amount recognised in the consolidated income statement is as follows:

	2011 AED m	2010 AED m
Defined benefit plan		
Funded scheme		
Contributions expensed	159	146
Net change in the present value of defined benefit obligations over plan assets	2	(22)
	161	**124**
Unfunded scheme		
Current service cost	63	52
Interest cost	17	14
	80	**66**
Defined contribution plan		
Contributions expensed	**132**	**111**
Recognised in the consolidated income statement	**373**	**301**

25. Deferred revenue

Deferred revenue relates to the frequent flyer programme and represents the fair value of outstanding award credits. Revenue is recognised when Emirates fulfills its obligations by supplying free or discounted goods or services on the redemption of the award credits.

26. Deferred credits

	2011 AED m	2010 AED m
Balance brought forward	**622**	**661**
Net additions during the year	109	131
Recognised during the year	(167)	(170)
Transferred to property, plant and equipment	(27)	-
Balance carried forward	**537**	**622**
Deferred credits will be recognised as follows:		
Within one year	**136**	**162**
Over one year	**401**	**460**

Deferred credits transferred to property, plant and equipment are consequent to a change in the classification of certain aircraft from an operating lease to a finance lease.

27. Deferred income tax liability

	2011 AED m	2010 AED m
Balance brought forward	**4**	**13**
Credited to the consolidated income statement (Note 9)	(2)	(9)
Balance carried forward	**2**	**4**

The deferred income tax liability is on account of accelerated tax depreciation.

A deferred tax asset has not been recognised in respect of carried forward tax losses amounting to AED 1,620 m (2010: AED 1,086 m).

28. Trade and other payables

	2011 AED m	2010 AED m
Trade payables and accruals	10,112	8,402
Related parties (Note 35)	390	285
Passenger and cargo sales in advance	7,080	6,209
Dividend payable	-	600
	17,582	**15,496**
Less: Payables over one year	(31)	(21)
	17,551	**15,475**

The carrying value of trade and other payables over one year approximate their fair value.

29. Commitments

Capital commitments

	2011 AED m	2010 AED m
Authorised and contracted:		
Aircraft fleet	140,145	92,145
Non-aircraft	1,451	1,028
Joint ventures	66	56
	141,662	**93,229**
Authorised but not contracted:		
Non-aircraft	2,429	1,429
Joint ventures	61	11
	2,490	**1,440**
	144,152	**94,669**

Commitments have been entered into for the purchase of aircraft for delivery as follows (Note 11):

Financial year	**Aircraft**
2011-2012	21
Beyond 2011 - 2012	172

In addition, options are held on fifty Airbus aircraft.

Operational commitments

	2011 AED m	2010 AED m
Sales and marketing	1,347	1,592

30. Guarantees

	2011 AED m	2010 AED m
Performance bonds and letters of credit provided by bankers in the normal course of business	357	319

31. Short term bank deposits and cash and cash equivalents

	2011 AED m	2010 AED m
Bank deposits	12,753	9,553
Cash and bank	1,220	958
Cash and bank balances	**13,973**	**10,511**
Less: Short term bank deposits - margins placed	-	(230)
Less: Short term bank deposits - over 3 months	(3,777)	(946)
Short term bank deposits	**(3,777)**	**(1,176)**
Cash and cash equivalents as per the consolidated statement of financial position	**10,196**	**9,335**
Bank overdraft (Note 20)	(9)	(13)
Cash and cash equivalents as per the consolidated statement of cash flows	**10,187**	**9,322**

Cash and bank balances earned an effective interest rate of 3.6% (2010: 3.7%) per annum. Margins are placed against letters of credit issued by bankers.

32. 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:

	2011 AED m	2010 AED m
Payments for property, plant and equipment	12,189	7,981
Less: Assets acquired under finance leases	(5,685)	(4,565)
	6,504	**3,416**

33. Derivative financial instruments

Description	2011		2010	
	Term	AED m	Term	AED m
Non-current assets				
Cash flow hedge				
Currency swaps and forwards		-	2010-2017	64
		-		**64**
Current assets				
Cash flow hedge				
Currency swaps and forwards		53		70
Fair value through profit and loss				
Jet fuel price futures and options		70		4
		123		**74**
Non-current liabilities				
Cash flow hedge				
Interest rate swaps	2011-2021	(552)	2010-2020	(467)
Currency swaps and forwards	2011-2017	(90)		-
		(642)		**(467)**
Current liabilities				
Cash flow hedge				
Interest rate swaps		(4)		(6)
Currency swaps and forwards		(57)		(6)
		(61)		**(12)**

The notional principal amounts outstanding are:

	2011 AED m	2010 AED m
Interest rate contracts	6,822	7,645
Currency contracts	4,998	3,646
Fuel price contracts	4,297	578

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.

Net losses on account of terminated currency derivatives amounting to AED 27 m (2010: AED 23 m) will enter into the determination of profit between 2011 and 2017.

Gains on account of terminated interest rate derivatives amounting to AED 19 m (2010: AED 36 m) will enter into the determination of profit between 2011 and 2012.

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.

34. 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
2010				
Assets				
Loans and other receivables	1,432	-	-	1,432
Derivative financial instruments	-	138	-	138
Trade and other receivables (excluding prepayments and advance lease rentals)	5,426	-	-	5,426
Short term bank deposits	1,176	-	-	1,176
Cash and cash equivalents	9,335	-	-	9,335
Total	**17,369**	**138**	**-**	**17,507**
Liabilities				
Borrowings and lease liabilities	-	-	19,605	19,605
Trade and other payables (excluding passenger and cargo sales in advance and other non financial liabilities)	-	-	8,241	8,241
Derivative financial instruments	-	479	-	479
Total	**-**	**479**	**27,846**	**28,325**

34. Classification of financial instruments (continued)

Description	Loans and receivables AED m	Derivative financial instruments AED m	Financial liabilities at amortised cost AED m	Total AED m
2011				
Assets				
Loans and other receivables	1,704	-	-	1,704
Derivative financial instruments	-	123	-	123
Trade and other receivables (excluding prepayments and advance lease rentals)	5,359	-	-	5,359
Short term bank deposits	3,777	-	-	3,777
Cash and cash equivalents	10,196	-	-	10,196
Total	**21,036**	**123**	**-**	**21,159**
Liabilities				
Borrowings and lease liabilities	-	-	23,230	23,230
Trade and other payables (excluding passenger and cargo sales in advance and other non financial liabilities)	-	-	9,665	9,665
Derivative financial instruments	-	703	-	703
Total	**-**	**703**	**32,895**	**33,598**

Financial instruments held at fair value by level of fair value hierarchy

The levels of fair value hierarchy are defined as follows:

Level 1 : Measurement is made by using quoted prices (unadjusted) from active market.
Level 2 : Measurement is made by means of valuation 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.

Derivative financial instruments fall into Level 2 of the fair value hierarchy.

35. Related party transactions

The following transactions were carried out with related parties:

	2011 AED m	2010 AED m
Trading transactions:		
(i) Sale of goods and services		
Sale of goods - Associated companies	51	33
Sale of goods - Companies under common control	12	8
Services rendered - Joint ventures	12	10
Services rendered - Companies under common control	78	64
	153	**115**
(ii) Purchase of goods and services		
Purchase of goods - Associated companies	268	282
Purchase of goods - Companies under common control	2,668	2,322
Services received - Companies under common control	1,634	1,469
	4,570	**4,073**
Other transactions:		
(i) Finance income		
Joint ventures	8	8
Companies under common control	31	31
	39	**39**
(ii) Compensation to key management personnel		
Salaries and short term employee benefits	187	124
Post-employment benefits	14	13
Termination benefits	-	1
	201	**138**

	2011 AED m	2010 AED m
(iii) Sale of investment		
Sale of investment in associated company- Companies under common control	**82**	**-**
(iv) Provision of letters of credit		
Parent company	**-**	**918**
Year end balances		
(i) Receivables - sale of goods and services (Note 17)		
Associated companies	14	28
Joint ventures	9	6
Companies under common control	13	31
	36	**65**
(ii) Receivables - other transactions		
Joint ventures	6	5
Companies under common control	773	830
Parent company	-	500
	779	**1,335**
Receivable within one year (Note 17)	**115**	**592**
Receivable over one year (Note 15)	**664**	**743**

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.

35. Related party transactions (continued)

	2011 AED m	2010 AED m
(iii) Payables - purchase of goods and services (Note 28)		
Associated companies	30	19
Companies under common control	360	266
	390	**285**
(iv) Loans		
Joint ventures	96	100
Companies under common control	1,062	504
	1,158	**604**
Movement in the loans were as follows:		
Balance brought forward	**604**	**721**
Addition during the year	571	33
Repayments during the year	(18)	(155)
Currency translation differences	1	5
Balance carried forward	**1,158**	**604**
Receivable within one year (Note 17)	**265**	**17**
Receivable over one year (Note 15)	**893**	**587**

The effective interest rate on the loans was 5.2% (2010: 6.9%) per annum.

	2011 AED m	2010 AED m
(v) Loans and advances to key management personnel		
Balance brought forward	**6**	**8**
Additions during the year	3	3
Repayments during the year	(5)	(5)
Balance carried forward	**4**	**6**
Receivable within one year (Note 17)	**3**	**3**
Receivable over one year (Note 15)	**1**	**3**

Loans and advances are interest free and repayable over a period upto sixty months. Emirates has the right to recover outstanding loans and advances against the final dues payable to the employees.

36. 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 systems. 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.

Risk management is carried out by corporate treasury under procedures that are approved by a steering group comprising of senior management. Corporate treasury identifies, evaluates and hedges financial risks in close cooperation with the operating units. Senior management is also responsible for the review of risk management and the control environment. The most important types of risk are credit risk and concentrations of risk, market risk and liquidity risk. Market risk includes currency risk, interest rate risk and price risk.

(i) Credit risk

Emirates is exposed to credit risk, which is the risk that the 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 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 38% (2010: 42%) of short term bank deposits and cash and cash equivalents are held with financial institutions under common control. Approximately 93% (2010: 92%) 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. 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.

The table below presents an analysis of short term bank deposits, cash and cash equivalents and held-to-maturity financial assets by rating agency designation at the end of reporting period based on Standard & Poor's ratings or its equivalent for the main banking relationships:

	2011 AED m	2010 AED m
AA- to AA+	388	466
A- to A+	12,167	8,738
Lower than A-	977	889

36. 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 utilises commodity futures and options 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, the functional currency 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 UK Pounds, Euro, Australian Dollars 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.

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, by hedging around half of its net interest rate exposure going forward, using appropriate hedging solutions including interest swaps. Variable rate debt and cash surpluses are mainly denominated in UAE Dirhams and US Dollars.

The following sensitivity analysis 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.

	2011		2010	
	Effect on profit	**Effect on equity**	**Effect on profit**	**Effect on equity**
	AED m	AED m	AED m	AED m
Interest cost				
- 100 basis points				
UAE Dirhams	21	21	21	21
US Dollars	76	(209)	61	(422)
Singapore Dollars	6	6	5	5
Others	-	(21)	-	(28)
	103	**(203)**	**87**	**(424)**
+ 100 basis points				
UAE Dirhams	(21)	(21)	(21)	(21)
US Dollars	(76)	209	(61)	422
Singapore Dollars	(6)	(6)	(5)	(5)
Others	-	21	-	28
	(103)	**203**	**(87)**	**424**

36. Financial risk management (continued)

	2011		2010	
	Effect on profit AED m	Effect on equity AED m	Effect on profit AED m	Effect on equity AED m
Interest income				
- 100 basis points	(29)	(29)	(17)	(17)
+ 100 basis points	29	29	17	17
Currency - UK Pounds				
+ 1%	1	(5)	1	(4)
- 1%	(1)	5	(1)	4
Currency - Euro				
+ 1%	2	(7)	3	(3)
- 1%	(2)	7	(3)	3
Currency - Australian Dollars				
+ 1%	1	(5)	3	1
- 1%	(1)	5	(3)	(1)
Currency - Japanese Yen				
+ 1%	-	(3)	-	(1)
- 1%	-	3	-	1
Currency - Singapore Dollars				
+ 1%	(12)	(12)	(10)	(10)
- 1%	12	12	10	10
Fuel price				
+ 5 US Dollar	-	44	(1)	(1)
- 5 US Dollar	-	(22)	2	2

(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 the 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. Emirates maintains diversified credit lines to enable this to happen.
- Maintaining rolling forecasts of Emirates' liquidity position on the basis of expected cash flows.
- Monitoring liquidity ratios against internal standards.
- Maintaining debt financing plans.

Sources of liquidity are regularly reviewed by senior management to maintain a diversification by geography, provider, product and term.

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
2011				
Borrowings and lease liabilities	3,196	12,523	12,328	28,047
Derivative financial instruments	299	335	(24)	610
Trade and other payables (excluding passenger and cargo sales in advance and other non financial liabilities)	9,634	31	-	9,665
	13,129	**12,889**	**12,304**	**38,322**

36. Financial risk management (continued)

	Less than 1 year	2 - 5 years	Over 5 years	Total
	AED m	AED m	AED m	AED m
2010				
Borrowings and lease liabilities	3,386	11,001	9,463	23,850
Derivative financial instruments	249	300	(70)	479
Trade and other payables (excluding passenger and cargo sales in advance and other non financial liabilities)	8,220	21	-	8,241
	11,855	**11,322**	**9,393**	**32,570**

37. Capital risk 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 for the year 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 2010, Emirates achieved a return on Owner's equity funds of 28.3% (2010: 21.6%) in comparison to an effective interest rate of 2.7% (2010: 2.5%) on borrowings.

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 to total equity. In 2011 this ratio was 44.3% (2010: 52.0%) and if aircraft operating leases are included, the same ratio was 127.1% (2010: 158.5%).

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