IMPORTANT NOTICE

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the Prospectus (the "**Prospectus**") following this notice, and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached Prospectus. In accessing the attached Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from the Issuer and the Joint Lead Managers as a result of such access.

Confirmation of Your Representation: By accessing the attached Prospectus you have confirmed to Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, Emirates NBD Capital Limited, J.P. Morgan Securities plc, Morgan Stanley & Co. International plc and Standard Chartered Bank (together, the "**Joint Lead Managers**" and each a "**Joint Lead Manager**") and Emirates (the "**Issuer**") that (i) you understand and agree to the terms set out herein, (ii) you are a person that is a "**Qualified Institutional Buyer**" within the meaning of Rule 144A under the Securities Act (a "**QIB**") or you are outside the United States, (iii) you consent to delivery by electronic transmission, (iv) you will not transmit the attached Prospectus (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 consent of the Joint Lead Managers and the Issuer, and (v) you acknowledge that you will make your own assessment regarding any legal, taxation or other economic considerations with respect to your decision to subscribe for or purchase any of the Notes.

You are reminded that the attached Prospectus has been delivered to you on the basis that you are a person into whose possession the attached Prospectus 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 the attached Prospectus, electronically or otherwise, to any other person and in particular to any US address. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

You are reminded that no representation or warranty, expressed or implied, is made or given by or on behalf of the Joint Lead 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 Joint Lead Managers are acting exclusively for the Issuer and no one else in connection with the offer. They will not regard any other person (whether or not a recipient of the attached document) as their respective clients in relation to the offer and will not be responsible to anyone other than the Issuer for providing the protections provided to the respective clients nor for giving advice in relation to the offer or any transaction or arrangement referred to in the attached document.

Restrictions: NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE OR A SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE NOTES IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL.

ANY NOTES TO BE ISSUED HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QIB WITHIN THE MEANING OF RULE 144A THAT IS ACQUIRING THE NOTES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER RULE 144 UNDER THE SECURITIES ACT, IF AVAILABLE, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

THE ATTACHED PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED, IN WHOLE OR IN PART, TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED PROSPECTUS 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.

The attached Prospectus is not being distributed to, and must not be passed on to, the general public in the UK. Rather, the communication of the attached Prospectus as a financial promotion is only being made to those persons falling within Article 12, Article 19(5) or Article 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, or to other persons to whom the attached Prospectus may otherwise be distributed without contravention of section 21 of the Financial Services and Markets Act 2000. 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.

This Prospectus does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that an offering of securities described herein be made by a licensed broker or dealer and a Joint Lead Manager or any affiliate of the applicable Joint Lead Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Manager or such affiliate on behalf of the Issuer in such jurisdiction.

The attached Prospectus 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 the Issuer, the Joint Lead Managers, any person who controls any of the Issuer or the Joint Lead Managers, any director, officer, employee or agent of any of them, or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the attached Prospectus distributed to you in electronic format and the hard copy version available to you on request from any of the Joint Lead Managers. Please ensure that your copy is complete. You are responsible for protecting against viruses and other destructive items. Your use of this document 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

Emirates

(incorporated with limited liability under the laws of Dubai)

U.S.$750,000,000
4.50 per cent. Notes due 2025

Issue Price — 99.941 per cent.

U.S.$750,000,000 4.50 per cent. Notes due 2025 (the "**Notes**") will be issued by Emirates (the "**Issuer**" or "**Emirates**"). Interest on the Notes is payable semi-annually in arrear on 6 February and 6 August in each year. Interest on the outstanding principal amount of the outstanding Notes will accrue from and including 6 February 2013 (the "**Issue Date**"). Payments on the Notes will be made without deduction for or on account of taxes of the United Arab Emirates and the Emirate of Dubai to the extent described under "*Terms and Conditions of the Notes — Taxation*".

The Notes will be redeemed in instalments on 6 February and 6 August in each year commencing on 6 February 2015. The instalment amounts are set out in Condition 6 (*Redemption and Purchase*). The Notes mature on 6 February 2025 but the Notes may be redeemed before maturity at the option of the Issuer in whole but not in part at their outstanding principal amount together with accrued interest at any time in the event of certain changes affecting taxes of the United Arab Emirates and/or the Emirate of Dubai, and may also be redeemed before maturity at the option of the relevant holder at their outstanding principal amount together with accrued interest following a Change of Control (as defined in the Terms and Conditions). See "*Terms and Conditions of the Notes — Redemption and Purchase*".

The Notes, subject to Condition 4 (*Negative Pledge*), will constitute unsecured obligations of the Issuer. See "*Terms and Conditions of the Notes — Status*".

This Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**") as competent authority under Directive 2003/71/EC, as amended, to the extent that such amendments have been implemented in the relevant Member State of the European Economic Area (the "**Prospectus Directive**"). Such approval relates only to the Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange or any other regulated markets for the purposes of Directive 2004/39/EC (each such regulated market being a "**MiFID Regulated Market**") or which are to be offered to the public in any member state of the European Economic Area (each a "**Member State**"). The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and European Union ("**EU**") law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the official list (the "**Official List**") and trading on its regulated market (the "**Regulated Market**"). References in this Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to listing on the Official List and admitted to trading on the Regulated Market or, as the case may be, another MiFID Regulated Market.

The minimum denominations of the Notes will be U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

The Notes will initially be evidenced by registered certificates (the "**Certificates**"). The Certificates will be evidenced on issue by (i) interests in a global unrestricted note certificate in registered form (the "**Regulation S Global Note Certificate**") in the case of Notes offered to non-U.S. persons outside the United States in reliance on Regulation S ("**Regulation S**") under the United States Securities Act of 1933, as amended (the "**Securities Act**") and (ii) interests in one or more global restricted note certificates in registered form (each a "**Rule 144A Global Note Certificate**" and together with the Regulation S Global Note Certificate, the "**Global Note Certificates**") in the case of Notes offered within the United States only to qualified institutional buyers ("**QIBs**") as defined in and in reliance on Rule 144A ("**Rule 144A**") under the Securities Act. The Regulation S Global Note Certificate will be deposited on the Issue Date with, and registered in the name of a nominee of, a common depositary (the "**Common Depositary**") on behalf of Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). Each Rule 144A Global Note Certificate will be registered in the name of Cede & Co. as nominee for The Depository Trust Company ("**DTC**") and will be deposited on the Issue Date with a custodian for DTC. Beneficial interests in a Rule 144A Global Note Certificate will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants, see "*Clearing and Settlement*".

Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Prospectus. Potential investors should be aware that the Government of Dubai is not guaranteeing the obligations of the Issuer under the Notes.

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes are being offered and sold outside the United States in reliance on Regulation S and within the United States only to QIBs in reliance on Rule 144A. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of Notes and distribution of this Prospectus, see "*Subscription and Sale*" and "*Transfer Restrictions*".

Global Coordinators

Citigroup **Standard Chartered Bank**

Joint Lead Managers

Citigroup **Deutsche Bank**
Emirates NBD Capital Limited **J.P. Morgan**
Morgan Stanley **Standard Chartered Bank**

The date of this Prospectus is 1 February 2013

This Prospectus comprises a prospectus for the purposes of the Prospectus Directive and for the purpose of giving information with regard to the Issuer, the Group (as defined in "*Presentation of Financial and Other Information*") and the Notes which according to the particular nature of the Issuer, the Group and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer.

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer (which has 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 Issuer or the Joint Lead Managers to subscribe or purchase, any of the Notes. None of the Joint Lead Managers or the Issuer makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. None of the Issuer or the Joint Lead Managers represent that this Prospectus may be lawfully distributed, or that the Notes 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 Issuer or the Joint Lead Managers which is intended to permit a public offering of the Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, the Notes 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 Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of the Notes.

For a description of further restrictions on offers and sales of Notes 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 Issuer or the Joint Lead 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 Issuer 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 Issuer 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 Notes 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 Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or any of the Joint Lead Managers that any recipient of this Prospectus or any other information supplied in connection with the issue of the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Furthermore, no comment is made or advice given by the Issuer or the Joint Lead Managers in respect of taxation matters relating to any Notes or the legality of the purchase of Notes by an investor under applicable or similar laws. None of the Joint Lead Managers undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Joint Lead Managers.

Each potential investor in the Notes 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 Notes, the merits and risks of investing in the Notes 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 Notes 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 Notes, including where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Notes 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.

A potential investor should not invest in the Notes unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

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

To the fullest extent permitted by law, the Joint Lead Managers accept no responsibility whatsoever for the contents of this Prospectus, or for any other statement made or purported to be made by a Joint Lead Manager or on its behalf in connection with the Issuer or the issue and offering of the Notes. Each Joint Lead 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 Joint Lead 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.

This Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States, the resale of the Notes in the United States in reliance on Rule 144A under the Securities Act and the listing of the Notes. The Issuer and the Joint Lead Managers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Prospectus does not constitute an offer to any person in the United States other than any QIB and to whom an offer has been made directly by one of the Joint Lead Managers or its U.S. broker-dealer affiliate. Distribution of this Prospectus to any person within the United States, other than any QIB and those persons, if any, retained to advise such QIB with respect there to, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such person within the United States, other than any QIB and those persons, if any, retained to advise such QIB, is prohibited.

Except as described in this Prospectus, beneficial interests in the Regulation S Global Note Certificate will be represented through accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in Euroclear and Clearstream, Luxembourg. Except as described in this Prospectus, beneficial interests in the Rule 144A Global Note Certificates will be represented through accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Except as described in this Prospectus, owners of beneficial interests in the Global Note Certificates will not be entitled to have the Notes registered in their names, will not receive or be entitled to receive physical delivery of the Notes in definitive form and will not be considered holders of the Notes under the Notes and the Fiscal Agency Agreement.

In connection with the issue of the Notes, Citigroup Global Markets Limited (the "**Stabilising Manager**") (or any person acting on behalf of the Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made 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 of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager (or any person acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

CAUTIONARY STATEMENT 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 the Issuer's expected future business and financial performance, and often contain words such as ''expect'', ''anticipate'', ''intend'', ''may'', ''plan'', ''believe'', ''seek'' or ''will''. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For the Issuer, 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 the Issuer believes that the expectations, estimates and projections reflected in the Issuer's forward-looking statements are reasonable, if one or more of the risks or uncertainties materialise including those which the Issuer has identified in the Prospectus, or if any of the Issuer's or, as the case may be the Issuer's underlying assumptions prove to be incomplete or inaccurate, the Issuer's actual future results may be materially different than those expressed in its forward-looking statements.

The forward-looking statements in this Prospectus speak only as of the date of this Prospectus. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under ''*Risk Factors*''. Without prejudice to any requirements under applicable laws and regulations, the Issuer 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.

CERTAIN PUBLICLY AVAILABLE INFORMATION

Certain statistical data and other information appearing in this Prospectus have been extracted from public sources. None of the Joint Lead Managers nor the Issuer accepts responsibility for the factual correctness of any such statistics or information but the Issuer accepts responsibility for accurately extracting and transcribing such statistics and information and believes, 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. The Issuer confirms that all such third party information has been accurately reproduced and, so far as the Issuer is 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.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

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 2011 (the "**2011 Financial Statements**") and 31 March 2012 (the "**2012 Financial Statements**" and, together with the 2011 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 ("**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 the Issuer 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; and
- "**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.

AVAILABLE INFORMATION

The Issuer has agreed in the Deed Poll that, for so long as any Notes are "restricted securities" as defined in Rule 144(a)(3) under the Securities Act, it will during any period that it is neither subject to section 13 or 15(d) of the United States Securities and Exchange Act of 1934 (the "**Exchange Act**") nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder furnish, upon request, to any holder or beneficial owner of Notes or any prospective purchaser designated by any such holder or beneficial owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

SERVICE OF PROCESS AND ENFORCEMENT OF LIABILITIES

The Notes are governed by English law and disputes in respect of them may be settled under the Arbitration Rules of the London Court of International Arbitration (the "**LCIA Rules**") in London, England. In addition, actions in respect of the Notes may be brought in the English courts and in any other court of competent jurisdiction.

The majority of the directors of the Issuer are resident outside the United States and the United Kingdom, and a substantial portion of the assets of such persons and the Issuer is located outside the United States and the United Kingdom. As a result, it may not be possible for investors to effect service of process within the United States and/or the United Kingdom upon the Issuer or such persons or to enforce against any of them in the United States courts or courts located in the United Kingdom judgments obtained in United States courts or courts located in the United Kingdom, respectively, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state or territory within the United States.

A substantial part of the Issuer's assets are located in the UAE. In the absence of any bilateral treaty for the reciprocal enforcement of foreign judgments, Dubai's courts are unlikely to enforce a United States or English court 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 Notes. Investors may have difficulties in enforcing any English court judgments or arbitral awards against the Issuer in the courts of Dubai. 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, the UAE and public policy. Moreover, judicial precedent in the UAE has non-binding effect on subsequent decisions and there is no formal system of reporting court decisions in the UAE. These factors create greater judicial uncertainty than would be expected in certain other jurisdictions.

NOTICE TO INVESTORS

The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other U.S. regulatory authority, nor has any of the foregoing authorities passed upon or endorsed the merits of the offering of Notes or the accuracy or the adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO BAHRAIN RESIDENTS

This Prospectus does not constitute an offer of securities in the Kingdom of Bahrain in terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (Decree Law No. 64 of 2006). This Prospectus has not been and will not be registered as a prospectus with the Central Bank of Bahrain (the "**CBB**"). Accordingly, the Notes may not be offered, sold or made the subject of an invitation for subscription or purchase nor will this Prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase the Notes, whether directly or indirectly, to persons in the Kingdom of Bahrain.

The CBB has not reviewed or approved this Prospectus and it has not in any way considered the merits of the Notes to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Prospectus and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Prospectus.

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 Notes 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 Notes are not and will not be traded on the Qatar Exchange.

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 the Notes should conduct their own due diligence on the accuracy of the information relating to the Notes. If a prospective purchaser does not understand the contents of this Prospectus he or she should consult an authorised financial adviser.

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OVERVIEW

This overview must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of this Prospectus as a whole. This overview does not contain all the information investors may consider important in making their investment decision. Therefore, investors should read this entire Prospectus carefully, including, in particular, the section entitled "Risk Factors".

The Issuer

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 Investment Corporation of Dubai ("**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. Emirates' 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.

Any reference in this document to the "Emirates Group" is a reference to the Group and dnata (together with its consolidated subsidiaries and associates, including dnata World Travel) (the "**Emirates Group**"). 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 International Air Transport Association ("**IATA**") World Air Transport Statistics ("**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 the financial year ended 31 March 2012 ("**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 the financial year ended 31 March 2010 ("**financial year 2010**"), increased by 24.6 per cent. in the financial year ended 31 March 2011 ("**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.

The Notes

Words and expressions defined in "*Terms and Conditions of the Notes*" shall have the same meanings in this overview.

Issuer:	Emirates
Description of the Notes:	U.S.$750,000,000 4.50 per cent. Notes due 2025 to be issued by the Issuer on the Issue Date.
Issue Price:	99.941 per cent.
Joint Lead Managers:	Citigroup Global Markets Limited Deutsche Bank AG, London Branch Emirates NBD Capital Limited J.P. Morgan Securities plc Morgan Stanley & Co. International plc Standard Chartered Bank
Fiscal Agent and Principal Paying Agent:	Deutsche Bank AG, London Branch
Registrar and Paying and Transfer Agent in respect of the Notes sold pursuant to Regulation S:	Deutsche Bank Luxembourg S.A.
Registrar and Paying and Transfer Agent in respect of the Notes sold pursuant to Rule 144A:	Deutsche Bank Trust Company Americas
Listing Agent:	Deutsche Bank Luxembourg S.A.
Maturity:	Unless previously purchased and cancelled, or otherwise redeemed, the Notes will be redeemed at their final Instalment Amount together with accrued interest on 6 February 2025.
Interest:	The Notes will bear interest on their outstanding principal amount from and including the Closing Date at a rate of 4.50 per cent. per annum. Interest on the Notes will be payable semi-annually in arrear on 6 February and 6 August in each year, commencing on 6 February 2013.
Redemption in Instalments:	The Notes will be redeemed in instalments on 6 February and 6 August in each year commencing on 6 February 2015. The Instalment Amounts are set out in Condition 6(a) (*Redemption by Instalments and Final Redemption*).
Optional Redemption by the Issuer:	The terms of the Notes will contain a provision for optional redemption by the Issuer, at any time, in whole but not in part if (i) the Issuer 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 United Arab Emirates or the Emirate of Dubai or any political subdivision or 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 1 February 2013, and (ii) such obligation cannot be avoided by the Issuer taking

	reasonable measures available to it. The terms of exercise are further described in Condition 6(b) (*Redemption and Purchase — Redemption for Taxation and Other Reasons*).
Optional Redemption by Noteholders upon a Change of Control:	The terms of the Notes will contain a provision for optional redemption by any Noteholder 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 the Issuer or (ii) the Issuer 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 6(c) (*Redemption and Purchase — Redemption at the Option of Noteholders*).
Negative Pledge:	The terms of the Notes will contain a negative pledge provision, as further described in Condition 4 (*Negative Pledge*).
Events of Default:	For a description of the events that will permit the Notes to become immediately due and payable at their outstanding principal amount together with accrued interest, see Condition 9 (*Events of Default*).
Status of the Notes:	The Notes will constitute direct, unconditional and (subject to Condition 4 (*Negative Pledge*)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves.
Withholding Tax:	All payments of principal and interest by or on behalf of the Issuer in respect of the Notes 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 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. In that event the Issuer shall pay such additional amounts as will result in receipt by the Noteholders 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 in certain circumstances, as further described in Condition 8 (*Taxation*).
Meetings of Noteholders:	The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.
Listing and Admission to Trading:	Application has been made to the Irish Stock Exchange for the Notes to be admitted to listing on the Official List and admitted to trading on the Regulated Market.
Governing Law:	The Notes and any non-contractual obligations arising out of, or in relation to, the Notes, will be governed by, and construed in accordance with, English law.
Form and Denomination:	The Notes will be in registered form, in the minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. The Notes will be evidenced on issue by (i) interests in the Regulation S Global Note Certificate in the case of Notes offered outside the United States in reliance on Regulation S and (ii) interests in one or more Rule 144A Global Note Certificates in the case of Notes offered inside the United States to QIBs in reliance on Rule 144A. The Regulation S Global Note Certificate will be deposited on the Issue Date with, and

	registered in the name of a nominee of, the Common Depositary. Each Rule 144A Global Note Certificate will be deposited on the Issue Date with a custodian for, and registered in the name of a nominee of, DTC. Beneficial interests in any Rule 144A Global Note Certificate will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants, see "*Clearing and Settlement*". The provisions governing the exchange of interests in Global Note Certificates for Individual Certificates are described in "*Summary of Provisions Relating to the Notes while in Global Form*".
Selling and Transfer Restrictions:	The Kingdom of Bahrain, the Dubai International Financial Centre, the Kingdom of Saudi Arabia, the United Arab Emirates (excluding the Dubai International Financial Centre), the State of Qatar, Hong Kong, Singapore, the United Kingdom and the United States. See "*Subscription and Sale*" below. In addition, interests in the Rule 144A Global Note Certificates will be subject to certain restrictions on transfer. See "*Transfer Restrictions*".
Use of Proceeds:	The net proceeds of the issue of the Notes will be applied by the Issuer for general corporate purposes including but not limited to the financing of aircraft and working capital requirements.
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Notes. These are set out under "*Risk Factors*".
Ratings:	The Notes will not be rated.

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Notes are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with the Notes for other reasons, and the Issuer does not represent that the statements below regarding the risks of holding the Notes 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.

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

Risk Factors Relating to Emirates

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 the Group's ability to perform its obligations under the Notes.

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 Notes.

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 Notes.

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 Notes.

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 Notes.

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 Notes.

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 Notes.

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 Notes.

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 Notes.

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 Notes.

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 Notes.

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 Notes.

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 Notes.

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, at which time the court ruled to adjourn any further hearing of these applications until February 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 Notes.

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.

Noteholders 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 Noteholders 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 Notes.

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 Notes.

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 Notes.

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 Notes.

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 Notes.

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 Notes.

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 Notes.

Risks related to the Notes generally

The Notes are unsecured obligations and the claims of the Noteholders 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 holders of the Notes, and the claims of Emirates' secured creditors will rank ahead of the claims of the Noteholders accordingly.

Notes 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 Notes is U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. Therefore, it is possible that the Notes 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 Noteholder 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 Notes such that it holds an amount equal to at least U.S.$200,000 to be able to trade such Notes. Noteholders should be aware that Notes 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) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

The secondary market generally.

The Notes 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 Notes 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 Notes.

The Notes are subject to modification by a majority of Noteholders without the consent of all Noteholders.

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. The Fiscal Agent and the Issuer may agree to modify the Conditions of the Notes without the consent of the Noteholders in cases of, *inter alia*, manifest error. For further details of such matters and the relevant majorities required at meetings of Noteholders, see Condition 12 (*Meetings of Noteholders and Modification*) and the corresponding provisions of the Fiscal Agency Agreement.

Investors may not be able to reinvest redemption proceeds of the Notes at the same or a higher rate than the interest rate applicable to the Notes.

The Notes may be redeemed prior to maturity if the Issuer becomes obliged to increase the amounts payable in respect of the Notes 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 Issuer taking reasonable measures available to it, in accordance with Condition 6(b) (*Redemption and Purchase — Redemption for Taxation and other Reasons*).

If the Notes 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 Notes 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 Issuer will pay principal and interest on the Notes 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 the U.S. dollar 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 Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency equivalent market value of the Notes.

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 interest or principal than expected, or no interest or principal.

The EU Savings Directive may give rise to withholding tax on certain Notes.

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual or to certain other persons 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 counties). 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 Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax.

Investors in the Notes must rely on DTC, Euroclear and Clearstream, Luxembourg procedures.

The Notes will be represented on issue by one or more Global Note Certificates that will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg and a nominee for DTC. Except in the circumstances described in each Global Note Certificate, investors will not be entitled to receive Notes in definitive form. Each of DTC, Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note Certificate held through it. While the Notes are represented by a Global Note Certificate, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Note Certificates, the Issuer will discharge its payment obligations under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note Certificate must rely on the procedures of the relevant clearing system and its participants in relation to payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note Certificate.

Holders of beneficial interests in a Global Note Certificate will not have a direct right to vote in respect of the Notes 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.

Risk factors relating to enforcement

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

In the event of the Issuer's insolvency, UAE bankruptcy law may adversely affect the Issuer's ability to perform its obligations under the Notes. There is little precedent to predict how a claim on behalf of Noteholders against the Issuer 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 Noteholders' ability to enforce their rights with respect to the Notes and any other contractual or performance related remedies that might otherwise be available.

A change of law may adversely affect the Notes.

The Notes, the Fiscal Agency Agreement, the Deed of Covenant and the Deed Poll are governed by English law. No assurance can be given as to the impact of any possible change to English law, nor can any assurance be given as to whether any such change could adversely affect the ability of the Issuer to make payments under the Notes.

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

Under the Conditions of the Notes, any dispute arising from the Notes 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 of the Notes, any dispute may also be referred to the courts in England (or such other court with jurisdiction which a Noteholder may elect).

Where an English judgment, or such other foreign judgment, has been obtained, there is no assurance that the Issuer has or would at the relevant time have assets in the United Kingdom, or such other relevant jurisdiction, against which such a judgment could be enforced. The Issuer 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 Issuer and the Noteholders of English law as the governing law of the Notes. 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, 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 Issuer and the Noteholders 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 the Issuer 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 17 January 2013 (the "**Decision**"), which exempts the Noteholders 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 the Issuer and accordingly, investors may be required to obtain the permission of the Ruler of Dubai before enforcement proceedings can be brought against the Issuer under the Notes.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Conditions (as defined below) of the Notes which (subject to modification and except for the text in italics) will be endorsed on the Certificates (as defined below) issued in respect of the Notes:

The issue of the Notes was authorised by a written decision of the Chairman of Emirates (the "**Issuer**") on 17 January 2013. A fiscal agency agreement dated 6 February 2013 (such agreement as amended and/or supplemented and/or restated from time to time) (the "**Fiscal Agency Agreement**") has been entered into in relation to the Notes between the Issuer, Deutsche Bank AG, London Branch as fiscal agent, Deutsche Bank Luxembourg S.A. as registrar and paying and transfer agent in respect of the Notes sold pursuant to Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and Deutsche Bank Trust Company Americas as registrar and paying and transfer agent in respect of the Notes sold pursuant to Rule 144A under the Securities Act and the agents named in it. The Notes have the benefit of a Deed of Covenant (the "**Deed of Covenant**") and a Deed Poll (the "**Deed Poll**") each dated 6 February 2013 and each executed by the Issuer relating to the Notes. The fiscal agent, the registrars and any paying and transfer agent for the time being are referred to below respectively as the "**Fiscal Agent**", the "**Registrar**" and the "**Paying and Transfer Agents**". "**Agents**" means the Fiscal Agent, the Registrar, the Paying and Transfer Agents and any other agent or agents appointed from time to time with respect to the Notes. The Fiscal Agency Agreement includes the form of the Notes. Copies of the Fiscal Agency Agreement, the Deed of Covenant and the Deed Poll are available for inspection during normal business hours at the specified office of the Fiscal Agent. The original of each of the Deed of Covenant and the Deed Poll is also held by the Fiscal Agent on behalf of the holders of the Notes at its specified office. The holders of the Notes (the "**Noteholders**") are entitled to the benefit of and are deemed to have notice of all the provisions of the Fiscal Agency Agreement, the Deed of Covenant and the Deed Poll applicable to them.

All capitalised terms that are not defined in these terms and conditions (the "**Conditions**") will have the meanings given to them in the Fiscal Agency Agreement.

1 Form, Specified Denomination and Title

The Notes are issued in the specified denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

The Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(a) (*Transfers of Notes — Transfer*), each Certificate shall represent the entire holding of Notes by the same holder. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Noteholders which the Issuer will procure to be kept by the relevant Registrar.

Title to the Notes shall pass by registration in the register that the Issuer shall procure to be kept by the relevant Registrar in accordance with the provisions of the Fiscal Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note 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 the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" and "**holder**" means the person in whose name a Note is registered in the Register.

Upon issue, the Notes will be represented by Global Note Certificates which will be registered in the name of nominees for Euroclear, Clearstream, Luxembourg and DTC. Ownership interests in the Global Note Certificates will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear, Clearstream, Luxembourg and DTC (as applicable), and their respective participants. Payments of interest and principal in respect of the Notes will be effected in accordance with investors' holdings through participants in Euroclear, Clearstream, Luxembourg and DTC (as applicable). See "Clearing and Settlement".

2 Transfers of Notes

(a) **Transfer**: One or more Notes may be transferred in whole or in part upon the surrender (at the specified office of the relevant Registrar or Paying and Transfer Agent) of the Certificate(s) representing such Notes to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the relevant Registrar or Paying and Transfer Agent may require. In the case of a transfer of part only of a holding of Notes 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 Notes to a person who is already a holder of Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Notes and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Notes scheduled to the Fiscal Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the relevant Registrar and the Fiscal Agent, provided that any such change is not prejudicial to the interests of the Noteholders. A copy of the current regulations will be made available by the relevant Registrar to any Noteholder upon request.

(b) **Delivery of New Certificates**: Each new Certificate to be issued pursuant to Condition 2(a) (*Transfers of Notes — Transfer*) shall be available for delivery within five business days of receipt by the relevant Registrar or Paying and Transfer Agent, as the case may be, of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the relevant Paying and Transfer Agent or of the relevant Registrar (as the case may be) to whom delivery or surrender of the Certificate(s) representing such Notes to be transferred, together with the form of transfer endorsed on such Certificate(s), 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, 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 Paying and Transfer Agent or the relevant Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(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 Paying and Transfer Agent or the relevant Registrar (as the case may be).

(c) **Transfer or Exercise Free of Charge**: Certificates on transfer shall be issued and registered without charge by or on behalf of the Issuer, the relevant Registrar or the relevant Paying and Transfer Agent, but upon payment of any tax or other governmental charges that may be imposed in relation to such transfer (or the giving of such indemnity in respect thereof as the relevant Registrar or the relevant Paying and Transfer Agent may require).

(d) **Closed Periods**: No Noteholder may require the transfer of a Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount (as defined in Condition 6(a) (*Redemption and Purchase — Redemption by Instalments and Final Redemption*)) in respect of, that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(b) (*Redemption and Purchase — Redemption for Taxation and other Reasons*), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(a)(ii) (*Payments — Method of Payment*)).

3 Status

The Notes constitute direct, unconditional and (subject to Condition 4 (*Negative Pledge*)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4 (*Negative Pledge*), at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

4 Negative Pledge

So long as any Note remains outstanding (as defined in the Fiscal Agency Agreement), the Issuer shall not, and the Issuer shall 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 (a) at the same time or prior thereto securing the Notes equally and rateably therewith or (b) providing such other security for the Notes as may be approved by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of Noteholders.

In these Conditions:

"**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'ah;

"**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 Issuer 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 Issuer or any Subsidiary;

(b) any Security Interest existing on any property or assets prior to the acquisition thereof by the Issuer 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;

"**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 Issuer from time to time as shown or as would be shown in the accounts or other financial statements of the Issuer;

"**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 Issuer), 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 Issuer or any of the Issuer's Subsidiaries (including without limitation by means of special purpose entities owning aircraft or aircraft equipment);

"**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 Issuer), 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 Issuer or any of the Issuer's Subsidiaries (including without limitation by means of special purpose entities owning aircraft or aircraft equipment);

"**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 Issuer or a Principal Subsidiary);

"**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; and

"**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'ah, whether or not in return for consideration of any kind.

5 Interest

The Notes bear interest on their outstanding principal amount from and including 6 February 2013 at the rate of 4.50 per cent. per annum, payable semi-annually in arrear on 6 February and 6 August in each year (each an "**Interest Payment Date**"). Each Note will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Note, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant holder, and (b) the day seven days after the Fiscal Agent has notified Noteholders in accordance with Condition 14 (*Notices*) of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed in that month on the basis of a month of 30 days.

In these Conditions, the period beginning on and including 6 February 2013 and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

Interest in respect of any Note shall be calculated per U.S.$1,000 in principal amount of the Notes, as reduced by each Instalment Amount paid as provided in Condition 6 (*Redemption and Purchase*) (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period, save as provided above in relation to equal instalments, shall be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting amount to the nearest cent (half a cent being rounded upwards).

6 Redemption and Purchase

(a) **Redemption by Instalments and Final Redemption**: Unless previously redeemed, or purchased and cancelled as provided in this Condition 6, each Note shall be partially redeemed on each date (each an "**Instalment Date**") at the related amount (each an "**Instalment Amount**") specified in the table below. The outstanding principal amount of each such Note shall be reduced by the relevant Instalment Amount for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case such amount shall remain outstanding until the Relevant Date (as defined in Condition 8 (*Taxation*)) relating to such Instalment Amount. Each Note shall be finally redeemed on 6 February 2025 (the "**Final Maturity Date**") at its final Instalment Amount, together with all other amounts due but unpaid in respect of such Note.

Instalment Date	Outstanding principal amount of each U.S.$1,000 principal amount of Notes on the relevant Instalment Date prior to payment of the relevant Instalment Amount (in U.S.$)	Instalment Amount per U.S.$1,000 principal amount of Notes to be repaid on the relevant Instalment Date (in U.S.$)	Outstanding principal amount of each U.S.$1,000 principal amount of Notes on the relevant Instalment Date after payment of the relevant Instalment Amount (in U.S.$)
6 February 2015	1,000.00	47.62	952.38
6 August 2015	952.38	47.62	904.76
6 February 2016	904.76	47.62	857.14
6 August 2016	857.14	47.62	809.52
6 February 2017	809.52	47.62	761.90
6 August 2017	761.90	47.62	714.28
6 February 2018	714.28	47.62	666.66
6 August 2018	666.66	47.62	619.04
6 February 2019	619.04	47.62	571.42
6 August 2019	571.42	47.62	523.80
6 February 2020	523.80	47.62	476.18
6 August 2020	476.18	47.62	428.56
6 February 2021	428.56	47.62	380.94
6 August 2021	380.94	47.62	333.32
6 February 2022	333.32	47.62	285.70
6 August 2022	285.70	47.62	238.08
6 February 2023	238.08	47.62	190.46
6 August 2023	190.46	47.62	142.84
6 February 2024	142.84	47.62	95.22
6 August 2024	95.22	47.62	47.60
6 February 2025	47.60	47.60	0

(b) **Redemption for Taxation and other Reasons**: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their outstanding principal amount (together with interest accrued to the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) 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 any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 1 February 2013, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(b), the Issuer shall deliver to the Fiscal Agent a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. The Notes may not be redeemed at the option of the Issuer other than in accordance with this Condition.

(c) **Redemption at the Option of Noteholders**: If a Change of Control (as defined below) occurs, the Issuer shall, at the option of the holder of any Note (unless prior to the giving of the relevant Change of Control Notice (as defined below) the Issuer has given notice of redemption under Condition 6(b) (*Redemption and Purchase — Redemption for Taxation and other Reasons*)), redeem in whole (but not in part) such Note on the Put Date (as defined below) at its outstanding principal amount together with interest accrued to but excluding the Put Date. Promptly upon the Issuer becoming aware that a Change of Control has occurred, the Issuer shall give notice (a "**Change of Control Notice**") to the Noteholders in accordance with Condition 14 (*Notices*) specifying the nature of the Change of Control.

For the purpose of these Conditions:

(i) a "**Change of Control**" shall occur if (A) the Government of Dubai ceases to be the ultimate owner (either directly or indirectly) of more than 50 per cent. of the Issuer or (B) the Issuer 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;

(ii) "**Put Date**" shall be the tenth Business Day after the expiry of the Put Period; and

(iii) "**Put Period**" shall be the period of 30 days after a Change of Control Notice is given.

To exercise the option set out above, the holder must deposit the Certificate representing such Note(s) with the relevant Registrar or the relevant Paying and Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from the relevant Registrar or the relevant Paying and Transfer Agent within the Put Period.

Exercise Notices once submitted may not be withdrawn, provided, however, that:

(i) if prior to the relevant Put Date the Notes evidenced by any Certificate so deposited become immediately due and payable; or

(ii) if upon due presentation on the relevant Put Date of any Certificate representing the Notes, payment of the redemption monies is improperly withheld or refused,

such Certificate shall, without prejudice to the exercise of the option, be returned to the holder by uninsured first class mail (airmail if overseas) to, and at the risk of, the relevant Noteholder (unless the Noteholder otherwise requests and pays the costs of such insurance in advance to the relevant Agent) to such address as may have been given by the Noteholder in the Exercise Notice or where no address has been given, to the address appearing in the relevant Register.

(d) **Purchase**: The Issuer and its Subsidiaries may at any time purchase Notes in the open market or otherwise at any price. The Notes so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 12(a) (*Meetings of Noteholders and Modification — Meetings of Noteholders*).

(e) **Cancellation**: All Certificates representing Notes which are redeemed or purchased by or on behalf of the Issuer or any of its Subsidiaries may, in the Issuer's sole discretion, be surrendered for cancellation to the relevant Registrar and, upon surrender thereof, all such Notes shall be cancelled forthwith. Such cancelled Notes may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7 Payments

(a) **Method of Payment:**

(i) Payments of principal (which for the purposes of this paragraph 7(a) shall include the final Instalment Amount but not other Instalment Amounts) shall be made (subject to surrender of the relevant Certificates at the specified office of the relevant Paying and Transfer Agent or of the relevant Registrar) in the manner provided in paragraph (ii) below.

(ii) Interest (which for the purposes of this paragraph 7(a) shall include all Instalment Amounts other than the final Instalment Amount) on each Note shall be paid to the person shown on the Register at the close of business on the business day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Note 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 relevant Registrar or the relevant Paying and Transfer Agent before the Record Date.

(iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the relevant Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Issuer or a Noteholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of interest being paid is less than the amount then due, the relevant Registrar will annotate the Register with the amount of interest so paid.

(b) **Payments subject to Fiscal Laws**: All payments on the Notes 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 in Condition 8 (*Taxation*). No commission or expenses shall be charged to the Noteholders in respect of such payments made in accordance with these Conditions.

(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 Fiscal Agent is open for business preceding the due date for payment or, in the case of payments of principal, and accrued interest (as applicable), where the relevant Certificate has not been surrendered at the specified office of the relevant Paying and Transfer Agent or of the relevant Registrar, on a day on which the Fiscal Agent is open for business and on which the relevant Certificate is surrendered.

(d) **Appointment of Agents**: The Fiscal Agent, the Registrars and the Paying and Transfer Agents initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the Registrars and the Paying and Transfer Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, the Registrars or any Paying and Transfer Agent and to appoint additional or other Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar and a Paying and Transfer Agent in respect of the Notes sold pursuant to Regulation S under the Securities Act and a Registrar and a Paying and Transfer Agent in respect of the Notes sold pursuant to Rule 144A under the Securities Act, (iii) an Agent (which may be the Fiscal Agent) having a specified office in a European city; and (iv) a Paying and Transfer Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders in accordance with Condition 14 (*Notices*).

(e) **Delay in Payment**: Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Note if the due date is not a Business Day, if the Noteholder is late in surrendering or cannot surrender its Certificate (if required to do so).

(f) **Non-Business Days**: If any date for payment in respect of any Note is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7 (*Payments*), "**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 relevant 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.

8 Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes 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 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. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders 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 in respect of any Note:

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

(b) **Surrender more than 30 days after the Relevant Date**: if the Note is surrendered 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 representing such Note 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 7 (*Payments*)); 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 European Union 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**: held by a Noteholder who would have been able to avoid such withholding or deduction by arranging to receive the relevant payment through another Paying and Transfer Agent in a Member State of the European Union.

"**Relevant Date**" in respect of any Note 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 Noteholders that, upon further surrender of the Certificate representing such Note being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 8 (*Taxation*).

9 Events of Default

If any of the following events ("**Events of Default**") occurs and is continuing:

(a) **Non-payment**: the Issuer fails to pay any amount of principal in respect of the Notes within seven days of the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 14 days of the due date for payment thereof; or

(b) **Breach of other obligations**: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer or to the specified office of the Fiscal Agent; or

(c) **Cross-default of Issuer or any Principal Subsidiary**:

(i) any Indebtedness or Sukuk Obligation of the Issuer is not paid when due or (as the case may be) within any originally applicable grace period; or

(ii) any such Indebtedness or Sukuk Obligation becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer or (provided that no event of default, howsoever described, has occurred) any person entitled to such Indebtedness or Sukuk Obligation; or

(iii) the Issuer fails to pay when due any amount payable by it under any Guarantee of any Indebtedness or Sukuk Obligation; or

(iv) any of the matters referred to in sub-paragraphs (i) to (iii) above apply to a Principal Subsidiary (rather than the Issuer 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 (i), (ii) and (iv) above and/or the amount payable under any Guarantee referred to in sub-paragraphs (iii) and (iv) above, in the aggregate, exceeds U.S.$50,000,000 (or its equivalent in any other currency or currencies); or

(d) **Unsatisfied judgment**: one or more judgment(s) or order(s) for the payment of an amount(s) which in the aggregate exceeds U.S.$50,000,000 (or its equivalent in any other currency or currencies) is rendered against the Issuer or any of its Principal Subsidiaries and continue(s) unsatisfied and unstayed for a period of 90 days after the date(s) thereof or, if later, the date therein specified for payment; or

(e) **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 Issuer or any of its Principal Subsidiaries; or

(f) **Insolvency, etc.**: (i) the Issuer becomes (or is declared by a court of competent jurisdiction to be) insolvent or is unable to pay its debts as they fall due; (ii) an administrator or liquidator of the whole or substantially the whole of the undertaking, assets and revenues of the Issuer is appointed (or application for any such appointment is made); (iii) the Issuer 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; (iv) the Issuer 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 (i) to (iv) above being an "**Insolvency Event**"); or (v) any Insolvency Event happens or applies to any Principal Subsidiary and such Insolvency Event is continuing for a period of 30 days thereafter; or

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

(h) **Failure to take action, etc**.: any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Notes, or (ii) to ensure that those obligations are legal, valid, binding and enforceable, is not taken, fulfilled or done; or

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

then any Note may, by written notice addressed by the holder thereof to the Issuer and delivered to the Issuer or to the specified office of the Fiscal Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its outstanding principal amount together with interest accrued to the date of repayment in full without further action or formality.

10 Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8 (*Taxation*)) in respect of them.

11 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the relevant Registrar or such other Paying and Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12 Meetings of Noteholders and Modification

(a) **Meetings of Noteholders**: The Fiscal Agency Agreement contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity date of the Notes or the dates on which interest is paid on the Notes, (iii) to change the currency of payment of the Notes or (iv) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will 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 principal amount of the Notes for the time being outstanding. An Extraordinary Resolution duly passed shall be binding on all Noteholders (whether or not they were present at the meeting at which such resolution was passed).

The Fiscal Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders 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 Noteholders.

(b) **Modification**: The Fiscal Agent may agree with the Issuer, without the consent of the Noteholders, to any modification of any of these Conditions or any of the provisions of the Fiscal Agency Agreement either (i) for the purpose of curing any ambiguity or of curing, correcting or supplementing any manifest or proven error or any other defective provision contained herein or therein, or (ii) in any other manner which is not materially prejudicial to the interests of the Noteholders. Any modification shall be binding on the

Noteholders and, unless the Fiscal Agent agrees otherwise, any modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 14 (*Notices*).

13 Further Issues

The Issuer may from time to time without the consent of the Noteholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes.

14 Notices

Notices to the holders of Notes shall be mailed to them by first class mail (airmail if overseas) at their respective addresses in the Register. In addition, the Issuer shall also ensure that the notices are duly given or published in a manner which complies with the rule and regulations of any listing authority, stock exchange and/or quotation system (if any) on which the Notes 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.

15 Currency Indemnity

U.S. dollars is the sole currency of account and payment for all sums payable by the Issuer under or in connection with the Notes, including damages. Any amount received or recovered in a currency other than U.S. dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Noteholder in respect of any sum expressed to be due to amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. dollar amount is less than the U.S. dollar amount expressed to be due to the recipient under any Note, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it will be sufficient for the Noteholder to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

16 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes 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.

17 Governing Law and Jurisdiction

(a) **Governing Law**: The Fiscal Agency Agreement, the Deed of Covenant, the Deed Poll, the Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) **Agreement to Arbitrate**: Subject to Condition 17(c) (*Governing Law and Jurisdiction — Option to Litigate*), any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Notes (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 ("**LCIA**") (the "**Rules**") which Rules (as amended from time to time) are deemed to be incorporated by reference into this Condition 17(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. In the event that 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. In the event that 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.

On receipt by the Issuer of a Request for Arbitration (as defined in the Rules) initiated by a Noteholder, the Issuer shall send a copy of the Request for Arbitration to all Noteholders (the "**Notification**") within 30 days of receipt. The arbitral proceedings shall be suspended until the earlier of the completion of the Notification process or 30 days following the receipt by the Issuer of a Request for Arbitration.

Any Noteholder(s) may, on receipt of such Notification, request to be joined with any other Noteholder(s) to that arbitration, by filing a written notice (a "**Joinder Notice**") with the relevant Noteholder and the Issuer prior to submission of the Statement of Case (as defined in the Rules) or written notification of the initiating Noteholder that it elects to treat the Request for Arbitration as its Statement of Case in that arbitration. The Issuer agrees to accept the joinder of any other Noteholder(s) where the interests of the Noteholders are materially similar. Failure to file a Joinder Notice does not preclude any Noteholder(s) from bringing any action (whether arising from similar facts to those relevant to the arbitration in respect of which the Notification is provided or otherwise) in the future. Any multi-party arbitration resulting from the joinder of any other Noteholder(s) will be formally settled in single arbitral proceedings.

In multi-party arbitration proceedings, the arbitral tribunal shall have all powers necessary to establish any supplementary procedural rules required or desirable in view of the multi-party nature of the proceedings.

In the event of arbitration proceedings where the interests of Noteholders are sufficiently similar to permit those parties to be represented by a single counsel without generally accepted principles regarding conflicts of interest being infringed, such parties are obliged to act together and through one counsel only. In the event that there is some question as to whether the interests of some or all of the Noteholders concerned are sufficiently similar to invoke the terms of this provision requiring joint representation, then that may be determined as a preliminary issue by the arbitral tribunal.

(c) **Option to Litigate**: Notwithstanding Condition 17(b) (*Governing Law and Jurisdiction — Agreement to Arbitrate*), any Noteholder may, in the alternative, and at its sole discretion, by notice in writing to the Issuer:

(i) within 28 days of service of a Request for Arbitration; or

(ii) in the event no arbitration is commenced,

require that a Dispute be heard by a court of law. If any Noteholder gives such notice, the Dispute to which such notice refers shall be determined in accordance with Condition 17(d) (*Governing Law and Jurisdiction — Effect of Exercise of Option to Litigate*) and, subject as provided below, any arbitration commenced under Condition 17(b) (*Governing Law and Jurisdiction — Agreement to Arbitrate*) in respect of that Dispute will be terminated. Each person who gives such notice and the recipient of that notice will bear its own costs in relation to the terminated arbitration.

If any notice to terminate is given after service of any Request for Arbitration in respect of any Dispute, the relevant Noteholder 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 or 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.

(d) **Effect of Exercise of Option to Litigate**: In the event that a notice pursuant to Condition 17(c) (*Governing Law and Jurisdiction — Option to Litigate*) is issued, the following provisions shall apply:

(i) subject to Condition 17(d)(iii) below, the courts of England shall have jurisdiction to settle any Dispute and the Issuer submits to the exclusive jurisdiction of such courts;

(ii) the Issuer 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 17(d) is for the benefit of Noteholders only. As a result, and notwithstanding sub-paragraph (i) above, any Noteholder may take proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, the Noteholders may take concurrent Proceedings in any number of jurisdictions.

(e) **Appointment of Process Agent**: The Issuer 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 Noteholders of such appointment in accordance with Condition 14 (*Notices*). Such service shall be deemed completed on delivery to such process agent (whether or not, it is forwarded to and received by the Issuer). Nothing herein shall affect the right to serve Proceedings in any other manner permitted by law.

(f) **Enforcement**: An arbitral award or 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 Issuer and the relevant Noteholder and may be enforced against each of them in the courts of any competent jurisdiction.

(g) **Other documents**: The Issuer has in the Fiscal Agency Agreement, the Deed of Covenant and the Deed Poll made provision for arbitration, submitted to jurisdiction and appointed an agent for service of process in terms substantially similar to those set out above.

(h) **Waiver of immunity**: To the extent that the Issuer 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 Issuer or its assets or revenues, the Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction. The Fiscal Agency Agreement, the Deed of Covenant and the Deed Poll include waivers of immunity by the Issuer on substantially similar terms.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

1 The Global Note Certificates

The Notes will be evidenced on issue by the Regulation S Global Note Certificate (deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg) and one or more Rule 144A Global Note Certificates (deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, DTC).

Beneficial interests in the Regulation S Global Note Certificate may be held only through Euroclear or Clearstream, Luxembourg at any time; see "*Clearing and Settlement — Book-Entry Ownership*".

Beneficial interests in a Rule 144A Global Note Certificate may only be held through DTC at any time, see "*Clearing and Settlement — Book-Entry Ownership*". By acquisition of a beneficial interest in a Rule 144A Global Note Certificate, the purchaser thereof will be deemed to represent, among other things, that it is a QIB and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Fiscal Agency Agreement; see "*Transfer Restrictions*".

Beneficial interests in each Global Note Certificate will be subject to certain restrictions on transfer set forth therein and in the Fiscal Agency Agreement, and with respect to a Rule 144A Global Note Certificate, as set forth in Rule 144A, and the Notes will bear the legends set forth thereon regarding such restrictions set forth under "*Transfer Restrictions*". A beneficial interest in the Regulation S Global Note Certificate may be transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note Certificate in denominations greater than or equal to the minimum denominations applicable to interests in such Rule 144A Global Note Certificate and only upon receipt by the relevant Registrar of a written certification (in the form provided in the Fiscal Agency Agreement) to the effect that the transferor reasonably believes that the transferee is a QIB and that such transaction is in accordance with any applicable securities laws of any state of the United States and any other jurisdiction. Beneficial interests in a Rule 144A Global Note Certificate may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note Certificate only upon receipt by the relevant Registrar of a written certification (in the form provided in the Fiscal Agency Agreement) from the transferor to the effect that the transfer is being made in accordance with Regulation S and that such transaction is in accordance with any applicable securities laws of any state of the United States and any other jurisdiction.

Any beneficial interest in the Regulation S Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note Certificate will, upon transfer, cease to be an interest in the Regulation S Global Note Certificate and become an interest in such Rule 144A Global Note Certificate, and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in a Rule 144A Global Note Certificate for as long as it remains such an interest. Any beneficial interest in a Rule 144A Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note Certificate will, upon transfer, cease to be an interest in such Rule 144A Global Note Certificate and become an interest in the Regulation S Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Regulation S Global Note Certificate for so long as it remains such an interest. Except in the limited circumstances described below, owners of beneficial interests in Global Note Certificates will not be entitled to receive physical delivery of Certificates representing Notes in definitive form ("**Individual Certificates**"). The Notes will not be issued in bearer form.

2 Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg, DTC or any other clearing system designated by the Issuer ("**Alternative Clearing System**") as the holder of a Note represented by a Global Note Certificate must look solely to Euroclear, Clearstream, Luxembourg, DTC or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the holder of, or the person whose name is entered on the Register as the holder of, a Global Note Certificate and in relation to all other rights arising under such Global Note Certificate, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, DTC or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as such Notes are represented by a Global Note Certificate and such obligations of the Issuer will be discharged by payment to the holder of such Global Note Certificate in respect of each amount so paid.

3 Exchange

The following will apply in respect of transfers of Notes held in Euroclear, Clearstream, Luxembourg, DTC or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

3.1 Regulation S Global Note Certificate

Each Regulation S Global Note Certificate will be exchangeable, free of charge to the holder, in whole but not in part, for Individual Certificates if: (i) Euroclear, Clearstream Luxembourg or an Alternative Clearing System, on behalf which the Regulation S Global Note Certificate may be held, is closed for business for a continuous period of 14 calendar days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, or (ii) principal in respect of any Notes is not paid when due and payable, in each case by the holder giving notice to the relevant Registrar of its intention to exchange the Regulation S Global Note Certificate for Individual Certificates on or after the Exchange Date (as defined below) specified in the notice.

3.2 Rule 144A Global Note Certificates

Each Rule 144A Global Note Certificate will be exchangeable, free of charge to the holder, in whole but not in part, for Individual Certificates if (i) DTC, or an Alternative Clearing System on behalf of which the Notes evidenced by the Rule 144A Global Note Certificate may be held, is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, or (ii) principal in respect of any Notes is not paid when due and payable, in each case by the holder giving notice to the relevant Registrar of its intention to exchange the Rule 144A Global Note Certificates for Individual Certificates on or after the Exchange Date (as defined below) specified in the notice.

3.3 Exchange

The relevant Registrar will not register the transfer of, or exchange of interests in, a Global Note Certificate for Individual Certificates for a period of 15 calendar days ending on the date for any payment of principal or interest in respect of the Notes.

"**Exchange Date**" means a day falling not later than 60 calendar days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the relevant Registrar or the relevant Paying and Transfer Agent is located.

3.4 Delivery

In such circumstances, the relevant Global Note Certificate shall be exchangeable in full for Individual Certificates and the Issuer will, free of charge to the Noteholders (but against such indemnity as the relevant Registrar may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Individual Certificates to be executed by the Issuer and delivered to the relevant Registrar for completion and despatch to the relevant Noteholders. A person having an interest in a Global Note Certificate must provide the relevant Registrar with (a) a written order containing instructions and such other information as the Issuer and the relevant Registrar may require to complete, execute and deliver such Individual Certificates and (b) in the case of a Rule 144A Global Note Certificate only, either a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A to a QIB. Individual Certificates issued in exchange for an interest in a Rule 144A Global Note Certificate shall bear the legend applicable to transfers pursuant to Rule 144A, as set out under "*Transfer Restrictions*".

The holder of an Individual Certificate may transfer the Notes evidenced thereby by surrendering it at the specified office of a Paying and Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of a Rule 144A Individual Certificate bearing the legend referred to under "*Transfer Restrictions*", or upon specific request for removal of the legend on a Rule 144A Individual Certificate, the Issuer will deliver only Rule 144A Individual Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to a Paying and Transfer Agent such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

4 Amendment to Conditions

Each Global Note Certificate contains provisions that apply to the Notes that they evidence, some of which modify the effect of the terms and conditions of the Notes set out in this Prospectus. The following is a summary of certain of those provisions:

4.1 Payments

Payments of principal and interest in respect of Notes evidenced by a Global Note Certificate will be made to the person who appears at the relevant time in the relevant Register as holder of the Notes evidenced by the Global Note Certificate and, if no further payment falls to be made in respect of the relevant Notes, surrender of such Global Note Certificate to or to the order of the Fiscal Agent or such other Paying and Transfer Agent as shall have been notified to the relevant Noteholders for such purpose. On the Issue Date, in respect of the Regulation S Global Note Certificate the registered holder shall be BT Globenet Nominees Limited as nominee for Euroclear and Clearstream, Luxembourg, and in respect of the Rule 144A Global Note Certificate the registered holder shall be Cede & Co. as nominee for DTC (see "*Clearing and Settlement — Book-Entry Ownership*"), and each of the persons shown in the records of the Clearing Systems as the holder of a Note evidenced by a Global Note Certificate must look solely to DTC, Euroclear or Clearstream, Luxembourg (as the case may be) for its share of each payment made by the Issuer (see "*Clearing and Settlement — Relationship of Participants with Clearing Systems*"). A record of each payment so made will be entered in the Register and endorsed by or on behalf of the Fiscal Agent in the appropriate schedule to the relevant Global Note Certificate, which endorsement will be *prima facie* evidence that such payment has been made in respect of the relevant Notes.

All payments in respect of the Notes represented by a Global Note Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

4.2 Meetings

For the purposes of any meeting of Noteholders, the holder of each Global Note Certificate shall be treated as two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, as having one vote in respect of each U.S.$1,000 in outstanding principal amount of Notes for which such Global Note Certificate may be exchanged.

4.3 Events of Default

If principal in respect of the Notes is not paid when due by the Issuer to the holder of the Global Note Certificates, any holder of Notes represented by the Global Note Certificates may (subject as provided below) from time to time elect that Direct Rights under the provisions of (and as defined in) the Deed of Covenant, executed as a deed by the Issuer on 6 February 2013 (a copy of which is available for inspection at the specified office of the Fiscal Agent and which the Issuer acknowledges to apply to the Notes represented by each Global Note Certificate) shall come into effect in respect of a principal amount of the Notes up to the aggregate principal amount in respect of which such failure to pay has occurred. Such election shall be made by notice to the Fiscal Agent by any such holder of the Notes specifying the principal amount of Notes represented by the Global Note Certificates in respect of which Direct Rights shall arise under the Deed of Covenant. Upon each such notice being given, the Global Note Certificates and the corresponding entry in the Register shall become void to the extent of the principal amount stated in such notice, save to the extent that the appropriate Direct Rights fail to take effect, for whatever reason.

4.4 Cancellation

Cancellation of any Note required by the Terms and Conditions of the Notes to be cancelled will be effected by the relevant Registrar making a notation of such event in the relevant Register, and by reduction in the aggregate principal amount of the applicable Global Note Certificate.

4.5 Transfers

Transfers of interests in the Notes in respect of which the applicable Global Note Certificate is issued shall be made in accordance with the Fiscal Agency Agreement.

5 Notices

So long as any Notes are evidenced by a Global Note Certificate and such Global Note Certificate is held by or on behalf of Euroclear, Clearstream, Luxembourg, DTC or an Alternative Clearing System:

5.1 notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled account holders in substitution for sending by mail as required by Condition 14 (*Notices*) of the Notes. Any such notice shall be deemed to have been given to the Noteholders on the third day after the day on which such notice is delivered to Euroclear, Clearstream, Luxembourg, DTC or an Alternative Clearing System as aforesaid. The Issuer shall also ensure that notices 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) by which the Notes have then been admitted to listing, trading and/or quotation; and

5.2 notices to be given by any Noteholder may be given by such Noteholder through Euroclear, Clearstream, Luxembourg, DTC or such Alternative Clearing System (as applicable) and otherwise as the relevant Registrar and Euroclear, Clearstream, Luxembourg, DTC or such Alternative Clearing System may approve for this purpose.

6 Electronic Consent and Written Resolution

While any Global Note Certificate is registered in the name of any nominee for Euroclear, Clearstream, Luxembourg, DTC or an Alternative Clearing System, then:

6.1 approval of a resolution proposed by the Issuer 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 Notes outstanding (an "**Electronic Consent**" as defined in the Fiscal Agency Agreement) 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 Fiscal Agency Agreement) was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders whether or not they participated in such Electronic Consent; and

6.2 where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Fiscal Agency Agreement) has been validly passed, the Issuer shall be entitled to rely on consent or instructions given in writing directly to the Issuer by accountholders in the relevant clearing system(s) with entitlements to such

Global Note 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 Issuer 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 Noteholders, 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, Clearstream, Luxembourg, DTC or an Alternative Clearing System, or issued by an accountholder of them or an intermediary in a holding chain, in relation to the holding of interests in the Notes. 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 Notes is clearly identified together with the amount of such holding. The Issuer 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.

7 Put Option

The Noteholders' put option in Condition 6(c) (*Redemption and Purchase — Redemption at the Option of Noteholders*) of the Notes may be exercised by the holder of the relevant Global Note Certificate giving notice to the relevant Registrar or relevant Paying and Transfer Agent of the principal amount of Notes in respect of which the option is exercised and presenting the relevant Global Note Certificate within the time limits specified in Condition 6(c) (*Redemption and Purchase — Redemption at the Option of Noteholders*).

USE OF PROCEEDS

The net proceeds of the issue of the Notes are expected to amount to approximately U.S.$746,000,000 and will be used for general corporate purposes including, but not limited to, the financing of aircraft and working capital requirements.

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 Financial and Other Information*", "*Risk Factors — Risk Factors Relating to Emirates*", "*Emirates*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Management and Employees*" 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 Financial and Other Information — Presentation of Financial Information — Comparability of Financial Information of the Group*" for more information.

Consolidated Income Statement

The following tables show the Group's consolidated income 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.

	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 statements 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 Financial and Other Information — Presentation of Financial 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 "Presentation of 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 Financial and Other Information — Presentation of Financial 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. From 30 September 2012 to 15 January 2013, Emirates has added a further 15 new aircraft to its fleet, comprising eight Airbus A380s, five Boeing 777-300ERs and two Boeing 777-200 freighters. Since 30 September 2012, 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.). Since 30 September 2012, Emirates has also added an additional three new passenger destinations (Adelaide, Lyon and Phuket). 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 Financial and Other Information — Presentation of Financial 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 Financial and Other Information — Presentation of Financial 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.

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 Financial and Other Information — Presentation of Financial 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 Financial and Other Information — Presentation of Financial 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 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 three 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 "*Management's Discussion and Analysis of Financial Condition and Results of Operations — 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 "*Management's Discussion and Analysis of Financial Condition and Results of Operations — 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)

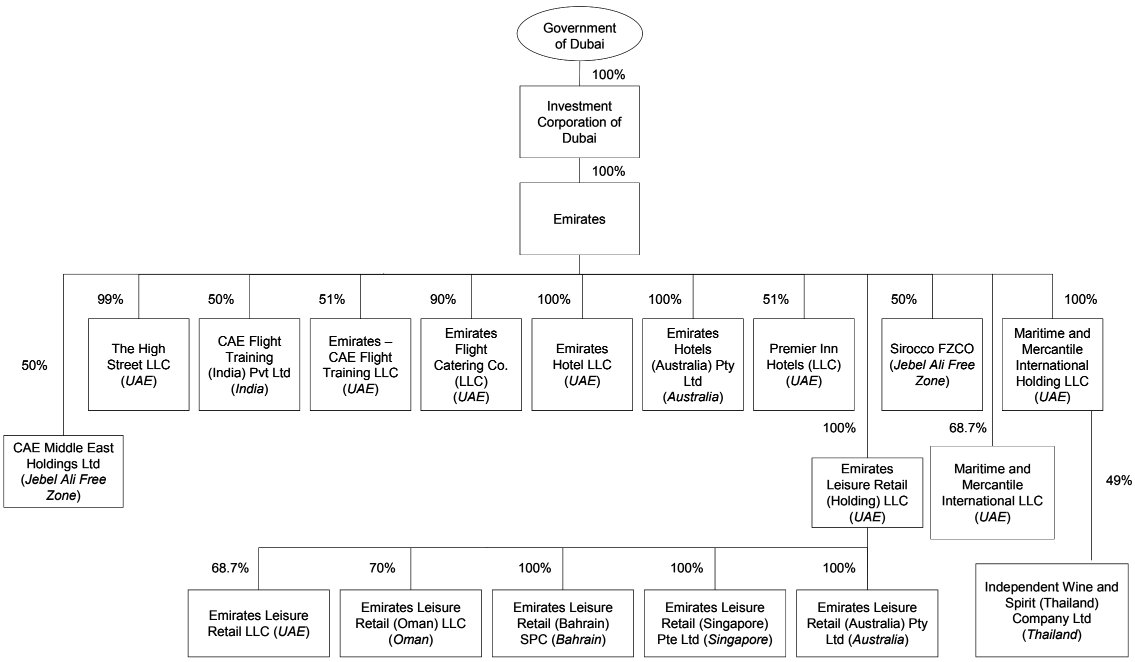
and from 127.6 per cent. at 31 March 2011 to 162.1 per cent. at 31 March 2012 and to 172.3 per cent. at 30 September 2012 (including operating leases). Emirates' outstanding funding has been obtained from a number of different sources, including operating leases, commercial bank lending, export credit 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. 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 seven million members. Skywards offers three tiers of membership: blue, silver and gold, 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 scheduled to be fully operational by the end of the first quarter of 2013. Once the 20 A380–capable gates and two remote stands of Concourse A are fully operational, the total capacity of DIA will increase 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 and 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	37	23	21	25	28
Phase-out	(6)	(5)	(17)	(16)	(13)
Total[(1)]	200	218	222	231	246
Net increase	31	18	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.$30.2 billion over a period covering approximately 16 years up to 30 September 2012 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 30 September 2012, were diversified as follows: 42 per cent. from operating leases, 19 per cent. from commercial bank lending, 12 per cent. from European export credit agencies, 11 per cent. from debt capital markets issuances, 11 per cent. from U.S. Export-Import Bank guaranteed transactions and 5 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 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, at which time the court ruled to adjourn any further hearing of these applications until February 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*".

TAXATION

General

The following is a general description based upon the Issuer's understanding of certain United Arab Emirates, European Union and United States tax considerations relating to the Notes 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 Notes and does not constitute legal or tax advice. Prospective purchasers of Notes 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 United Arab Emirates of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes.

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 on debt securities (including the Notes). In the event of the imposition of any such withholding, the Issuer has undertaken to gross-up any payments subject to certain limited exceptions.

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 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.

United States

United States Federal Income Tax Considerations

TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE (IRS) CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

The following is a summary of certain U.S. federal income tax considerations relevant to U.S. Holders (as defined below) acquiring, holding and disposing of Notes. This summary addresses only the U.S. federal income tax considerations for initial purchasers of Notes at their issue price (generally, the first price at which a substantial amount of such Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents, or wholesalers) that will hold the Notes as capital assets (generally, property held for investment). This summary is based on the U.S. Internal Revenue Code of 1986 (the "**Code**"), final, temporary and proposed U.S. Treasury regulations, administrative and judicial interpretations, all of which are subject to change, possibly with retroactive effect.

This summary does not discuss all aspects of U.S. federal income taxation that may be relevant to investors in light of their particular circumstances, such as investors subject to special tax rules (including, without limitation: (i) financial institutions; (ii) insurance companies; (iii) dealers or traders in stocks, securities, or currencies or notional principal contracts; (iv) regulated investment companies; (v) real estate investment trusts; (vi) tax-exempt organisations; (vii) partnerships, pass-through entities, or persons that hold Notes through pass-through entities; (viii) holders that are not U.S. Holders; (ix) investors that hold Notes as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for U.S. federal income tax purposes; (x) investors that have a functional currency other than the U.S. Dollar and (xi) U.S. expatriates and former long-term residents of the United States), all of whom may be subject to tax rules that differ significantly from those summarised below. This summary does not address U.S. federal estate, gift or alternative minimum tax considerations, or non-U.S., state or local tax considerations.

For the purposes of this summary, a "**U.S. Holder**" is a beneficial owner of Notes that is for U.S. federal income tax purposes (i) an individual who is a citizen or resident of the United States, (ii) a corporation created in, or organised under the laws of, the United States or any state thereof, including the District of Columbia, (iii) an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source or (iv) a trust the administration of which is subject to the primary supervision of a U.S. court and which has one or more United States persons who have the authority to control all substantial decisions of the trust.

Payments of Interest

Interest on a Note will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, in accordance with the holder's method of accounting for tax purposes. Interest paid by the Issuer on the Notes will generally constitute income from sources without the United States.

If the excess of the Note's stated redemption price at maturity over its issue price is equal to or greater than a de minimis amount, the Note will be treated as issued with original issue discount ("**OID**"). OID will be considered de minimis if it is less than 0.25% of the Note's stated redemption price at maturity multiplied by the weighted average maturity of the Note. A Note's weighted average maturity is the sum of the following amounts determined for each payment on a Note (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Note's stated redemption price at maturity. If the Notes are issued with more than a de minimis amount of OID, a U.S. Holder will be required to include OID in income as it accrues based on a constant yield method even though the cash attributable to this income would not be received until sale or other disposition of the Note. If a Note has de minimis OID, a U.S. Holder must recognise the de minimis amount as capital gain as stated principal payments are made on the Note, unless the holder makes the election to treat all interest as OID. A U.S. Holder can determine the includible amount with respect to each such payment by multiplying the total amount of the Note's de minimis OID by a fraction, the numerator of which is the amount of the principal payment made and the denominator of which is the stated principal amount of the Note. Any amount of de minimis OID includible in the income of a U.S. Holder will be treated as gain from the sale or other disposition of a Note.

The remainder of this discussion assumes that the Notes are not issued with more than a de minimis amount of OID.

Further Issuances

The Issuer may, from time to time, without notice to or the consent of the holders of the outstanding Notes, create and issue additional debt securities with identical terms and ranking *pari passu* with the Notes in all respects. The Issuer may consolidate such additional debt securities with the outstanding Notes to form a single series. The Issuer may offer additional debt securities with OID for U.S. federal income tax purposes as part of a further issue. Purchasers of debt securities after the date of any further issue may not be able to differentiate between debt securities sold as part of the further issue and previously issued Notes. If the Issuer were to issue additional debt securities with OID, purchasers of debt securities after such further issue may be required to accrue OID (or greater amounts of OID than they would have otherwise accrued) with respect to their debt securities. This may affect the price of outstanding Notes following a further issuance.

Sale or Other Disposition of Notes

A U.S. Holder's tax basis in a Note will generally be its cost, increased by the amount, if any, of income attributable to de minimis OID included in the U.S. Holder's income with respect to the Note, and reduced by the amount of any payments that are not qualified stated interest payments.

A U.S. Holder will generally recognise gain or loss on the sale or other disposition of a Note equal to the difference between the amount realised on the sale or other disposition and the tax basis of the Note. The amount realised does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income (except to the extent of any amount attributable to de minimis OID) to the extent not previously included in income. Gain or loss recognised on the sale or other disposition of a Note will be capital gain or loss and will be long-term capital gain or loss if the Note was held by the U.S. Holder for more than one year. In the case of a U.S. Holder that is an individual, estate or trust, the maximum marginal federal income tax rate applicable to long-term capital gains is currently lower than the maximum marginal rate applicable to short-term capital gains or ordinary income. The deductibility of capital losses is subject to significant limitations.

Gain or loss recognised by a U.S. Holder on the sale or retirement of a Note will generally be treated as from U.S. sources for purposes of the U.S. foreign tax credit limitation.

Backup Withholding and Information Reporting

In general, payments of principal and interest on, and the proceeds of a sale, redemption or other disposition of, the Notes, payable to a U.S. Holder by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding will apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or otherwise to comply with the applicable backup withholding requirements. Certain U.S. Holders are not subject to backup withholding.

Certain individual U.S. Holders may be required to report to the IRS certain information with respect to their beneficial ownership of the Notes not held through an account with a financial institution. Investors who fail to report required information could be subject to substantial penalties.

CLEARING AND SETTLEMENT

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the ''**Clearing Systems**'') currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer and any other party to the Fiscal Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

Custodial and depositary links are to be established between the Clearing Systems to facilitate the initial issue of the Notes and cross-market transfers of the Notes associated with secondary market trading, see ''— *Book-Entry Ownership*'' and ''— *Settlement and Transfer of Notes*'' below.

Investors may hold their interests in a Global Note Certificate directly through the Clearing Systems if they are accountholders (''**Direct Participants**'') or indirectly (''**Indirect Participants**'' and together with Direct Participants, ''**Participants**'') through organisations which are accountholders therein.

None of the Clearing Systems is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time.

None of the Issuer or any of its agents will have any responsibility for the performance by the Clearing Systems or their respective participants of their respective obligations under the rules and procedures governing their operations or the arrangements referred to above.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective accountholders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other. Their customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations.

DTC

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a ''banking organisation'' within the meaning of the laws of the State of New York, a member of the Federal Reserve System, a ''clearing corporation'' within the meaning of the New York Uniform Commercial Code and a ''clearing agency'' registered pursuant to Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and facilitate the clearance and settlement of securities transactions between Participants through electronic computerised book-entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC Direct Participant, either directly or indirectly.

Investors may hold their interests in a Rule 144A Global Note Certificate directly through DTC if they are Direct Participants in the DTC system, or as Indirect Participants through organisations which are Direct Participants in such system.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Direct Participants and only in respect of such portion of the aggregate principal amount of a Rule 144A Global Note Certificate as to which such Participant or Participants has or have given such direction. However, in the circumstances described under ''*Summary of Provisions Relating to the Notes while in Global Form — Exchange*'', DTC will cause its custodian to surrender such Rule 144A Global Note Certificate for exchange for Rule 144A Individual Certificates (which will bear the legend applicable to transfers pursuant to Rule 144A).

Payments through DTC

Payments in U.S. dollars of principal and interest in respect of a Global Note Certificate registered in the name of, or in the name of a nominee for, DTC will be made to the order of such nominee as the registered holder of such Note.

Book-Entry Ownership

Euroclear and Clearstream, Luxembourg

The Regulation S Global Note Certificate will have an International Securities Identification Number ("**ISIN**") and a Common Code and will be registered in the name of a nominee for, and deposited with a common depositary on behalf of, Euroclear and Clearstream, Luxembourg.

The address of Euroclear is 1 Boulevard du Roi Albert 11, B-1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, L-1855, Luxembourg.

DTC

Each Rule 144A Global Note Certificate will have an ISIN, Common Code and a Committee on Uniform Securities Identification Procedures ("**CUSIP**") number and will be deposited with a custodian (the "**Custodian**") for, and registered in the name of Cede & Co. as nominee of, DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within the DTC System.

The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of the Clearing Systems as the holder of a Note evidenced by a Global Note Certificate must look solely to DTC, Euroclear or Clearstream, Luxembourg (as the case may be) for its share of each payment made by the Issuer to the holder of such Global Note Certificate and in relation to all other rights arising under such Global Note Certificate, subject to and in accordance with the respective rules and procedures of DTC, Euroclear or Clearstream, Luxembourg (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by a Global Note Certificate, the common depositary by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant Participants' or accountholders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note Certificate as shown on the records of the relevant common depositary or its nominee. The Issuer also expects that payments by Direct Participants in any clearing system to owners of beneficial interests in any Global Note Certificate held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Note Certificate and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note Certificate in respect of each amount so paid. Neither the Issuer or any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note Certificate, or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and transfer of Notes

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants, which will receive a credit for such Notes on the clearing system's records. The ownership interest of each actual purchaser of each such Note (the "**Beneficial Owner**") will in turn be recorded on the Direct Participants' and Indirect Participants' records.

Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within the clearing system will be effected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates evidencing their ownership interests in such Notes, unless and until interests in any Global Note Certificate held within a clearing system are exchanged for Individual Certificates.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system and their records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note Certificate to such persons may be limited. As DTC can only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, the ability of a person having an interest in a Rule 144A Global Note Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by a lack of physical certificate in respect of such interest.

Trading between Euroclear and/or Clearstream, Luxembourg Participants

Secondary market sales of book-entry interests in Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

Trading between DTC Participants

Secondary market sales of book-entry interests in Notes between DTC Participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement system in same-day funds, if payment is effected in U.S. dollars, or free of payment, if payment is not effected in U.S. dollars. Where payment is not effected in U.S. dollars, separate payment arrangements outside DTC are required to be made between the DTC Participants.

Trading between DTC seller and Euroclear/Clearstream, Luxembourg purchaser

When book-entry interests in Notes are to be transferred from the account of a DTC Participant holding a beneficial interest in a Rule 144A Global Note Certificate to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in the Regulation S Global Note Certificate, the DTC Participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear or Clearstream, Luxembourg Participant. On the settlement date, the custodian of a Rule 144A Global Note Certificate will instruct the relevant Registrar to (i) decrease the amount of Notes registered in the name of Cede & Co. and evidenced by such Rule 144A Global Note Certificate of the relevant class and (ii) increase the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Regulation S Global Note Certificate. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

Trading between Euroclear/Clearstream, Luxembourg seller and DTC purchaser

When book-entry interests in Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC Participant wishing to purchase a beneficial interest in a Rule 144A Global Note Certificate (subject to the certification procedures provided in the Fiscal Agency Agreement), the Euroclear or Clearstream, Luxembourg Participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7.45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depositary for Euroclear and Clearstream, Luxembourg and the relevant Registrar to arrange delivery to the DTC Participant on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depositary for Euroclear and Clearstream, Luxembourg will transmit appropriate instructions to the custodian of such Rule 144A Global Note Certificate who will in turn deliver such book-entry interests in the Notes free of payment to the relevant account of the DTC Participant and instruct the relevant Registrar to: (i) decrease the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the relevant Regulation S Global Note Certificate; and (ii) increase the amount of Notes registered in the name of Cede & Co. and evidenced by a Rule 144A Global Note Certificate.

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in Global Note Certificates among Participants and accountholders of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedure, and such procedures may be discontinued at any time. Neither the Issuer or any Paying Agent will have the responsibility for the performance by DTC, Euroclear, Clearstream, Luxembourg or their respective Direct or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

Settlement of Pre-issue Trades

It is expected that delivery of the Notes will be made against payment therefor on the Issue Date, which is expected to be four or five business days following the date of pricing. Under Rule 15c6-l under the Exchange Act, trades in the United States secondary market generally are required to settle within three business days (T+3), unless the parties to any such trade expressly agree otherwise.

Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding business days until three days prior to the Issue Date will be required, by virtue of the fact the Notes initially will settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary.

Purchasers of Notes may be affected by such local settlement practices and purchasers of Notes between the date of pricing and the Issue Date should consult their own adviser.

SUBSCRIPTION AND SALE

Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, Emirates NBD Capital Limited, J.P. Morgan Securities plc, Morgan Stanley & Co. International plc and Standard Chartered Bank (together, the "**Joint Lead Managers**") have, pursuant to a Subscription Agreement (the "**Subscription Agreement**") dated 1 February 2013, severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe or procure subscribers for the respective principal amount of Notes set out opposite its name below, subject to the provisions of the Subscription Agreement:

Name of Joint Lead Manager	Principal Amount of Notes
Citigroup Global Markets Limited	U.S.$125,000,000
Deutsche Bank AG, London Branch	U.S.$125,000,000
Emirates NBD Capital Limited	U.S.$125,000,000
J.P. Morgan Securities plc	U.S.$125,000,000
Morgan Stanley & Co. International plc	U.S.$125,000,000
Standard Chartered Bank	U.S.$125,000,000
Total	U.S.$750,000,000

The Notes will be so subscribed at the issue price of 99.941 per cent. of their principal amount less certain fees and commissions which the Issuer has agreed to pay to the Joint Lead Managers (a portion of which will only be payable at the Issuer's sole discretion). In addition, the Issuer has agreed to reimburse the Joint Lead Managers for certain of their expenses in connection with the issue of the Notes. The Subscription Agreement entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The yield for the Notes is 4.51 per cent. per annum on an annual basis. The yield is calculated as of the issue date of the Notes on the basis of the relevant issue price. It is not an indication of future yield.

Certain of the Joint Lead Managers and their affiliates have from time to time performed, and in the future may perform, various financial advisory, commercial banking and investment banking services for the Issuer and its affiliates, for which they have received and/or will receive fees and expenses.

To the extent that any Joint Lead Managers that are not U.S. registered broker dealers intend to effect any sales of the Notes in the United States, they will only do so through one or more U.S. registered broker dealer affiliates as permitted by Financial Industry Regulatory Authority guidelines.

General

Neither the Issuer nor any Joint Lead Manager has made any representation that any action will be taken in any jurisdiction by the Joint Lead Managers or the Issuer that would permit a public offering of the Notes, or possession or distribution of this Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the Notes (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. Each Joint Lead 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 Notes 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 Joint Lead Manager will also ensure that to the best of its knowledge and belief no obligations are imposed on the Issuer in any such jurisdiction as the result of any of the foregoing actions.

United States

The Notes have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Notes are being offered and sold outside of the United States in reliance on Regulation S. The Subscription Agreement provides that the Joint Lead Managers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Notes within the United States only to qualified institutional buyers in reliance on Rule 144A.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

United Kingdom

Each Joint Lead 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 an 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 the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; 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 Notes in, from or otherwise involving the United Kingdom.

Hong Kong

Each Joint Lead Manager has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to ''professional investors'' as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a ''prospectus'' as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to ''professional investors'' as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (a) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the ''**SFA**''), (b) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law; or

(iv) as specified in Section 276(7) of the SFA.

The United Arab Emirates (excluding the Dubai International Financial Centre)

Each Joint Lead Manager has represented and agreed that the Notes 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 or the sale of securities.

Dubai International Financial Centre

Each Joint Lead Manager has represented and agreed that it has not offered and will not offer the Notes 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 taken or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Notes. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a ''**Saudi Investor**'') who acquires the Notes pursuant to the offering should note that the offer of the Notes is being made as a private placement by way of an ''offer restricted to sophisticated investors'' under 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 Market Authority (the ''**CMA**'') to carry on the securities activity of arranging and following a notification to the CMA under the KSA Regulations.

The Notes 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 Joint Lead Manager has represented and agreed that any offer of Notes to a Saudi Investor will be made in compliance with the KSA Regulations.

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

(i) a Saudi Investor (referred to as a ''**transferor**'') who has acquired Notes pursuant to a private placement may not offer or sell Notes 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:

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

    (b) the Notes are offered or sold to a sophisticated investor; or

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

(ii) if the requirement of paragraph (i)(a) above cannot be fulfilled because the price of the Notes being offered or sold to the transferee has declined since the date of the original private placement, the transferor may offer or sell the Notes 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;

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

(iv) the provisions of paragraphs (i), (ii) and (iii) above shall apply to all subsequent transferees of the Notes.

Kingdom of Bahrain

Each Joint Lead Manager has represented and agreed that it will not make the Notes available to the public in Bahrain.

State of Qatar

Each Joint Lead Manager has represented and agreed that it will not offer, sell or deliver at any time, directly or indirectly, any Notes 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.

TRANSFER RESTRICTIONS

Each purchaser of Notes within the United States pursuant to Rule 144A, by accepting delivery of this Prospectus, will be deemed to have represented, agreed and acknowledged that:

(1) It is (a) a qualified institutional buyer within the meaning of Rule 144A (a "**QIB**"), (b) acquiring such Notes for its own account or for the account of a QIB and (c) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A.

(2) It understands that such Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) to the Issuer or any affiliate thereof, (b) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB, (c) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (d) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any State of the United States.

(3) It understands that such Notes, unless otherwise agreed between the Issuer and the Fiscal Agent in accordance with applicable law, will bear a legend to the following effect:

    THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THIS NOTE.

(4) The Issuer, the Registrars, the Joint Lead Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements. If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

(5) It understands that the Notes offered in reliance on Rule 144A will be represented by a Rule 144A Global Note Certificate. Before any interest in a Rule 144A Global Note Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note Certificate, it will be required to provide the relevant Paying and Transfer Agent with a written certification (in the form provided in the Fiscal Agency Agreement) as to compliance with applicable securities laws.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

GENERAL INFORMATION

1 The listing of the Notes on the Official List will be expressed as a percentage of their principal amount (exclusive of accrued interest). It is expected that listing of the Notes on the Official List and admission of the Notes to trading on the Regulated Market will be granted on or before 6 February 2013, subject only to the issue of the Global Note Certificates. Prior to official listing and admission to trading, however, dealings will be permitted by the Irish Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day after the day of the transaction.

2 The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes. The issue of the Notes was authorised by a written decision of the Chairman of the Issuer on 17 January 2013.

3 The Issuer estimates that the amount of expenses related to the admission to trading of the Notes will be approximately €4,940.

4 There has been no significant change in the financial or trading position of the Issuer or of the Group since 30 September 2012, and no material adverse change in the financial position or prospects of the Issuer or of the Group since 31 March 2012.

5 Neither the Issuer 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 the Issuer 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 the Issuer or the Group.

6 The Notes have been accepted for clearance through the Euroclear, Clearstream, Luxembourg and DTC systems (which are the entities in charge of keeping the records). The relevant securities codes for the Notes are as follows:

Regulation S Global Note Certificate

ISIN:	XS0885065887
Common Code:	088506588

Rule 144A Global Note Certificate(s)

ISIN:	US29134XAA37
Common Code:	088545796
CUSIP:	29134X AA3

The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1885 Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

7 Where information in this Prospectus has been sourced from third parties, this information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third-party information is identified where used.

8 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 Fiscal Agent:

(a) the Fiscal Agency Agreement (which includes the forms of the Global Note Certificates), the Deed of Covenant and the Deed Poll;

(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 which includes the 2011 Financial Statements and the 2012 Financial Statements; and

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

9 PricewaterhouseCoopers, Dubai Branch, has audited, and rendered unqualified audit reports on, the consolidated financial statements of the Group for the two years ended 31 March 2012. PricewaterhouseCoopers, Dubai Branch, has no material interest in the Issuer 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.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Independent auditor's review report in respect of the interim condensed consolidated financial statements of Emirates and its subsidiaries for the six months ended 30 September 2012

pwc

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
T: +971 (0)4 304 3100, F: +971 (0)4 330 4100, www.pwc.com/middle-east

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

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**

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

	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**

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	Recon-ciliation	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	Recon-ciliation	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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 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

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 AED m	2011 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 AED m	2011 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 AED m	2011 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 AED m	2011 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	2011
	AED m	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	2011
	AED m	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 AED m	2011 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.

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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 AED m	2010 AED m
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	Recon-ciliation	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	2010
	AED m	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 AED m	Derivative financial instruments AED m	Financial liabilities at amortised cost AED m	Total 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 AED m	**Effect on equity** AED m	**Effect on profit** AED m	**Effect on equity** 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 AED m	2 - 5 years AED m	Over 5 years AED m	Total 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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