The Emirates Group
Annual Report

2004-2005

Emirates

Dnata

Chairman's Review

H. H. Sheikh Ahmed bin Saeed Al-Maktoum
Chairman of The Emirates Group.

We've had yet another successful year – our 17th consecutive profit for the airline with the group returning a net profit of US$708 million (Dhs2.6 billion) on revenues of US$5.2 billion (Dhs19.1 billion). Emirates income amounted to US$4.9 billion (Dhs18.1 billion) and Dnata's turnover was US$385 million (Dhs1.4 billion).

Airlines are continuously being affected by the changing economic conditions of the world – but none have been quite so financially devastating as the dramatic rise in jet fuel prices which we faced in the second half of the financial year. Although we had hedged jet fuel purchases as part of our forward planning, no one could have envisaged the surge in oil prices which resulted in fuel costs rising from 14% to 21% of our total operating expenditure. In order to remain on target we had to introduce another round of drastic cost-cutting, a recruitment freeze (except for Flight Deck, Cabin Crew and Engineering staff) and a fuel surcharge (which of course, did not cover the increasing costs).

The tsunami was a tragic disaster which claimed so many lives and wrought awesome destruction in many areas of South-East Asia. SkyCargo was able to play a role in carrying supplies to the affected areas but now Emirates has to work with the authorities to help the tourism industry in Sri Lanka, the Maldives, India, Thailand and Indonesia.

I have no doubt that my senior executives will have to spend the next 12 months explaining to other airlines and journalists that we made this very satisfactory result without government assistance or subsidies. Since we started the airline in 1985, our competitors seem to find it incomprehensible that we can make profits by having a skilful team which works hard, is a market leader and invests heavily in new equipment – surely the criteria for any successful company?

It was, therefore, reassuring to read in the recent UBS Investment Research Report the following "...we can find little direct evidence of any subsidy and believe that the competitive strengths of the group can be explained by the underlying business model rather than special treatment". Obviously, we are concerned to clarify any misconception, especially at a time when the European Union is looking closely at government subsidies for airlines. I reiterate to all the sceptics that you are invited to examine the pages of this annual report and I hope you will be convinced that Emirates is not the recipient of any subsidies. On the contrary, I am happy to report that once again we will pay a dividend to our shareholder, the Government of Dubai, of US$100 million, as well as a bonus for each member of the staff of the Emirates Group.

At the end of the financial year the headcount had reached 25,000 employees in Dnata and Emirates, with a 10% increase in job applications to 240,000.

A380 Reveal speech.

A CNN TV Interview.

We continue to be a popular company as our brand grows stronger and at the end of the financial year the headcount had reached 25,000 employees in Dnata and Emirates, with a 10% increase in job applications to 240,000. Our staff come from 124 different countries.

For me personally there were a number of highlights abroad and at home – overseas I made visits to the Air Show in Farnborough, UK, to sign contracts for more Boeing 777s and an inflight entertainment system for the A380s; to Vienna to open our new route; to the Seychelles to celebrate our fifth destination in the Indian Ocean; to Toulouse to attend the A380 Reveal (as the biggest purchaser of this double-decker Super Jumbo) – while in Dubai I've opened a new Holiday Lounge at the Dnata Travel Centre and welcomed Dnata's future plans with the first A380 towbarless pushback and towing tractor already received. Development started on a web portal which enables freight customers to clear formalities from their own offices. Dnata continued its healthy expansion by acquiring the CIAS (Changi International Airport Service) in Singapore.

Preceding Emirates' launch to New York and Shanghai, Commercial's roadshows in USA and China were professional enough to have graced any TV programme and certainly thrilled our most important customers – the travel agents.

Al Maha won awards for its architecture and environmental protection and made money for the company with its expansion.

Behind the scenes, we have many unsung heroes. Our engineers have been involved in the design configuration of various systems to be included in the Emirates A380 and our workshop has successfully completed the reconfiguration of three Boeing 777-200s including complete refurbishment of the cabin interior and upgrade of the video-on-demand units ...a massive task to be undertaken inhouse.

We recruited another 300 UAE nationals as graduate trainees, cadet pilots and engineering apprentices – and introduced a national career development strategy.

Our worldwide sales staff benefited from a continuous supply of business aids to present the group products to future clients and Ms Sarah Andrews of Auckland won the Chairman's Award for her sales and marketing prowess.

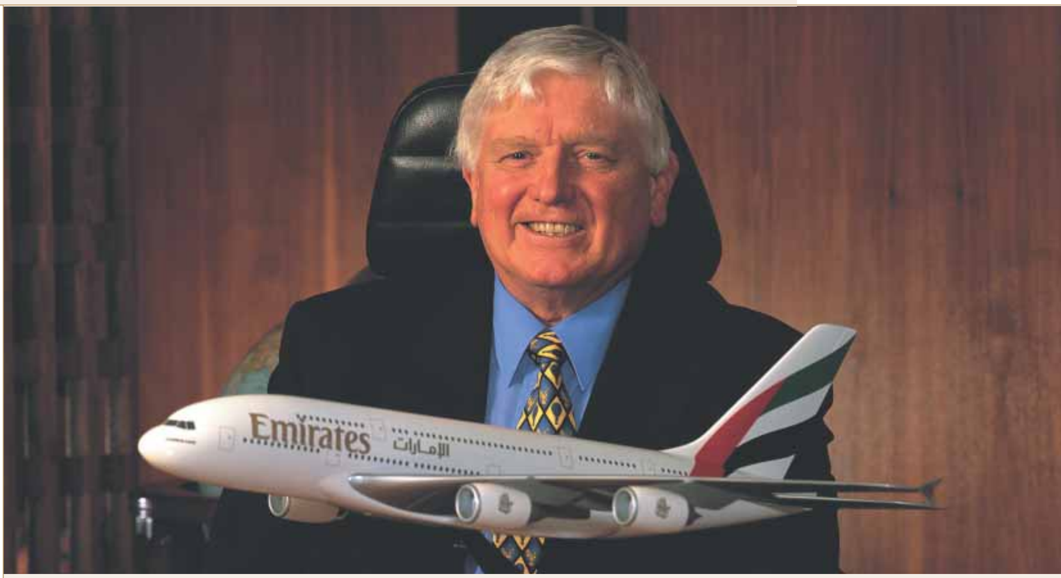
Our loyal passengers are the reason for Emirates' existence and we continue to acquire new aircraft so that we can offer more destinations with a higher comfort in a modern fleet of wide-body aircraft which are on average less than five years old. We were delighted to welcome the one millionth member to the Skywards Frequent Flyer Programme which we share with SriLankan Airlines - nor did we forget the young passengers with new style meal boxes which they can take home with them after the flight. We even remembered the group staff who are leaving us after many years' service introducing Post Retirement Medical Insurance benefits for the eligible retiring employees.

The group is fortunate, indeed, to be based in Dubai where a visionary government is investing billions of dollars to develop the city into a major commercial, residential and tourist hub and the Emirates Group is playing a pivotal role.

Finally, I would like to thank the staff of Emirates and Dnata for their quite outstanding contribution to this excellent result.

Ahmed bin Saeed Al-Maktoum

Maurice Flanagan CBE
Vice Chairman and Group President



As His Highness has stated in his foreword to this report, the performance of Emirates and Dnata, like other travel companies, has been affected by the surge in the price of oil. To put it into context from a global viewpoint, the International Air Transport Association (IATA) reckons that every $1 rise to the price of a barrel of oil adds $1 billion to the airline industry's fuel bill. As a result IATA states that the net losses for the year will be approximately $5.5 billion making cumulative losses for the industry of $40 billion since 2001.

Against this background, for the group to achieve another record year of profits underlines our quite unique business model, incorporating a flexibility which has enabled us to "see off" three wars, a plague, SARS, global economic downturns and now very high jet fuel prices.

As His Highness points out, the fact that we have been able to return a handsome profit has nothing to do with hand-outs, but is down to the creativity of our management team and sheer hard work of the staff, helped of course by the rebound in international air traffic in 2004/05, up nearly a quarter in the Middle East (mostly, however, coming from Dubai) and by a fifth in Asia.

I would also like to acknowledge the benefits of being a Dubai-based company. This is an incredible emirate growing at some 17% per year and now popular as both a tourism destination and a commercial hub. In addition to the massive expansion of Dubai International Airport, which will be one of the largest in the world in 2006 with a capacity of 75 million passengers, construction of a new airport has been started at Jebel Ali underlining the growth of 15% per year in passenger (18% in cargo) traffic to/from and through Dubai. Both factors auger well for our planned development centered around a modern fleet and an efficient 24-hour hub.

By 2012 Emirates alone will be carrying some 33 million passengers in its fleet of 151 aircraft (including 12 freighters). If this all sounds exaggerated, take a trip to Dubai and see the extraordinary infrastructure which is being developed with projects like Dubailand (a theme park double the size of Disneyland, Florida), Dubai Waterfront, Dubai Business Bay, Festival City and a myriad five star hotels, plus the offshore Palm Jumeirah, Palm Jebel Ali, Palm Deira and The World...engineering developments which have grabbed global headlines.

By 2012 Emirates alone will be carrying some 33 million passengers in its fleet of 151 aircraft (including 12 freighters).

Emirates wins the annual cricket match with the Lord's Taverners.

An architectural perspective of the new Emirates Group Head Office.

With an expected population of five million by 2010, Dubai needs Emirates to serve its commercial and tourism industries, as well as the other 100 airlines operating into Dubai with very healthy loads, and we need Dubai for its catalytic influence on passenger and freight growth.

To be a part of this unique environment means that we have a responsibility to prepare for this exceptional growth, hence our $30 billion worth of aircraft on order.

With so many superlatives flowing around Dubai, we never forget that our job is to provide a seamless service for our passengers and cargo customers. This means that we have to invest heavily in training so that we maintain our recognised high standards – and build for the future expansion, with eight hangars for the new A380 and a new Emirates Group head office, to cater for our burgeoning staff, already under construction at Dubai International Airport.

If Dubai has now well passed the "tipping point" at which it is globally accepted as a major tourist attraction, then Emirates, too has broken through the business barrier, continuously named in polls as one of the Top Five airlines of the world in terms of quality and profitability.

Dnata has been around for as long as there has been an airport in Dubai and it still provides 24/7 dependability for the 100-plus scheduled international airlines operating through the airport. It has a fleet of 960 vehicles, a staff of 6,596 and is recognised as being among the elite of ground handling agents. The Freezone Logistics Centre at Dubai International Airport has been expanded four times, such is the demand for Dnata's freight services while Dnata Agencies continues to meet the challenges of e-technology and has exported its sales expertise to Saudi Arabia and Kuwait.

"But all work and no play"...and the Emirates Group staff have excelled in many sports during the year. I was very pleased to see our Cricket Team record a second win against the Lord's Taverners' team, which included not only ex-Test heroes but several current English County cricketers and also defeated first class English County side, Durham, in a 40-over cliff-hanger, while the Emirates Rugby team won the Social Tournament at the Emirates Airline Rugby 7s for a record third year in a row.

For me, one of the most exciting and satisfying trends of last year was the innovative and enthusiastic manner in which all departments of the business embraced next-generation technology interfaced with the personal touch – from award-winning Emirates SkyCargo with its quite unique SkyChain, to innovative Commercial Operations with the dramatic increase in the use of e-ticketing.

It is with much pleasure that I record our thanks to the group's quite remarkable staff who never failed to meet and surpass the challenges of this year with a passion and skill which makes us all proud.

Maurice Flanagan

Tim Clark
President Emirates Airline

During the course of this year the airline increased production by 30% and opened six new on line points namely New York, Shanghai, Glasgow, Vienna, Seychelles and Christchurch. Income grew by 36%, yields by 6.0% whilst the number of passengers carried rose by 20% to 12.5 million and cargo by 27% to 838,400 tonnes. This growth had to be managed against the backdrop of rocketing fuel prices and in the latter part of the year, the tsunami effect.

It was clear by the end of the second fiscal quarter that there was evidence of a new paradigm in fuel prices which called for immediate action to address both its short and long term consequences. Recruitment outside the operational areas was frozen and non essential costs stripped out. Schedules were reworked to optimise efficiency on only the most profitable routes and capacity was redeployed to take advantage of the Indian open skies period between December 04 and March 05. We were able to do this by postponing our planned operations for the second daily New York frequency and the daily San Francisco.

All this has meant an increase in productivity per employee and the airline's ability to grow its profit by 49% over the previous fiscal year. This is a huge credit to all our staff.

In the latter days of March we took delivery of the first two Boeing 777-300ERs, part of an order for thirty with sequenced deliveries for the remainder over the next two and half years. Interestingly, these two B777-300ER deliveries witnessed the commencement of the airline's enormous order programme with 97 aircraft being delivered at an average rate of one per month for the next eight years. I have absolute confidence that the airline will be able to manage the challenge of this formidable growth.

Tim Clark,
President Emirates Airline

Twenty-four hours a day the Emirates fleet of 75 aircraft serves a network of 76 destinations.

Commercial Operations

When we started the airline in 1985 our timetable was the size of a folded postcard, easily able to show the three destinations we served from Dubai. Today the timetable numbers 743 pages in the pocket-size version and 384 in the larger format, plus covers.

With nine new aircraft joining the fleet, some 75 extra flights per week were added and the network grew to 76 destinations. During the year we inaugurated new services to New York, Shanghai, Christchurch, Glasgow, Vienna and the Seychelles and in the next financial year we will add three new cities to the network – Seoul, Hamburg and Beijing.

We broke new ground when daily operations were started between Dubai and New York, using the long range A340-500, the first passenger service to J F Kennedy Airport following successful freighter operations. The June 1st inaugural had been preceded by Commercial offering presentations to nearly 2,000 travel agents in road shows in New York, Boston and Washington. The service is now attracting healthy load factors.

Indicative of our long-term plans for North America is the construction of a new 13,000 square feet First and Business Class lounge at JFK's Terminal Four, the largest airline lounge at the airport and designed to accommodate A380 Super Jumbo operations slated to begin in March 2007.

Special promotional support campaigns were implemented to support Emirates' commitment to the Dubai Shopping Festival, Dubai Summer Surprises, Dubai World Cup plus other events including conferences and conventions. The Dubai Stopover Programme, designed to encourage visitors to break their journey when transiting Dubai, grew strongly with sales increasing by 60%.

The field sales teams and their Dubai-based colleagues worked more closely than ever, fully supported by all departments across the group to ensure revenue and passenger targets were exceeded. Sales aids ranged from the manual "Filofacts" folder to the automated Mercator-created One/ Network, a system designed to keep tabs on all customers.

E-ticketing, first introduced on the trans-Tasman route, has now been expanded across the network bringing significant benefits to customers.

During the year we inaugurated new services to New York, Shanghai, Glasgow, Vienna, Christchurch and the Seychelles and in the next financial year we will add three new cities to the network – Seoul, Hamburg and Beijing.

Vienna – one of the new cities added to the network.

Unique mini-suites in First Class on Emirates A340-500s.

Ghaith Al Ghaith, Executive Vice President Commercial Operations Worldwide, was the main speaker at the Emirates Seoul road show.

Emirates e-tickets are now being issued by travel agents in many countries through contracts with global distribution system providers and a number of interline agreements for travelling on other airlines.

The travel agency community remains the largest and most important distribution channel…vital to our continued growth. In keeping with global trends, the number of passengers booking their flights via www.emirates.com grew tremendously during the year but we also launched websites which were designed specifically to assist our travel agents to sell Emirates' products and services.

It was a year for millions for the Skywards Frequent Flyer programme which reached the million members' milestone in June 2004 – and to celebrate donated a million Miles to three charities. Members, too, were given the opportunity of donating Miles. Sixteen million miles were donated altogether and were used to fly volunteer aid workers to areas where they were needed. Our top Skywards member earned a million Miles since the launch of the programme and was given the reward of his choice – a weekend in a luxury resort in New Zealand.

Membership in Skywards continues to grow with a 60% increase over last year and the programme itself won its ninth Freddie Award for the best availability of flight rewards. These are recognised as the "Oscars" of the Frequent Flyer Programmes.

From February 2005 Skywards' Gold Cards incorporated e-gate functions to enable electronic entry and exit through Dubai International Airport Immigration – a world first for frequent flyers.

Customer Affairs and Service Audit (CASA) became more vigorous and aggressive as the airline expanded with a two-prong approach to help maintain high quality service for our passengers on board. Service inspectors travel incognito criss-crossing the world to ensure products are in line with company standards on the ground. Other inspectors conduct checks at airports on front-line and behind-the-scene staff and services. With 12 million plus passengers, despite this constant monitoring and proactive corrective action, mishandling incidents do occur and service recovery to restore passenger goodwill continues to be an important business strategy.

Relentless and continued use of customer feedback enables us to identify service or product failures so that improvements can be made as soon as possible.

As the company grows bigger, CASA will concentrate on key areas of personalised customer contact to give Emirates the competitive edge.

Chauffeur-drive from home to airport and return is provided to First and Business Class passengers at 27 destinations around the network, with some 500,000 passengers using this service every year.

Commented Ghaith Al Ghaith, Executive Vice President Commercial Operations Worldwide "Despite the challenges, the past year was our best ever in terms of passenger sales and revenue generation. Although margins were threatened by spiralling costs, efficiency gains, increased productivity and yield improvement strategies were successfully employed."

Below left: Adel Al Redha, Executive Vice President Engineering & Operations, checks out one of the GE90-115B engines powering the Boeing 777-300ER on delivery at Boeing's base in Seattle.

Engineering personnel upgrading the entertainment system on a Boeing 777-200.

Engineering

Reflecting the expertise and high standards of Engineering, three two-class Boeing 777-200s were completely refurbished inhouse. The cabin interior was renewed and the In-flight Entertainment System upgraded to Video on Demand. This was a complex task requiring close coordination with many third party suppliers and was carried out in parallel with other heavy maintenance work. Building on this success, a programme has been started to reconfigure the three-class Boeing 777-200s in the same way.

Another major step forward was the preparations and training to establish in-house design capabilities for aircraft modifications. This capability is expected to be recognised shortly and will allow Emirates to have greater autonomy to design minor modifications in-house without the dependency on third parties.

In fact, Engineering has been actively involved in the design configuration of various systems that will be included in the A380 aircraft due to enter service in 2006. Engineering has been working closely with Airbus to ensure that Emirates specifications will be met and unique features will be provided with a high level of comfort, reliability and ease of maintenance.

To ensure that cabin standards and systems are maintained in a pristine condition, a dedicated cabin management team has been formed to meet aircraft on arrival. In addition specific maintenance tasks for aircraft systems have been introduced.

Work has commenced on building the new engine test cell, which will be one of the largest such facilities in the world, capable of testing engines up to 150,000 pounds thrust. This facility will be equipped with state-of-the-art equipment and with quick transfer stands for testing various types of engines currently available in the industry.

The construction of the new Technical Centre is progressing on time and the office staff will be relocated in the landside office building in November 2005, while the first phase of the airside hangars will be completed by December 2005 when four bays will be ready, with three other bays coming on line three months later. Capable of accommodating the huge A380 aircraft, the facility will be completed well ahead of the arrival of the first Emirates A380 in October, 2006.

SkyCargo made a record contribution to the airline's transport revenue exceeding 20% - the highest freight contribution of any carrier in the world with a similar fleet make-up.

An Emirates 747-400F Freighter.

Emirates Engineering can claim to be the Centre of Aircraft Maintenance Excellence in the Middle East with the renewal of its ISO 9000/2000 certification and the US FAA Part 145, while it also obtained EASA Part 145 Maintenance Approval, EASA Part 147 Technical Training approval and EASA Part 21 Design Organisation Approval from the European Aviation Safety Agency.
Adel Al Redha, Executive Vice President Engineering and Flight Operations stated "Our Engineering team passed an important milestone with the refurbishment in-house of the 777s. I would also like to make a special mention of our multi-national pilots who once again proved themselves to be the best in the business".

Flight Operations

With nine new aircraft joining the fleet, 158 more pilots were recruited bringing the total complement to 1,135. Our Captains and First Officers come from 60 countries including the UAE (96 pilots with a further 45 UAE nationals under training).

Flight Operations has been working closely with Air Services Australia, signing a strategic partnering charter. This allows Emirates, in conjunction with Air Services Australia, to plan and use flexible routings over the Indian Ocean between Dubai and Australia. In line with Emirates policy of working closely with Civil Aviation authorities and Air Traffic Service providers, Emirates has also negotiated the opening of shorter airway routes within the Russian Federation from Dubai to Europe and the United States which again leads to a reduction of fuel usage and a correspondingly improved environmental impact.

Maintaining its market leadership, Emirates has ordered 30 Electronic Flight Bags (EFB) for its Boeing 777-300ER airplanes, making it the largest customer for this system. EFB stores digitally all documentation that pilots typically carry onto an aircraft. Combined with other data link initiatives, utilising terminal wireless for up-linked weather, flight plans, load sheets and clearances, this new technology forms an integral part of Emirates 21st Century Flight Deck Information Management Solution.

Emirates SkyCargo

Once again Cargo made a record contribution to the airline's transport revenue exceeding 20% - the highest freight contribution of any carrier in the world with a similar fleet make-up. Revenue increased by 43% to US$940 million (Dhs.3.45 billion), tonnage rose by 27% to 838,400 tonnes while yield increased by 6.9%.

As well as using the bellies of wide-body passenger aircraft, SkyCargo operated a fleet of six Boeing 747 freighters (four B747-400F and two B747-200F), wet-leased from Atlas Air. During the year six new destinations were added to the network plus new cargo-only services to Johannesburg, Nairobi, Lahore, Milan and Budapest. There are now scheduled freighter services to 20 destinations responsible for some 34.5% of the hard cargo revenue.

An innovation for Emirates in the next financial year will be the introduction into the fleet of three A310-300F freighters which will be responsible for providing a seamless distribution to the region from the intercontinental freighters and core passenger fleet bellies.

In the first quarter, demand was consistently high with capacity utilisation being optimised from the Pacific Rim region to Europe, though US demand was lower than expected. In the second quarter, despite the increasing cost of fuel, performance met the forecasted levels with high demand to the Middle East due to the bonanza from oil revenues. In the third quarter there was an increased demand from China to Europe as a result of more capacity, and despite the fuel surcharge the demand remained high up to the New Year holidays.

Emirates SkyCargo operates an extensive network of feeder trucks plying the roads from Amsterdam to Wellington.

In the fourth quarter the tsunami struck with its tragic consequences and Emirates ferried over 1,000 tonnes of relief supplies into the affected areas. Nearly Dhs3 million in freight transportation charges were absorbed by Emirates to support the relief efforts.
The freighter operations both for scheduled and charter services remained buoyant.

The revolutionary SkyChain system continued to be enhanced. The first stage, Skylog, was cut over successfully in August. The system is delivering the planned business efficiencies in Cargo Terminal operations and Inventory Management.

Approval was given to design and build a next generation IT solution to facilitate cargo business and supply management requirements. With specifications provided by SkyCargo, Mercator will design and build the system which is expected to be cut over in 2006.

When it comes to infrastructure, the Dubai International Airport expansion continues and the first phase of the 1.2 million tonne capacity Cargo Mega Terminal is expected to be opened in September 2006. A total of 707,000 tonnes were handled through the present SkyCargo Centre representing a 24% increase over last year.

SkyCargo was again recognised for its quality service by its peers with no less than eight awards including "Air Cargo Carrier of the Year" from the International Freight Weekly and "Best Airline to the Middle East and the Indian subcontinent" from Air Cargo News.

Finally SkyCargo's Post Office mail revenue grew by 52% due to the close co-operation with Emirates Post.

Al Maha won two important awards: World Legacy Award from National Geographic and Conservation International and the 8th Arab Cities Award for Architecture from the Arab Cities Organisation.

Seychelles – a new destination.

Al Maha Desert Resort & Spa.

Destination and Leisure Management

With a substantial growth in business and more than 300,000 clients, Destination and Leisure Management has placed Emirates as a top player in the international leisure travel market.

Sales revenue grew by 37% to US$219 million (Dhs803 million) surpassing all targets in the Long Term Plan – a quite incredible result taking into consideration the impact of rising fuel costs and the tsunami. Arabian Adventures had another excellent year with new product offerings including "Corporate Services" for the organisation of large meetings and events.

A number of important functions were staged at Arabian Adventure's own Lisaili Fort, including the Dubai World Cup Gala Dinner and the closing event of the Dubai International Film Festival. There were also familiarisation visits for travel agents and corporate houses in connection with the launch of the New York service.

Arabian Adventures conducted a major study of Dubai's current and future hotel room inventory between 2005 and 2010. This report highlighted the current shortage of rooms and the need for additional hotels in order to achieve the target of 15 million visitors by 2010.

A new project was the creation of Congress Solutions Dubai, a professional conference organiser which will provide management, technical and logistical support to international congress associations, intergovernmental meetings and multi-national corporate gatherings.

Some 100,000 tourists used Emirates Holidays services, the top destinations proving to be the UAE, Malaysia, Thailand, United Kingdom, Egypt, Mauritius, the Maldives, Singapore, Lebanon and India. The six destinations growing fastest in popularity were Singapore, Australia, Switzerland, Austria, Hong Kong and New Zealand.

The new Emirates Holidays' brochure was launched to over 400 travel agents and tourism office representatives and Holidays' partners from 40 destinations. There were road shows, too, featuring the Seychelles and Mauritius, and to support the travel trade in June Emirates Holidays released TradeNet, a real time electronic information pricing, quotation and availability system, with subsequent updating every three months. Other management tools included an information and decision system developed by Mercator to provide real time business performance indicators.

Ten suites, a spa and conference centre were added to the Al Maha Desert Resort & Spa which helped the hotel return a net profit.

Al Maha won two important awards: World Legacy Award from National Geographic and Conservation International presented by Queen Noor of Jordan in Washington DC, USA and the 8th Arab Cities Award for Architecture from the Arab Cities Organisation.

Emirates continued sponsorship of the Dubai Desert Conservation Reserve (DDCR) signing contracts with safari operators who have been allowed to operate within this area.

By limiting the visitor numbers and improving the organisation of the desert safaris, the habitat damage is avoided and the overall visitor experiences have increased substantially. An estimated 200,000 visitors visited the DDCR during the year.

There are more than 100 nationalities among Emirates cabin crew.

An informative booklet of the wildlife is now available for visitors. More than 50 Arabian Oryx have been released into the DDCR from Al Maha over the year, with more to follow in April '05 along with releases of several other species. The development of the DDCR has gained much recognition from the travel industry, as well as serious conservationists and organisations.

Planning, International and Industry Affairs

A total of nine new aircraft were delivered in the financial year – two A340-300s, four A340-500s, one Boeing 747-400F and two Boeing 777-300ERs resulting in a fleet of 75 aircraft (69 passenger and six freighters).

There was an increase in flights and capacity in all the regions of the world. In Europe Emirates commenced daily flights to Glasgow in April and one month later four weekly flights to Vienna, plus a fourth daily service was added between London Heathrow and Dubai.

For the first time, Emirates began serving New York with the long-range A340-500, providing a non-stop service between USA's largest city and the Gulf.

In South East Asia, Emirates opened a new route to Shanghai which became a daily service from June. At the eastern most end of the network we began services to Christchurch via Melbourne, which were increased to daily flights from December.

In the Indian Ocean, Seychelles was linked to Dubai thrice weekly and in North Africa we added a sixth service to Casablanca.

To help maintain the momentum of Emirates' development, International Affairs were involved in negotiating traffic rights in Austria, Greece, Argentina, Brazil, Finland, Peru, Afghanistan, Senegal, Zimbabwe, Mauritania, the Democratic Republic of Congo, Cambodia, Thailand and Vietnam.

To enhance the benefits of participating in the IATA Settlement Systems, Industry Affairs department continues to represent Emirates at the IATA Agency and Service Conferences for passenger and cargo as well as the IATA Policy Groups for Billing and Settlement Plan and Cargo Accounts Settlement System.

Emirates now has 5,600 cabin crew,
1,200 newcomers joining this year.

The new First Class seat in the Boeing 777-300ER.

With the addition of Croatia, Estonia, Latvia, Lithuania and Iceland, Emirates now participates in 44 of the 77 operating Bank Settlement Plans worldwide. From an IATA/IACO perspective Industry Affairs continued to monitor industry policy matters including disability related rules, denied boarding compensation schemes, anti-dumping, aviation and the environment, open skies, slot allocation and new aviation issues from the European Union and USA.

Market Research continues to provide a greater understanding of the Emirates Group's competitive position through various research managed in-house and competitive benchmarking data purchased from third party suppliers. This covers not only our service aspects but also reservations, airport services, in-flight and brand and advertising awareness.

In conjunction with Human Resources, Market Research has driven a series of employee studies across the group to help identify areas for staff and process development.

Service Delivery

One of the major contributing factors to the strength of the Emirates brand has always been the quality and high standards maintained by our multi-national cabin crew. They have again excelled in helping us to win a bevy of new awards from satisfied customers.

We now have a complement of 5,600 cabin crew, some 1,200 newcomers joining during the year. Training and experience are paramount in our crew's efforts to provide an enjoyable and comfortable journey for all our passengers. But sometimes the unexpected occurs – as when Senior Flight Stewardess Georgina Xidas and Stewardess Katrina Smith delivered a healthy baby boy at 30,000 feet.

There were also a number of occasions when our cabin crew were in contact with Med link, a 24/7 panel of doctors in Phoenix, USA, who advise on measures to take should passengers fall ill during the flight. Backing up the crew's first aid knowledge is training in the use of defibrillators which are carried on all Emirates' aircraft.

On one occasion the crew used their diplomatic skills to handle a potentially serious situation over Australia when an aircraft was diverted to offload a man wanted by the police. Underlining this wide variety of skills is a "Make Someone's Day" video featuring cabin crew musicians and singers, a precursor to a service training programme to run in 2005. Off duty two cabin crew members braved the waves off Jumeirah Beach, Dubai, to save a drowning man, while a large number of staff worked for a number of charities.

A new Crew Briefing Centre was opened which will enable Service Delivery to test out new concepts and technologies in preparation for moving into the new Headquarters Building in two years' time.

On June 1st Service Delivery played an important role in the launch of our new service linking Dubai and New York with the long-range A340-500. There are traditional American-style menus for this North American service, in line with our determination to have onboard meals which take into account the nationalities of the majority of passengers on a particular route.

Today we have 43 catering uplift points across the Emirates' network with 55,000 meals a day supplied by the carefully-selected caterers.

Over 700,000 children's meal boxes were handed over, cleverly designed so our younger travellers can take them home as souvenirs.

Passengers can now be checked in anywhere in the Dubai Departure Terminal.

We had another excellent year for Duty Free Sales, with revenue increasing by 16% compared with 2003/2004. Some 50% of the product range was changed during the year and two new brochures for passengers' choice were introduced.

Our association with the Mont Blanc brand continues with a worldwide exclusive allowing Emirates to be the only airline featuring a Mont Blanc passport cover in our onboard selection. Another new deal just concluded will see Emirates introduce Bobbi Brown cosmetics on board from June 2005, one of only two airlines in the world invited to carry the product this year.

Airport Services

With a growth of 20% in the number of Emirates passengers handled at Dubai International Airport, we now have more than 900 uniformed personnel assisting customers through check-in, boarding, transfers and in baggage services. In total there are now 1,679 members of staff in Emirates Airport Services.

As part of an ongoing expansion of Emirates Lounges, new facilities were opened in Brisbane and Auckland airports – to follow soon are similar exclusive lounges at Perth, Melbourne, Sydney, London Heathrow, London Gatwick, Paris, Nairobi, Bangkok, Hong Kong, Kuala Lumpur, Frankfurt, Munich and New York.

We also added a second Business Class lounge at Dubai International Airport, resulting in a lounge at each end of the departure concourse maximising passenger convenience.

We opened additional self-service check-in kiosks in Dubai for First, Business and Economy passengers, which brings the number of these machines to 11. In addition, kiosks were upgraded to accept passengers with baggage, a service not previously available.

The department introduced a motivational programme entitled "Successful Together" - supported by Performance Development and Training. The programme was rolled out to all 1,679 staff across the Airport Services network establishing seven key performance factors which help staff to reach corporate and individual goals. The initiative is aimed at improving service delivery through improved staff morale, motivation and knowledge by providing leadership training, staff empowerment and job multi-skilling.

There was an increase of 20% in the number of Emirates passengers handled at Dubai International Airport.

Chauffeur-drive for First and Business Class passengers remains popular.

Construction of a new terminal and concourses at Dubai International Airport is on schedule.

The chauffeur-drive service for passengers has been enhanced by enlarging the chauffeur-drive lounge at Dubai International Airport which now provides passengers with direct access from the lounge to the waiting limousines.

New handheld PCs are currently under trial in the Dubai check-in area. These allow staff to process a passenger, or dispense check-in related information, at any point in the departure terminal, rather then just at the check-in gates.

In addition to this, 20 new stations have moved to the automated departure control system MACS, making a total of 52 stations using MACS.

At Dubai International Airport the unsung heroes include the Emirates Baggage Handling team ensuring that the transfer of our suitcases and bags is carried out seamlessly and with on time punctuality. All our figures show that, apart from a few days when a blanket of fog descended on Dubai, the unit recorded another improvement in performance and productivity.

Dubai International Airport

At the present time it's a massive construction site surrounded by cranes, but the world's most advanced aviation hub is being extended with a revolutionary design which places Terminal Three below the apron and taxiway. Concourse Two also under construction will be dedicated exclusively to Emirates and will have special air bridges for handling the A380, as will Concourse 3. The project is expected to be completed by 2008. With this expansion, Dubai International Airport is expected to attract 52 million passengers by 2010.

Dnata & Associated Companies

Gary Chapman
President Dnata & Associated Companies

We launched a new marketing campaign during the year with the theme "Rest Assured" highlighting the high standards which can always be expected from Dnata.

More recently we were delighted to receive two Quality Appreciation Awards – for Dnata's Airport Services and Dnata Agencies to add to the one won by Dnata Cargo several years ago – which gave us the confidence that our training, investment in people and hard work is paying off and shows that our campaign is based on fact.

All Dnata departments showed a healthy growth and record turnovers.

From opening an office in Kabul to adding new BTI partners in Morocco, Dnata's regional strength continued to grow and, without claiming any biggest or best title, we are confident that Dnata is the leading travel services provider in the Middle East.

Emirates Flight Catering is the leading flight catering company in the West Asia region and is building for the future with construction well underway for a new flight kitchen to be opened in 2006 and a Food Preparation Unit to be launched later this year.

Dnata is maintaining its market leadership by always pushing the envelope out further, examples being the touch-button yet personal atmosphere in the new Holidays Lounge at the Dnata Travel Centre – and the purchase of the first towing tug for the A380 already delivered to Dnata at Dubai International Airport.

MMI is flourishing and its innovative new products like Left Bank are claiming new market shares while Costa, in the coffee shop environment of the UAE, continues to open more outlets.

Our Associated Companies' portfolio was greatly expanded when we acquired Changi International Airport Services at Singapore International Airport.

Gary Chapman
President Dnata & Associated Companies

Dnata's new A380 compatible aircraft pushback vehicle, TBL600, at work at Dubai International Airport.

Dnata Airport Operations

Passenger and cargo traffic at Dubai International Airport has continued its fast-paced growth in the past year. As sole operator at the airport, Dnata Airport Operations is at the heart of the action, handling more than 186,000 aircraft movements this year (up 16% from last year).

To cope with the increased traffic, Dnata has continued to invest in initiatives that improve efficiency and customer satisfaction. For instance, Dnata has linked its movement control centre (MOCON) to the ground movement radar at Dubai International Airport, enabling it to more efficiently plan and deploy ramp and airport resources.

The increased number of travellers passing through Dubai International Airport can now enjoy Dnata's newly refurbished and expanded Marhaba Airport Lounge, as well as a quicker check-in due to new Optical Character Readers that help Dnata staff at check-in counters to process passport data more quickly.

The Dubai Civil Aviation Department (DCA) has also transferred to Dnata the operation of passenger buggies in the airport tunnel and concourse. Dnata's passenger service department now operates these vehicles in aid of travellers with special needs or those requiring speedy transport assistance to catch a flight. More of Dnata's airline customers are also now benefiting from the iMuse common airport network, a system which allows each airline to access their own reservations system.

In addition, behind the scenes, Dnata has commissioned new facilities dedicated for painting ground support equipment and repairing unit loading devices (ULDs).

Quality service remained a focus for Dnata Airport Operations throughout the busy year, with two Dnata staff being awarded Gold Stars in the DCA's "Dubai Airport Cares" champions league.

Dnata Airport Operations is also gearing up for arrival of the new Airbus A380 aircraft at Dubai International Airport. This year it became the world's first ground handler to accept delivery of the first A380-compatible towbarless pushback and towing tractor. In developing this vehicle, the manufacturer Douglas UK, tapped on Dnata's experience in operating and maintaining such equipment.

The Freezone Logistics Centre at Dubai International Airport is again being extended.

Dnata's duty controllers in MOCON track aircraft movement via the Ground Movement Radar (GMR) system at Dubai International Airport.

Sheikh Ahmed presents Ismail Ali Al Banna, Executive Vice President Dnata, with a Dubai Quality Appreciation Award.

E-technology at work on the ramp.

Dnata's overseas operations continued to prosper. In Manila, Dnata Wings became Dnata Inc. as the brand was consolidated and won Qatar Airways handling contract – and it is now serving three airlines in Manila.

In Pakistan, Gerry's Dnata celebrated its 11th anniversary by being awarded ISO9002/2000 and in Karachi obtained the ground handling contract of Etihad Airways and Air Blue. In Lahore some $600,000 were invested in a new cargo warehouse expansion.

In Tehran, Safiran Dnata continues to consolidate its position by providing quality ground handling services to its clients.

In Qatar, Dnata concluded the four year management contract at Doha International Airport.

In general, Dnata will continue its overseas expansion and there are a number of opportunities which are being evaluated in the Middle East, Africa, Indian sub continent and Asia.

Said Ismail Ali Al Banna, Executive Vice President, Dnata: "Dnata's teams at the airport are in the frontline of problem-solving, 24 hours a day, 365 days of the year – and are one of the main reasons why Dubai International Airport runs like clockwork".

Dnata Cargo

Dnata Cargo revolutionised its operations this year with the implementation of the Chameleon system in May 2004 after a year's intense planning and two years' software development and testing which represents 120 man-years of programming.

This software is an investment in Dnata's future, allowing us to approach our business in new and innovative ways. While the software was designed for and by Dnata, it is now also being used by Emirates (under Skylog name) and it is being actively marketed worldwide by Mercator.

Dnata Cargo is building an extension to the Freezone Logistics Centre (FLC) which will ensure Dnata will be able to keep satisfying its customers and meeting the aggressive growth expectations of Dubai.

The FLC-III will be able to handle an additional 300,000 tonnes of cargo per annum, and offer more than 15,000 square meters of supporting office space for airlines and agents. Construction of this facility started in March 2005.

Dnata will also see its E-Commerce Web Portal CALOGI (Cargo Logistics International) come to fruition this year. The portal will virtually eliminate the need for customers to interface at counters, allowing them to complete all their formalities with Dnata Cargo from their own offices via the internet. Development of CALOGI started in February and is expected to go live in early 2006.

Statistically Dnata Cargo handled 458,000 tonnes representing an overall growth of 13%. FLC reached 114,368 tonnes, a growth of 43%. The UCB Courier and AWB courier volumes have registered growths of 37% and 105% respectively. Behind these statistics is a team of specialists determined to maintain Dnata Cargo's position as the leading freight handler in the region.

Night shot of the Dnata Travel Centre on Sheikh Zayed Road, Dubai.

Dnata Agencies

The travel industry in Dubai is highly competitive and after 46 years Dnata still continues to redefine its products to meet such a demand.

Our new Dnata Holidays Lounge in the Dnata Travel Centre features a play area for children with the latest electronic games. Perhaps these young ones when they grow up will find it quite natural to book Dnata Holidays on the moon? Such is the pace of life in the travel world and especially in Dubai.

Dnata Agencies had a very satisfactory year returning a 14% increase in turnover, with the new "Rest Assured" marketing campaign emphasising the company's role as the leading quality travel agent in the region.

At Emirates Group Headquarters, Dnata World Travel was expanded and given the new look in our blue and green livery introducing a 24-hours day opening, the only travel agency in the Middle East to offer such a service.

The new area now offers a variety of services for booking a holiday or a business trip and includes the following sections: Airline Affairs, Government Travel, Dnata Holidays and Dnata World Travel Retail.

The company is continuing to expand outside Dubai with Dnata Kuwait launched in June last year. Among the innovations in the product portfolio was a 24-hour call centre to handle customer requests, seven days a week.

Another new feature is "dial a ticket" where the customer can make all travel arrangements over the phone and have his ticket delivered to the door for no extra cost.

From sophisticated Kuwait to Afghanistan is quite a long way but the United Nations in Kabul awarded Dnata World Travel a contract to be the sole travel agency catering to all the travel needs of that organisation. Dnata launched its new offices, complete with the Galileo distribution system, with a professionally-trained staff to meet the ever-changing demands from customers and corporate clients.

The new Dnata Holiday Lounge offers games to keep younger customers occupied.

A new look for the Dnata office at the Emirates Group Headquarters, now open 24 hours a day.

In the Middle East and West Asia, Dnata in its capacity as Regional Managing Partner for BTI has appointed several new partners during the year in Morocco, Yemen, Kuwait and Sri Lanka to further strengthen the network. This brings the partner count to 17 with more additions proposed for next year.

Meanwhile, back in Dubai, the Dnata Conference Centre unit has handled over 7,000 delegates, positioning itself as an exclusive small-to-medium conference provider with super modern facilities.

Strength through cooperation has always been a theme for Dnata Agencies' future growth and its partnership with Net Tours enables them to offer products such as desert safaris, camel trekking and dhow cruises, across the regional network.

Dnata also joined hands with Instone Regional to form a Marine Travel force in the Middle East and West Asia.

Dnata Agencies were appointed the Travel Management Company for Marriott International in the Middle East region. The appointment comes as a result of the rapidly growing popularity for Marriott properties among Dnata's business and leisure customers.

CompanionPoints, Dnata's loyalty programme was relaunched across the UAE with a new logo and communications package which captured the excitement and promise surrounding this brand.

During the year Government Travel Services opened new implants at the Ruler's Offices and the Department of Health, providing personalised service and fostering good relationships between our staff and their government clients.

AXIS purchased the Ocean Tour Operator System and launched in record time in August developing an online trade website that allows agents to quote, book and issue vouchers directly.

CIAS

In October 2004, Dnata acquired a 78.4% stake in Changi International Airport Services (CIAS) from Temasek Holdings, the Government of Singapore investment company. Dnata has subsequently acquired the remaining 21.6% from the minority shareholders.

This represents a significant investment by Dnata and reflects our belief that Singapore (whose aviation strategies and policies are very much aligned to those of Dubai) will continue to grow and prosper as a major aviation hub in Asia.

CIAS is one of two ground handling service providers at Singapore's Changi International Airport. A third will commence operations mid 2005. Employing 1,270 staff, CIAS provides a full range of ground handling services including passenger, ramp and cargo handling. It is also one of two providers of in-flight catering. With 25 international airline customers CIAS handles more than 380 flights per week.

Prior to the acquisition, Emirates switched its ground handling contract in Singapore to CIAS. Emirates was very pleased with the level of customer service that it enjoyed from its new handling agent and this high level of customer service was the catalyst to the subsequent acquisition.

Among CIAS's many strengths is its small but highly experienced management team who provide a flexible and responsive service, tailored to the specific requirements of its airline customers. It provides a very reliable and consistent level of service and has a strong portfolio of high-calibre airlines.

Looking forward, Dnata and CIAS are now working together to further enhance the level of customer service that can be offered.

Costa Coffee Restaurant at Madinat Jumeirah, Dubai.

A programme has been launched to identify and implement synergies between Dnata and CIAS, including an "Exchange of Excellence" programme which will allow managers from both companies to visit each other to exchange ideas of best working practices. CIAS has also initiated a programme of capital investment, including a new lounge for the airlines' premium passengers which is scheduled to open in 2005. CIAS also owns a 20% stake in GAHCO, which is a ground handling provider at Guangzhou Baiyun International Airport in China.

Corporate Development

The growth of the airline industry has been a powerful motivator for the Emirates Group to evaluate ground handling opportunities in many countries across the world, with a view to promoting Dnata's ground handling services as a global product which meets the highest industry standards.

This financial year was significant in that it saw substantial growth in the travel industry. A number of factors including the conclusion of GATT, end of quota systems and expansion in economic blocks, such as in the European Union, have contributed to this and the Group was in a strong position to take advantage of this growth.

Corporate Development, jointly with Group Finance and Airport Services, managed the evaluation and acquisition of a majority stake holding in CIAS, (Changi International Airport Services), the second largest ground handling company in Singapore. We successfully concluded a service agreement with Bismillah Airlines in Bangladesh which should offer substantial cost savings to the group. More recently we established a ground handling business in Khartoum – Dnata Arabian Airport Services.

Performance of the Emirates Hotels LLC Le Méridien Al Aqah Beach Resort in Fujairah has been superb, beating all expectations in its ability to generate revenues and meet shareholders' expectations.

Galileo Emirates

Galileo Emirates' biggest news of the year was the receipt of BSP certification for OPATB2 (an acronym for Off Premise Automated Ticket and Boarding Pass)- the first step towards

MMI registered another very satisfactory year in all departments.

"Left-Bank" bar/restaurant was an instant success for MMI.

Le Méridien Al Aqah Beach Resort, Fujairah, continued to break records.

passenger self-service check in and electronic ticketing (e-ticketing) for the Gulf region. Subsequently, e-ticketing was rolled out to all travel agents in the UAE, Bahrain, Oman and Qatar.

UAE agents can now book electronic tickets on all Emirates e-ticketing-enabled sectors as well as on seven other major carriers. This represents a major cost saving for the airlines. We have begun deploying OPATB2 to travel agents in the UAE.

Galileo Emirates' solution for small and start-up airlines, resEZ, is now being used by Jubba Airways and Star African Airlines. User-friendly functions of resEZ can handle schedule creation and update, inventory management and pricing, reservations, ticketing and check-in and offer great benefits to airlines using the system.

Galileo Emirates also completed the upgrade to an iplatform for all travel agency customers offering faster response times and the added benefits of a web-based solution.

SafarEZ, Galileo Emirates' B2B2C internet booking engine and travel news gateway for the Middle East was further enhanced and is now being extensively used in the UAE, Pakistan, Oman, Bahrain and Qatar.

Internationally, Galileo International is now a subsidiary of Cendant Corporation and a part of Cendant's Travel Distribution Services Division. This has provided Galileo Emirates with more sales opportunities and the department is planning to present Cendant brands to its customers.

We have retained our market share in the UAE, Oman, Bahrain, Qatar, Pakistan and Sri Lanka, despite the active presence of all the major Global Distribution Systems in the region. It remains the leading Global Distribution System (GDS) in Dubai and Northern Emirates and has retained its position in Abu Dhabi.

In partnership with Galileo's distribution partners from the ARABI group of airlines, Galileo Emirates participated in the Arabian Travel Market. It was the first time the Galileo National Distribution Companies in the region participated jointly in the event.

We have also broadened our geographical reach to Afghanistan through our partner company Galileo Pakistan. Travel agents in the country now have access to the power of the Galileo GDS.

MMI

MMI produced an exceptional performance for the past year with every department achieving record sales – by introducing innovative new products and taking advantage of business opportunities, plus the opening of the first of a planned chain of bar/restaurants.

Significant highlights included the completion of the acquisition of the Duty Free Dubai Ports (DFDP) which has now been integrated within our existing operations.

MMI beverages reported a strong performance, particularly in the hotel segment which has been bolstered by Dubai's continuing tourist growth.

On the retail side of the business the new Smart Card system (LIPS) replaced the old permit book – this project was managed successfully with Dubai Police with the new electronic system making it easier for new customers to acquire a licence.

MMI Consumer grew sales by 10%, successfully introducing several new products. MMI Travel registered an increase of 25% over the previous year's sales with the inbound travel business of Gulf Ventures achieving a healthy profit as the management team focused on new business development activity.

Emirates Flight Catering serves more than 100 airlines – with multinational chefs representing the world's major cuisines.

The Leisure Retail Division continued to forge ahead expanding its range of Costa Coffee stores across the UAE with four new outlets being opened in Dubai and others in Abu Dhabi, Sharjah and Ajman.

The Leisure Division completed a very satisfactory year with the continuing success of the Seasons restaurant-bistro and the launch of the "Left Bank" bar-restaurant. This ground breaking facility at the Madinat Jumeirah, Dubai, was an instant success with its trendy design and adventurous food-cocktails combination.

In Oman, the Oman United Agencies managed to grow its turnover by 6% despite the increasingly competitive environment. The new business operations in Salalah performed well increasing market share and profitability.

Emirates CAE Flight Training

Emirates-CAE Flight Training (ECFT) a joint venture between CAE Inc. of Canada and Emirates, completed a successful first full year of operation in their new 14-bay facility, located next to the Emirates Aviation College.

With both US FAA and European JAA approvals, ECFT now counts over 80 worldwide customers, including almost all the region's airlines and corporate jet operators. With an increasing base of customers from Europe and the Far East, ECFT is positioning Dubai as both a regional and worldwide centre of excellence for aviation training.

Building on its success, ECFT will add another three level "D" Full Flight Simulators (FFS) in the next fiscal year, a second B737 NG/BBJ, a second A330/A340, and a Bell 412 which will be the first commercial helicopter FFS outside of Europe and the USA. ECFT has also announced plans for expansion of two more Full Flight Simulators in 2007, a second A320 and its first B777, bringing the total number of simulators to 11.

Emirates Flight Catering

It was another outstanding year for Emirates Flight Catering with the unit preparing a record 16 million meals, handling 68,000 flights with an average of 45,000 meals produced every day.

Emirates Flight Catering has ambitious plans for expanding its production.

Flight Training Simulator.

Emirates is one of the airlines served by Emirates Flight Catering.

Emirates Flight Catering now serves 102 international airlines at Dubai International Airport, as well as providing food, beverage and auxiliary services to the hospitality lounges of Emirates, Air France, British Airways, Gulf Air, and Dnata (Marhaba Lounge).

Following an earlier expansion, the unit now has a capacity of over 55,000 meals per day and a new catering facility is under construction which will be dedicated to the sole use of Emirates with a capacity of 90,000-115,000 meal trays, opening in autumn 2006. This facility will be the largest of its kind in the world.

Emirates Flight Catering is also investing in a Food Production Facility (Food Point) being built on a 33,000 square metre site in the Dubai Investments Park which will be unique in Europe, the Middle East and the Far East. Able to deliver 20 million meals a year, the main product of the facility will be entre meals and meal components for airline customers and other airline caterers in the region. It will also serve the local and international retail and food service market.

Production of food is a people business but with such huge numbers of meals, the management and staff of 3,500 need electronic support and "catersoft" will be the new software solution to meet the business requirements. The project is expected to be fully completed by 2006.

Hygiene, health and safety are of paramount importance to any catering operation and during the year a team of European consultants was commissioned to help to implement a new process incorporating Hazard Analysis and Critical Control Points Traceability to comply with IFCA's world food safety guidelines.

Already stringent security procedures were upgraded and Emirates Group Security was selected to take over the responsibility for all security matters.

Highlights of the year included winning awards for excellence from British Airways, Malaysia Airlines and Air France, as well as being the official caterer of the Dubai Tennis Championships.

Jet Fuel Risk Management

Oil prices have remained stubbornly strong, skyrocketing beyond expectations. The strength in prices has been due mainly to the high demand in the Far East (particularly China), continued OPEC discipline and larger speculative interest. As world demand surged to the point approaching production capacity, extreme price volatility followed and will continue to be a feature of the market in the future. In addition, the supply of jet fuel tightened because of the general shortage of refining capacity in the world. This resulted in a widening of crack spreads and even higher prices for jet fuel.

WTI (West Texas Intermediate) crude prices ranged from $36 to $57 a barrel, averaging $45 in the fiscal year. Prices closed the fiscal year near the high of $57 a barrel. These high energy prices necessitated extreme caution in setting current and future cover to avoid payouts from the risk management activities in the event of a price decline.

Accordingly we adopted a revised approach to the programme which involved the increased use of optionised swaps. Such tools allow us to achieve the maximum benefit with less downside risk.

As a result of the activities executed through our risk management programme Emirates reduced its jet fuel costs by US$126 million.

Group Support Services

Human Resources

Dermot Mannion
President Group Support Services

In this age of automation, massive investments in Information Technology (IT) are essential to ensure that the Emirates Group remains market leaders.

IT touches all departments in the Group from e-tickets to Engineering, from Flight Operations to Service Delivery, from Front Offices to Back Offices, from replacing network architecture to the roll out of PDA (Personal Digital Assistants) solutions for Senior Executives. We have concentrated on optimising the use of available technology. Our own Mercator, too, has developed new software to allow us to make a quantum leap into the future.

As Emirates develops into one of the world's major airlines in the next decade, training and recruitment of thousands of new staff will be of paramount importance.

On the financial side, we are grateful for the significant vote of confidence in the Emirates Group from the international and regional banking community, both for new aircraft loans and assistance in new business.

With US$2.2 billion (Dhs8.2 billion) cash in the bank, we are confident that the strength of our brand and our reputation will enable us to arrange the loans to meet the costs of buying an average of one aircraft per month for the next eight years, which means raising over US$30 billion worth of investments. The uncertainty of the price of jet fuel, fluctuations in currency and the possible continuing rise in US$ interest rates, present challenges for the group but I am confident we will continue to manage the growth and meet our target objectives in the coming year.

Dermot Mannion
President Group Support Services

Below: Abdulaziz Al Ali (left), Executive Vice President Human Resources, with Saeed Mohammed, Senior Vice President, Procurement and Logistics.

More than 124 different nationalities are represented among our staff.

Signing an agreement for U.A.E. nationals to gain a qualification in purchasing and supply for the Chartered Institute of Purchasing and Supply (CIPS).

Human Resources

A major issue for Human Resources has been the slow-down on hiring as a result of the cost control measures in response to the rapidly rising jet fuel price. The staff strength in the financial year increased by 2,358, which, while still high, is around 41% fewer than in the previous financial year. The Emirates Group headcount at 31st March 2005 is 24,761 employees.

With the sheer volumes of applications received by the Emirates Group it was decided that only those made through the on-line Group careers website would be accepted, save for senior management appointments where alternative application sources were still acceptable.

Internally, a dedicated Recruitment Information Intranet site was developed and made available to all staff through the Group's prime communication portal, GroupWorld. The purpose of this was to enhance the access of both managers and internal candidates to quality information that assists them within the recruitment process.

To improve the service to all Group employees, a new enlarged Service Centre with 12 counters and 10 kiosks was created which has streamlined internal operations.

The sheer volume of transactions by HR Admin, Recruitment Admin and Visa Services can be realised from the following numbers:

- Customers through the service centre reception - 160,000
- Personnel/dependent details updated - 25,300
- Visas processed (Residence, Visit & Duty Travel) - 36,800
- Letters issued (Service, Guarantee, Visa etc) - 125,000
- Employee documents scanned (Pages) - 750,000
- Identity card, Health card & Airport pass - 45,000
- Internal Vacancy Applications processed - 15,000

Emirates Group continued its impressive educational record with 2,800 Training and Development events coordinated in 2004. These were attended by more than 26,000 staff and third parties.

An impressive 54% of Emirates Group employees across the world are now using online learning as a method of self development, a total of more than 13,000 employees. This represents a phenomenal 65% increase in usage of online learning since the previous year. The Training & Development Department now offers 200 online courses. Accessibility to these has been extended for employees by providing Internet access to all UAE-based staff with plans to extend worldwide by end March 2005.

The Aerospace and Academic Studies' operations at Emirates Aviation College have increased by 31% with 340 students compared to last year's 260 students. In September 2004, the college registered 160 students – this is its highest intake in the past few years. A total of 457 external candidates have undergone City and Guilds-recognised Aviation Foundation training programmes conducted by Emirates Aviation College. These provide a potentially rich source of manpower for Recruitment within the Group.

The Emirates Group has also continued its involvement in the Global Business Consortium with the London Business School.
This organisation includes some of the world's most successful corporations, including Oracle, Standard Chartered Bank and Masterfoods, and provides high-calibre Emirates employees with the opportunity to network with future leaders of these corporations.

Cohort 6 of the MBA Consortium commenced in September. There are 41 participants in this programme of which 16 are from other leading companies in the region who have recognised its value and the innovative manner in which it is managed and run by Emirates and the Bradford University School of Management. This programme is now one of the largest of its kind in the region.

The Emirates Group Clinic employs 14 doctors and six dentists.

The Business Support Group was active in restructuring and change –management in a number of departments in the Group, including the introduction of "Climate Surveys" to give staff an opportunity to comment on organisation, culture, work practice, team work, management style and internal communication.

Emirates Group launched the National Recruitment & Development Department e-Portal this year offering information, guidance and support to UAE Nationals within the Group. We also participated in the biggest National Career Event in the UAE - UAE Careers 2004 - with a strong corporate presence. More than 1,000 applications were received at the event.

More than 300 UAE National trainees were recruited through various development programmes, including graduate trainee, cadet pilot, Emirates Engineering in-house/HCT, Dnata Engineering, cabin crew and school-leaver.

The "Mustaqbalkom" programme was piloted in Service Delivery where 55 UAE National Cabin Crew attended development days which provided information on opportunities, guidance with their ongoing career progression within the Group and personal development plans for everyone.

The IATA Senior Diploma in Airline Management was concluded in November 2004 and a formal Graduation Ceremony was held on 7 February to reward 35 UAE National Area Managers, Airport Services Managers and Licensed Engineers from Commercial Operation, Emirates Airport Services and Emirates Engineering.

Abdulaziz Al Ali, Executive Vice President Human Resources commented: "The Group's most precious asset is the staff and it was noteworthy this year that the productivity per employee once again grew. We are doing all we can to protect and nourish this vital resource".

Performance Development

Performance Development works with line departments on strategic and tactical projects that will improve productivity and overall business performance across the group. Our work on process improvement and organisational design continues to be wide ranging and we have developed processes and systems to manage material handling and storage logistics in the new Engineering facility.

More than 4,000 medicals were completed for pilots and cabin crew.

A range of business performance improvements have been introduced, including raised productivity in SkyCargo hub operations, merging the Skywards and Commercial Call centres in UAE, reviewing Catering start ups in new stations, implementing company-wide KPIs (Key Performance Indicators) and becoming the company centre for airline benchmarking.

In collaboration with IT and business partners we have worked to identify the processes leading to on-time departures to create sustainable improvements in departure performance, as well as streamlining Cabin and Flightdeck Crew-related rostering.

A major focus on airport related processes (Check-in, Boarding, Transfer Desk and Stand Allocation) was undertaken to make significant improvements ready for the new Dubai Terminal and concourse facilities.

The department's eVentures Group (eVG) has enjoyed success with myTravelChannel.com which continues to grow as the leading travel portal in the Middle East. The team is also developing "Daex" hotels – this is the first online exchange for the automated delivery and confirmation of hotel reservations in the world.

This year also saw the development of workshops that culminate in a five-year business strategy and a series of key initiatives across the group. To date Medical Services and Galileo Emirates have participated and received approval for their strategic plans.

"Successful Together" is a comprehensive organisational development programme being run in Emirates Airport Services to maximise customer service and employee productivity throughout the department. Once proven, the programme will be taken forward into other areas of the Group. The Bright Ideas programme continues to receive thousands of ideas per year which add significant value to our bottom line or improve our services to customers.

Working with business units, the Customer Relationship Management team initiates, influences and drives projects that encourage greater customer focus. The in-flight Customer Information System is being rolled out after a successful pilot phase involving IFS, CRM, Skywards, Training, Service Delivery and Mercator designed to enhance the on-board experience of our most valued customers.

Medical Services

Maintaining the health of our flight deck and cabin crew, management and families is of paramount importance to the group. As a result Medical Services runs a clinic which would have pride of place in any medium sized town in Europe or elsewhere.

There are 13,000 patients on the books cared for by 14 doctors (three others are on hand, too, but managing the administrative and other duties associated with medical care),six dentists, 17 nurses and three hygienists.

Aviation medicine requirements continued to increase particularly with regard to input on fatigue and alertness, incident investigation, transport of sick patients and the provision of onboard medical equipment.

Group Medical completed 4,225 GCAA (General Civil Aviation Authorities) medicals for pilots and cabin crew, while several hundred more pilots were examined on behalf of the Civil Aviation Authorities of other countries.

We continuously conduct risk assessments on the medical condition of our pilots in cooperation with the world's leading aviation consultants. There is also a pharmacy in the clinic for staff and an in-house laboratory which helps to reduce the external costs of investigations.

The workload of the Emergency Medical Technicians at the airport remained constant. This service will be integrated with the employee Primary Health Care and Aviation Medicine Clinic service to be provided at the new Emirates Headquarters upon its completion.

Group Psychology continued to offer professional counseling/psychotherapy services to employees and their families. Some clinical evaluations were undertaken and neuro-psychological assessments were also provided.

The department produced a brochure to aid the understanding of psychometric test instructions for the Group and job profiles were created using individual tests for various positions, to assist in benchmarking candidates during selection.

A Post Retirement Medical Insurance plan was introduced to benefit our retiring employees and eligible family members. This is likely to be one of the major financial decisions that an employee will have to make provisions for, and the guiding principle behind the provision of such a facility is to help the employee manage the transition, from their current company provided medical coverage on to a platform which will enable them to maintain medical coverage post-retirement.

Central Services

There are many group support departments contributing to a trouble-free service for the company and the highest possible hygiene level for the Emirates Group products. Central Services is one such department being responsible among other things for staff transportation and administration. Excluding the airside fleet there are some 467 vehicles involved.

Central Services consistently achieved ontime pickup of 1,500 staff and 600 crew daily and managed the parking at all group facilities. There were 82,380 transfers of flight deck crew in 2004 compared with 60,800 the previous year and 181,000 cabin crew transfers, an increase of 30%. By introducing the electronic e-PACT module the vehicle deployment for flight deck and cabin crew transportation has been rationalised and has been extended to monitor First and Business Class passenger pick-ups.

Mirroring the growth of the company, the mail has increased from 28,000 items handled per day to 37,000 – a 30% increase.

In support of Skywards, Central Services performs a fulfilment task, registering a 47% increase in despatch to various tiers of members. To ensure more reliable and sturdy end to end solutions, new software was implemented with Central Services switching from Access to an Oracle platform.

Procurement and Logistics (P&L)

In addition to helping to establish the seven new stations, Procurement and Logistics worked closely with key line departments such as Airport Services, In-flight Services and Flight Operations to leverage Emirates' impressive growth and to seek unit cost reductions across the network.

This year saw the first full year of operations with our new handling agent in Singapore, CIAS, and we also completed a major consolidation of our ground handling suppliers in Australia and Frankfurt.

On the catering front, we concluded a global agreement with a major inflight catering service provider which met with Emirates' aim of maintaining an exemplary on-board product while reducing our catering spend.

Emirates continues to be active in price negotiations with Airports and Air Traffic control providers world-wide, both through the International Air Transport Association and on a bilateral basis. This year we focused on Air Traffic Control Charges levied by Euro Control and assisted in industry negotiations in the United Kingdom, Germany, Turkey and Romania. Throughout 2004 an ongoing programme was implemented in the area of freight to achieve two aims: consolidation of consignments over key trade lanes for the Emirates Group and to increase the utilisation of SkyCargo as the carrier of all consignments.

P&L was involved with Corporate Communications in the negotiation of some high-profile sponsorship agreements during the year. Not least of these was the 15-year deal with Arsenal Football Club for naming rights of their new Stadium – the Emirates Stadium- as well as an eight-year shirt sponsorship from the 2006-2007 season.

Electronic ordering software was rolled out to all Head Office-based departments during the year. Additionally, more than 14,000 uniformed employees were given access to new software that enables them to obtain a real-time look at their uniform items entitlement and to directly place orders for the required items. P&L has embarked on a programme to ensure that all buyers in the department have a professional Chartered Institute of Purchasing & Supply Management (CIPS) certification.

Finance

For the main operating departments of Finance, the past year has been directed at the continuous improvement in unit costs through automation, an ongoing focus on how we manage financial risks, and an enhanced programme of development for our staff, particularly UAE Nationals. Of particular note has been:

- The successful implementation of an internet payment gateway that has provided enhanced protection against fraud for online sales.
- A seamless upgrade of the revenue accounting system RAPID to enhance productivity.
- The roll out of an updated control framework for all overseas offices which has enabled us to improve the monitoring of activities and effectively manage financial risks.
- The launch of a new management accounting system that has significantly improved the timeliness and relevance of financial information, whilst improving the productivity of finance staff involved.
- The use of a staff survey across all of Finance that enabled the department to identify staff development required in order to meet the future challenges of the business.
- The launch of a training programme for Finance aimed at attracting more UAE Nationals into Finance.

The highlight of the year was the first-ever use of US Ex-Im bank support for seven GE90 (General Electric) spare engines to raise US$129 million (Dhs474 million). This is a big step in diversifying our funding sources even further. At the same time Emirates also raised US$ 110 million (Dhs404 million) to finance 15 Rolls Royce Trent spare engines on a commercial basis. The entire package of US$ 239 million (Dhs878 million) was arranged and financed by Irish based, RBS Aviation Capital.

Group Support Services
Finance

The successful implementation of an internet payment gateway has provided enhanced protection against fraud from online sales.

Emirates arranged the first-ever Japanese operating loan for an Airbus A340-500.

Another landmark saw Emirates complete a Japanese Operating Lease for the financing of a new Airbus A340-500. This is the first time any airline worldwide has successfully completed this attractive low-cost financing on an A340-500 wide-body aircraft. The equity on this financing was arranged by Tokyo based, Orix Corporation, the biggest leasing company in Asia, and the debt was arranged and financed by Bank of Tokyo Mitsubishi. The entire funding was sourced from Japanese institutions which reflects our policy to source funding from a wide range of international financial institutions.

Emirates was successful in obtaining aircraft at attractive lease rentals due to the general downturn in the aviation industry during the last couple of years. We received four of these aircraft during this year on operating leases - one B777-300ER each from International Lease Finance Corporation and from General Electric Capital Aviation Services, and two A340-300 from Boeing Aircraft Holding Company. For the first time ever an A340-500 was financed by a group of international banks to raise US$108 million (Dhs396 million), which was arranged and funded by Standard Chartered Bank, with Bank of Tokyo Mitsubishi and Lloyds TSB Bank as co-arrangers.

Another major landmark was the first ever financing by Dnata (through its fully owned subsidiary Kedma Holdings Pte Ltd) of Singapore dollars 140 million (US$85 million) to acquire a 100% stake in Singapore based, Changi International Airport Services. This was a huge vote of confidence in Dnata as the entire financing was sourced from banks based in Singapore. The financing was arranged and funded by Standard Chartered Bank with significant participation from DBS Bank, Overseas-Chinese Bank Corporation (OCBC) and United Overseas Bank (UOB).

On the currency side, the year saw a continuation of US dollar weakness, which provided opportunities to hedge some of our non US$ currency exposures. Emirates proactively availed these opportunities and secured financing in UK Sterling and Euros for two A340-500s and four B777-300ER aircraft (three to be delivered next year). This will provide a natural hedge to some of our inflows from the UK and Euroland.

On the interest rate side, we saw the US Fed raising interest rates seven times during the year to 2.75% from 1%. Going forward interest rates are expected to rise further. Emirates has consistently followed a balanced portfolio approach towards managing its interest rate exposure, and following this policy we used fixed rate financing for four aircraft out of eight delivered during the year.

The Group cash balance as at Mar 31, 2005 was robust at US$ 2.2 billion (Dhs8.2 billion). Underlining our twin objectives of maintaining liquidity and very low credit risk, we optimised the yield on our surplus funds by investing the cash surplus through a mix of bank deposits and diversified structured products.

The year also saw the introduction of a system solution for treasury operations management developed by SunGard Treasury Systems Inc. based in the USA. The system will help us to effectively manage volume growth, liquidity targets and treasury risks with valuable aid in decision-making through comprehensive exposure and sensitivity analysis. This will enable efficient automation of the Group's Treasury processing requirements in cash management and banking, aircraft financing, currency and interest rate risk management as well as cash flow forecasting.

Information Technology

Information Systems (IT)

This was the year in which the business strategy for integrated IT systems took shape thus paving the path for future IT integration for the Emirates Group. IT developed and implemented a number of major applications in line with the agreed IT strategy for both Emirates and Dnata. The drive of Emirates to introduce eTickets across its network and to be fully compliant with interline partners resulted in Emirates offering eTickets in 47 Area Offices. These IT investments have dramatically improved the revenue opportunities for Emirates. To monitor revenue performance and unique commercial decision-making for Emirates Yield Management, IT delivered a software product called Target.com.

A new revenue integrity tool, tightly integrated with the reservation system, was also launched significantly enhancing the revenue protection capabilities of the Yield Management function.

Sales force automation was a key focus with the introduction of "One Network" which will provide major new benefits to the field sales staff of Emirates. Another significant development was EasyMars for the Emirates Call Centres and its use is already yielding benefits in the area of productivity and customer service.

Code-named ADOC, a new technical document management system was introduced by Emirates Engineering for managing all of the Airbus technical manuals. The coming year will see a finalisation of the strategy for the new operational system for Emirates Engineering.

Flight operations and Service Delivery saw new systems being introduced for Crew rostering and bidding. For mobile staff the introduction of a cabin crew portal into a one-stop electronic office, facilitated online connectivity and faster dialogue with the workforce. Service Delivery management utilises this tool to seek feedback and involve Cabin Crew in their decision-making process. For the Crew, the portal provides a platform for interaction with management and for accessing Crew applications from across the globe. Another significant development for Service Delivery was the Catering Portal. This tool provides an online connection between Emirates Catering and its worldwide caterers with the aim to improve productivity and agility in the process chain. The end-to-end process for in-flight meal planning was automated.

Disruption management capability was enhanced with automation of the connection matrix across Network Control Centre, Airport and Reservation Services and the use of real-time EK flight status into critical areas such as Crew Briefing Centre, Central Services and Catering.

A new and improved Baggage Reconciliation System (BRS) was introduced for the Airport Service functions of both Emirates and Dnata. The next phase of BRS is planned to replace the existing wired scan guns by wireless handheld scanning devices.

The coming year will see a major focus on mobile computing with the introduction of mobile check-in as well as the deployment of the Airport Activity Control System (AACS) for dispatchers. The coming year will also see significant investments in enhancing the Airport Services decision support system, as well as the trialing of multi function Check-In counters at Dubai in preparation for the new terminal hall.

Two critical areas of the Group which continued to attract high IT investments are Emirates SkyCargo and Dnata Cargo. During the year Chameleon, an in-house- developed integrated cargo ground handling solution, went live for Dnata Cargo while Skylog, Emirates SkyCargo's ground handling system, followed within a few months. Both Skylog and Chameleon are state-of-the-art integrated new technology solutions and will be the core operational systems for the next decade. An even larger strategic systems initiative has been launched by Emirates SkyCargo and IT. This is the development of an integrated new generation cargo reservations, capacity management, pricing and operations system to replace the current legacy SITA system. It will be the first of its kind in the Cargo industry and will be ready for deployment by 2006.

In other areas Emirates Holidays began using a B2B system enabling its agents to interact directly with the core operational systems and generating a paper-less work environment. A new decision support system also yielded major benefits to Emirates Holidays.

For Finance, the development and installation of a Treasury Management system which automates deal management was a major milestone. Finance also began using a brand new Monthly Financial Report (MFR). The Group's focus on managing its Direct Operating Costs (DOCs) through a functionally rich system was the basis for commencing automation in this area. Due to its complexity major industry players continue to address DOCs manually. Finance and IT have joined hands to tackle this challenge and the project is well under way. Human Resources, working with IT, launched an employee travel portal, TRIPS on the Internet resulting in productivity improvements.

There was an increasing focus by HR to introduce self-service functions for employees to enhance their interaction with HR applications and reduce overheads. The Medical Department introduced a new voice recording system and Central Services saw IT develop and implement a fulfilment management system for Skywards.

As well as a new system to support the ambitious growth plans of Dnata Holidays, another significant step was IT and Dnata Agencies working together to achieve the Dnata Front Office system in Saudi Arabia and Kuwait.

Within IT, major investments were made into new technology areas with Java and .NET established as the two preferred development environments. The coming year will see a continued focus on improving productivity, delivery speed to the business and upgrading domain knowledge. The coming year will also see the introduction of new IT metrics and internal systems to better measure and benchmark IT against other airline and non airline IT departments, with a view to improving the quantity and quality of delivery. The SEI-CMMI (Software Engineering Institute's Capability Maturity Model) is a major step in that direction and will commence in the next few months thereby helping IT gear up to help the Emirates Group achieve its ambitious growth plans.

Technology Services (TS)

The newly-restructured organisation has changed its working practices in line with the Information Technology Infrastructure Library (ITIL) governance standards. Technology Services completed its first ITIL benchmark using an independent third party and is focused on delivering further year on year benefits as it adapts increasingly to this model. We have already seen immediate benefits through a 30% improvement in delivery of standard service requests by our IT customer care centre.

In parallel, major improvement initiatives have been undertaken for our core infrastructure. Our prime data centre has seen a 50% expansion in size with a total upgrade and replacement of internal infrastructure. This is part of a comprehensive Data Centre strategy which will see a new facility provided next year to replace our secondary data centre. The strategy is geared to deliver uninterrupted availability of our critical systems with full disaster recovery capability.

The associated technology upgrades to meet the challenges of non-stop operation have been no less challenging. In a landmark deal with Cisco the entire network architecture for both data centres, comprising audit, equipment provision, design services and monitoring, is being replaced. The acquisition of the hardware has been structured as an eight- year lease, the first deal of its kind in the region, providing both competitive rates and protection against technology obsolescence.

The fibre connectivity between the data centres has also been upgraded providing true any-to-any cross site connectivity for servers, storage and tape platforms. These initiatives deliver the capability for any application to be delivered with a fully recoverable, high availability 24x7 service.

In other initiatives we will complete the selection and implementation of an Enterprise Management System (EMS) to guarantee early diagnosis and repair of faults before they have a business impact.

We have commenced migrating our legacy UNIX applications to the LINUX platforms as part of a three-year strategic plan to reduce cost and improve flexibility with several major systems now in production on LINUX. This is being closely followed by a LINUX desktop initiative to realise the same cost efficiencies across the organisation.

The increasing demands for mobility have been met through a trial rollout of a PDA based "always on" email solution for our executives and a secure mobile laptop deployment for our sales force leveraging the cheaper data communication now available via the Internet.

End user productivity has seen a significant boost through the completion of the Microsoft desktop update and this is being closely followed by the upgrade of the server and messaging platforms to further enhance and extend these benefits.

Significant effort was invested to enhance the resilience and automation in the Network Control Centre which manages "day of operations" functions of Emirates. Advanced infrastructure and site resilience was introduced for mission critical operational systems in the Flight Operations area.

Mercator Sales

Mercator's unrivalled experience in powering the Emirates Group's success through ground-breaking solutions, informed business consultancy and world-class technology has provided a solid platform for Mercator Sales' goal of becoming the leading airline IT service provider. Meteoric growth coupled with a quickly expanding customer base led Mercator Sales to restructure so that its customers can continue to be assured of the best service and support. The department now has five distinct lines of business, covering airline financial, air cargo, passenger and airport, airline process outsourcing and business consultancy solutions.

Mercator had cause to celebrate last year after it won the biggest contract in its history. In a multi-million dollar deal, Malaysia Airlines opted for the airline revenue accounting system RAPID. Installation has already started, and once finished the number of coupons being handled annually by the system across the entire customer base will top the 100 million mark.

During the year, RAPID was also successfully rolled out at Singapore Airlines. Another high profile roll out at India's Jet Airways rounded off a very busy year for Mercator's financial solutions business.

On the cargo front, Mercator's Chameleon, the brand new cargo ground handling and warehousing solution, has proved to be a real winner. The system has gone live at Emirates SkyCargo and Dnata, and the benefits are already being felt.

Our prime data centre has seen a 50% expansion in size.

Following on from this success, the Dubai Flower Centre and Kuwait's National Aviation Services have signed up for the product. As substantial interest is gathering from airlines and ground handlers in all regions, Chameleon is promising to be a star product for the industry.

On the passenger and airport solutions front, Mercator's hosted reservations and departure control system went live at Kuwait Airways. The frequent flyer solution, CRIS, also went live at Jet Airways. CRIS is only the tip of the iceberg of Mercator's Customer Relationship Management (CRM) solution for the airline industry which is an integrated suite of products which will deliver real value to the end customer through the airlines' capability to manage the customer base.

Mercator Sales further strengthened its range of airline IT solutions through the acquisition of the world's leading aviation safety and information reporting solution. Negotiations were concluded with British Airways to take over WinBasis, the system used within the safety departments of more than 120 airlines around the world. Mercator now takes full responsibility for ongoing customer support and product development. Airlines use the system to process their safety-related incident reports, building an extensive database of everything from the apparently trivial through to the most serious in-flight emergency. The accumulated data is then analysed and accurately pinpoints potential safety concerns.

Innovative outdoor billboards (left and below) promoted Emirates in Dubai and around the network.

Corporate Communications

Corporate Communications works with all departments to present Emirates to clients, travel agents and media as a stylish, different way to fly, highlighting all the extra benefits which make us a market leader. Paradoxically, the more successful the airline becomes, helped by our advertising campaigns and sponsorships, the more Media Relations have to continue to explain to a sometimes sceptical world of TV, radio and press journalists that the profit has not been shovelled from some government gold store but has been earned honestly, without any subsidies or below-the-table assistance.

Our objective for Emirates is to build a global brand – and there are indicators that this is happening. In the UK our brand appeared ahead of all foreign airlines in a recent popularity poll. The airline regularly wins more than 10 international awards each year. We have won awards for TV, press and web advertising.

"www.emirates.com" our main website jumped up the most widely used sites list to 7,000th in the world (which may not seem much until it is remembered that there are several billion sites on the worldwide web). Perhaps more significantly is the popularity of the "www.emiratesgroupcareers.com" site which attracted more than 200,000 applicants for jobs underlining the strength of the brand. Our outdoor advertising has given us some unique "firsts", our sponsorship of Arsenal and the Emirates Stadium made headline news and our 2006 Fifa World Cup partnership promises to be another major stepping stone to that elusive global prize.

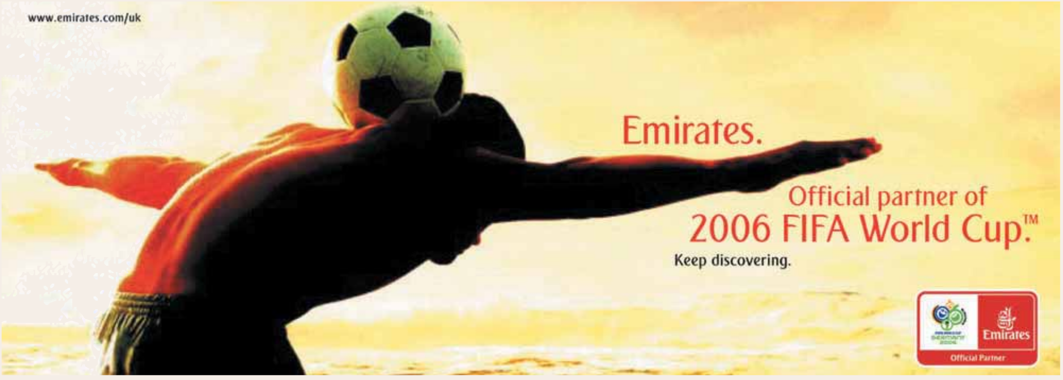
Dnata is celebrating its 47th year in the UAE – and for this reason it was necessary to refresh the brands and launch a major new campaign. Advertising, PR and promotions combined to ensure that the revamped Dnata received the attention it deserved from UAE travellers.

Advertising

The Advertising unit drives brand identity, creative and media strategy for all Emirates Group businesses, helping ensure values are reinforced to customers across the network. The team's overriding objective this year has been to expand communications services to client departments, enabling these to be accessed and delivered at internet speed.

Over 1,000 campaigns were executed across 40 brands and 50 countries, the common theme for which is "trial" - once customers experience Emirates there is no going back. Our biggest route launch ever, to New York, was activated by a massive worldwide awareness campaign, using multiple media channels, a dedicated TV commercial and a consistent creative product across markets. A focused campaign on the Eastern Seaboard helped launch the Emirates brand in the USA, where advertising dovetailed with PR and events to create enormous buzz. We also introduced the Emirates brand in Vienna, Christchurch, Glasgow, Shanghai and Seychelles, promoting inbound traffic via above the line advertising and tactical launch offers. We produced six new TV commercials this year, four for the FIFA World Cup 2006 sponsorship, running internationally across Europe, Asia and Africa. Advertising exploitation of our other sponsorship properties was stepped up with campaigns leveraging Chelsea, Arsenal, the Asian Football Cup, Rugby 7s and our horse racing partnerships.

Over 1,000 advertising campaigns were handled during the year.



New York inaugural advertisement.

A new brand positioning and advertising campaign was developed for Dnata, introducing the "Rest Assured" tagline to key internal stakeholders and customer groups in the UAE and beyond.

A new brand platform and campaign was successfully introduced for the Mercator range of IT products amongst airline and airport customer segments.

Our industry-leading range of sales and service collateral for Emirates, SkyCargo, Dnata, Skywards and Emirates Holidays helps us to stay engaged with key customer groups, whilst always reinforcing the core values of the Emirates Group. We continue to extend the Emirates' brand identity across retail and airport touch points, including check-in and lounges.

The Advertising team has provided consultancy services to several new businesses and Joint Ventures within the Group this year, including CIAS Singapore and Dnata's regional divisions.

We continue to benefit from a networked roster of quality advertising agencies, rather than a "lead" agency. Brand strategy and creative direction is driven in-house, with a genuine partnership of dedicated and well briefed agency staff providing the eyes and ears of the Emirates brand globally. Regional "clusters" of agency teams, drawn from the world's six leading marketing services companies, help balance global themes with local messaging and enable us to exploit creative and media synergies. We continue to invest in our agency relationships heavily, in the same way as we invest in our travel trade partnerships, believing this to be an effective way to motivate, share knowledge and, ultimately, maintain our creative edge over less nimble competitors.

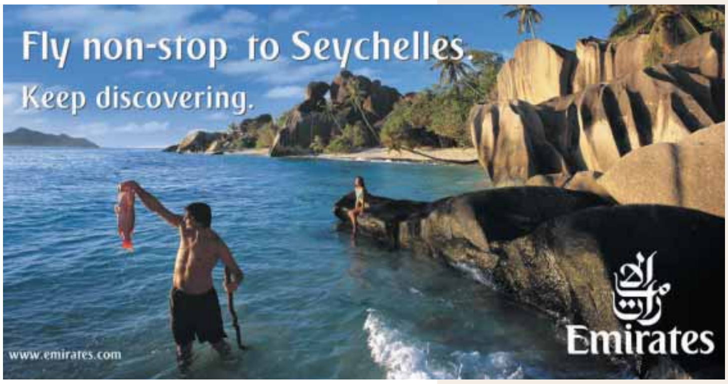
The Corporate Communications extranet and brand management tool, EmPower, provides a unique online workplace for the roster of advertising, PR and branding agencies across the Emirates network. The system helps to absorb production of, input to and administration of all campaigns whilst activating knowledge and creative share. EmPower has quickly developed into an online creative marketplace for all Emirates Group brands. Work has begun on building the next generation EmPower, to be launched in September 2005.

Our media planners and buyers continue to gain economies of scale from an expanding, and increasingly segmented, marketing communications reach via the higher profile of the Emirates brand. Media buys at the international and local level are scrutinised for synergies and we continue to drive down cost per thousand via targeted offers. Some spectacular media innovations – including covering the world's tallest residential tower with a billboard, the region's first "sliding doors" billboard for the A340-500 mini suites and lighting up the Sydney skies with tactical messages have created a local buzz and international media exposure.

Return on investment is an ongoing focus for all advertising campaigns and we invest a modest yet significant proportion of the budget into measuring the impact of specific campaigns via noting studies, pre- and post- surveys plus brand tracking surveys in key markets such as the UK, Germany, UAE, China and Australia. Our rapidly expanding global reach, combined with higher channel volumes mean that our media sales operation continues to grow, helping offset media investments elsewhere.

Internet

The Internet Communications team continues to extend the Emirates brand online and to support all business units in boosting e-commerce and reducing cost of sale. The rise in traffic to the flagship site, www.emirates.com, has been remarkable and the site now enjoys an average of 60,000 unique visitors per day.



Dramatic images featured in our Seychelles launch advertisements.

A new campaign "Rest Assured" was developed for Dnata.

Over 30 local variants of emirates.com engage with all our key markets and help channel tailored offers and tactical advertising. Sites now exist in English, French, Russian, German, Italian, Japanese, Chinese, Arabic and Korean and there was a 38% improvement registered in the Alexa World Ranking. Dedicated travel agent websites support our trade engagement strategy whilst reducing pressure on call centres.

The Group's recruitment site emiratesgroupcareers.com has been a continued success, ensuring all applications are online and cost per hire minimised. The web is also increasingly being used as a timely tool for internal communications, boosting brand engagement by geographically dispersed staff in a cost-effective manner. The latest online advertising technologies are used for all route launch and tactical online campaigns including eye blasters, space banners, flash banners and targeted e-mail campaigns.

Promotions

Emirates continues to build its sponsorship portfolio through various sports around the world including horse-racing in Australia (Gold Coast Turf Club), rugby in Dubai, South Africa, London and Bordeaux, cricket (ICC sponsorship, Lord's Taverners) and golf in Munich, Auckland, Shanghai and Glasgow.

This year was a year for key announcements for Emirates. A major sponsorship announcement that helped Emirates receive world-wide exposure was when Emirates Airline and Arsenal Football Club signed the biggest club sponsorship in English football history, worth some £100 million (Dhs662.2 million). The agreement provided Emirates with naming rights to the club's new £357 million stadium, presently under construction. The new stadium, seating 60,000 spectators, will boast cutting-edge facilities. For the next 15 years and with immediate effect it is known as the Emirates Stadium.

Emirates will also take over as the club's title sponsor – including "Fly Emirates" shirt sponsorship – for eight years, starting from the 2006-2007 season, the first playing season in the new Emirates Stadium.

In June 2004, Emirates announced the creation of Emirates Team New Zealand and its challenge for the 32nd America's Cup, the world's premier yacht racing event, in 2007. This new major sponsorship propelled Emirates to the front row of the sailing world. Victory in Louis Vuitton Act 2 (Valencia, October 2004) and other good performances across the series saw Emirates Team New Zealand crowned as 2004 America's Cup Season Champion.

Emirates renewed its title sponsorship for the Collingwood Aussie Rules Football Club, Melbourne. One of the most high profile sponsorships this year was when the opportunity came up to sponsor the Melbourne Cup, it made sense to seize it! We obtained the rights and the race day was named "Emirates Melbourne Cup Day". The branding at the Flemington racecourse was seen by millions of TV viewers all over Australia and world-wide. We also renewed our commitment to several famous events including the world's richest horse race, the Dubai World Cup, and the PGA European Tour's Dubai Desert Classic which was broadcast to an estimated 50 million homes worldwide.

Exciting plans continue to be formulated for the FIFA World Cup 2006 to maximise our commitment as Official Partner, which includes various events and tournaments over the two years leading to the Finals in July 2006.

But it was not all sports promotions, for Emirates as usual participated in the ITB fair in Berlin showcasing the A340-500 first class suite, and at the World Travel Market in London. Other exhibitions this year included Emirates' presence with stands at the Ferien Messe in Vienna, at MATTA in Kuala Lumpur, BIT in Milan, Top Resa in Deauville while Emirates Skycargo's participated at

Emirates is probably the most high-profile sports sponsor in the world.

Fifa World Cup 2006 advertisement.

Emirates Team New Zealand.

ICC Elite Umpires are sponsored by Emirates.

cargo shows such as Air Freight Asia (Bangkok), Air Cargo China (Shanghai) and Air Cargo Forum (Bilbao). Dnata exhibited at the Arab Travel Market, Dubai.

On the cultural scene Emirates continued to be principal partner of the three major symphony orchestras in Australia – Sydney, Melbourne and West Australia. Emirates was key sponsor of the Dubai International Film Festival in December 2004, a brand new event that promises to be a regular in the social calendar. Emirates Road Shows for the travel trade and inaugural gala parties for VIP guests were held during the course of the year to herald the addition of new destinations such as Shanghai, Vienna, Glasgow, Christchurch, New York and Seychelles.

The souvenir shops continue to flourish and our revenue for the two shops in Dubai for 2004/2005 was Dhs1.7 million. We are looking forward to taking over brand new premises in Emirates Group Headquarters in May 2005 which will allow us to continue the growth.

One of our biggest achievements for 2004/2005 was in distributing the brand to Dubai Duty Free (DDF) who are now selling our T-shirts, caps and aircraft models in the Departures Concourse.

The year ahead holds some exciting prospects and we intend to sell our merchandise at the 2005 Dubai World Cup and the 2005 Dubai Airshow. We also expect to launch a fully operational website during 2005 which will allow customers to purchase online our branded materials. The Promotional Support unit continues to service the entire network as well as all of the Group brands who require give-aways and promotional material. In addition, we support all of the major events that Emirates sponsors.

Media Relations

"Emirates Group has emerged as one of the fastest growing and most feared competitors in the global airline industry." - The Wall Street Journal, 11/1/2005.

This opening sentence from a front page story by WSJ editor Daniel Michaels under the headline "From Tiny Dubai, an Airline with Global Ambition Takes Off" epitomises the growing recognition by the world's leading media of Emirates' coming of age as a major player in the global airline industry.

Earlier and half-a-world away, the Australian Financial Review's aviation editor Tansy Harcourt had reached a similar conclusion. In a story headlined "Sky's No Limit for Emirates," Harcourt wrote: "The message to competition is that Emirates is here to stay, in a big way." AFR, 20/8/2004.

Paul Betts of the Financial Times seemed to agree. He wrote: "Emirates... turns itself into the world's largest operator of long-haul airliners" - FT European edition, 2/11/2004.

Press comments such as those are indicative of the success of the Media Relations team's efforts to increase media awareness of the company's distinctive business model, and to support the airline's and Group's goals by generating positive media coverage about their initiatives and strong momentum.

Major Media Relations projects included the successful launch of seven new routes to the new destinations' media. Fifteen news conferences - and participation of Dubai-based journalists in some of the inaugural programmes - were part of the communications plan rolled out on behalf of the new flights, as well as Dubai orientation tours for press groups from these destinations.

Below: The mammoth Emirates super jumbo-shaped stand won the "Best in Show" (Middle East section) at the ITB Trade Fair Berlin.

Helped by its global network of 35 PR agencies, Media Relations used those developments to strengthen recognition of Emirates as one of the world's fastest growing and most dynamic airlines, thanks to its steady policy of profit re-investment, to deliver the highest level of customer service at competitive prices.

Other significant communications plans executed by Media Relations were those to maximise coverage of the Emirates participation in the premiere of the new Airbus A380 in Toulouse, the hosting of the bi-annual convention of the French association of aviation writers, a media information campaign in support of Emirates' promotions for the Dubai Shopping Festival targeting the Indian sub-continent's markets and sub-Saharan Africa, a five-country series of news conferences attended by 250 journalists to help promote the Mauritius destination in the Middle East, the media launch of Al Maha's new spa and conference facilities and a press programme to take full advantage of Emirates SkyCargo's announcements of new services at the Air Cargo Forum in Bilbao, Spain.

In total, in the twelve months through the end of March 2005, Media Relations hosted or facilitated the visits of an estimated 350-plus journalists to Dubai and their exposure to different aspects of the Group's operations, besides handling hundreds of media inquiries about the company's activities.

For Dnata, Media Relations were involved in three major announcements: the acquisition of the majority shareholding in Changi International Airport Services, the launch of the new Corporate Campaign "Rest Assured" and the Chairman's announcement at Arab Travel Market of regional expansion plans.

Dnata Cargo was featured in the press with the launch of the express handling service for perishables and the expansion of the Freezone Logistics Centre.

The sharing of news about Emirates' business initiatives helps employees to make an informed contribution to the Group's goals and promotes team spirit. The Media Relations' Internal Awareness mission is the selection and efficient distribution of such information, in close cooperation with the different divisions and departments, to ensure that it reaches all of the target employee groups throughout the Company.

Media Relations hosted more than 350 journalists in Dubai during the year.

The Emirates Stadium, London.


ICE system is being fitted throughout the fleet.

Among the special projects coordinated by the Internal Awareness unit, which oversees the regular production of 16 print or electronic publications for staff, was the introduction of a new, revamped Safar in October of 2004, and the launch of two brochures on the new Industry Travel STARS facility and HRDirect Self Service, as special Safar supplements in July and November, respectively.

Internal Awareness also initiated the construction of a new SMS Broadcast Messaging System which makes it possible for the company's management to distribute urgent communications to staff by sending text messages directly to their mobile phones. The new system was activated in February 2005.

Passenger Communications and Visual Services

Passenger Communications and Visual Services makes an important contribution to product development and presentation.

The introduction last year of the new 500 channel ICE (information, communications and entertainment) system on the A340-500 has achieved greatly improved levels of customer satisfaction. During the year four Boeing 777s were retrofitted with the ICE system and it is also fitted as standard on the new Boeing 777-300ER aircraft which started to join the fleet in March 2005. By the end of March, 14 aircraft in the fleet offered ICE, representing 20% of the total passenger fleet and this figure will rise to nearly 40% during the next financial year.

A WiFi email service was launched on the A340-500s allowing passengers to connect to their email accounts using their personal WiFi equipped laptop. Emirates was the first airline in the world to receive an aircraft with WiFi line fitted as standard and the service is proving popular with passengers on the long A340-500 flights to New York and Australia.

Further enhancements to the legacy in-flight entertainment systems are planned during the coming year to maintain competitiveness and continually improve the passenger product.

Emirates also manages SriLankan Airlines' in-flight entertainment and it was pleasing for SriLankan to win the "Best Overall In-flight Entertainment" in the small airline category at the recent World Airline Entertainment Association Awards for the second year running. SriLankan was also voted the "Best Short-haul entertainment" and "Best Long-haul entertainment" beating off stiff competition from other major carriers.

On Emirates, In-flight advertising revenues grew by 10% in an otherwise tough year for advertising sales, reflecting advertisers strong attraction to the Emirates brand and growth of Dubai as a major market.

During the year, Visual Services produced a large number of media items and videos and managed technical production at most commercial events such as the launches to New York, Vienna, Shanghai, Seychelles and Glasgow. A new edition of the Emirates World staff DVD was produced, communicating to staff the airline's plans and vision. Visual Services also produced a film for Al Maha Desert Resort and another encouraging UAE nationals to join Emirates Cadet Pilot programme.

Ali Mubarak Al Soori, Senior Vice President Chairman's Office and Facilities/Projects Management discussing the new Emirates Group Headquarters with developers.

Facilities/Projects Management Department

The Facilities Management Department (FMD) is responsible for 175,000 square metres of commercial space in Dubai ranging from offices, shops, warehouses and workshops to lounges and airport facilities. Its property portfolio also includes 6,200 villas and apartments.

Residential accommodation is provided to expatriate staff in senior management grades, pilots, engineers and cabin crew. We accommodate 5,270 staff and their families and this number is increasing at the rate of at least 30 staff and families per week as the Company recruits to meet its manning requirements. The Company owns 1,443 units of accommodation leased to junior grade, and is able to control the rents to ensure that our staff obtain affordable accommodation in what has become a very upward moving rental scenario.

On the project management side the FMD is managing some Dhs2.5 billion worth of new projects such as the Engineering Facility, Group HQ building, Crew Training College, Security building, warehousing and several building extensions.

Group Safety

Key indicators in the year 2004/2005 reflect that the Group's efforts to reduce operational risk, and the costs associated with incidents and accidents, have been rewarded with overall improvements in safety performance. A combination of increased awareness, conformity to standards and sound working practices, in line with the requirements of the integrated Safety Management System, are seen as the major contributors to this outcome.

Likewise, improved data capture and reporting has enforced Group Safety's initiative to further develop a tool that accurately accounts for the costs of aircraft ground damage – estimated by the industry at more than US$2 billion per annum worldwide. This project has produced a model that is innovative and expansive, having applications that are wide ranging with uses in Finance, Legal, Network Control and Engineering.

A new operational risk analysis model that utilises the functions of dependency modelling has been introduced. Network wide, Group Safety has launched a video safety campaign, "Safety In Your Hands" which was distributed to all stations with a view of further educating and increasing awareness among all Emirates and Dnata staff, Cargo Handling Agents, Ground

Transguard has a fleet of more than 30 armoured cars.

Transguard provides entrance security for the Dubai Desert Conservation Reserve.

Handling Agents, Engineering and all other Service Providers, in the safe handling of our aircraft. In association with other operators, Group Safety is currently leading a project involving 45 Ground Handling companies' world wide (IAHA) to establish an industry benchmarking system for aircraft ground damage and personal injury rates.

The IATA Operational Safety Audit (IOSA) was formally accepted by the FAA in July 2004 as an independent safety audit programme and as a substitute for code share audits. Emirates, represented by Group Safety, being one of the 25 active airline members of the IOSA Oversight Committee (IOC), subsequently became one of the first major carriers to be successfully audited against this newly created internationally recognised, operational safety standard and now awaits full IOSA accreditation.

Fire prevention awareness programmes remained a focus throughout the Group further reducing the low baseline of facility fire rates. The Group's many construction projects remain in the forefront of fire protection engineering. Two of these high profile projects are the New Engineering Centre and the Emirates Headquarters building which in themselves incorporate new designs and applications requiring innovations in protection systems.

Group Security

Unfortunately, it is endemic of the airline industry in the 21st century that the safeguarding of customers, staff and assets is one of the highest priorities and we are continuing to reinforce our security programmes throughout the network.

An example of the skills of our vigilant airport unit was their prevention of 4,500 passengers carrying improperly documented passports from boarding our flights.

Such is the level of experience attained by the members of this unit that it was awarded an indefinite Approved Gate Status by UK Immigration – a distinction which recognised the level of professionalism Emirates offers for document verification.

At the same time the Cargo Security and Aircraft Protection Unit conducted cabin search, ramp security and other surveillance and checks. A multi-faceted organisation, Group Security's Aviation Security Operations Unit helped to successfully launch the New York destination developing an automated screening system, with Mercator, for the US Transport Security Administrations Selectee and No-Fly lists.

Following an audit, the Emirates Security Programme was also given the thumbs-up by the GCAA and certified as having met the requirements of ICAO and the UAE's National Aviation Security Programme. The Australian Department of Transportation and Regional Service also granted its approval to the programmes developed by Group Security.

Group Security was involved in training for ground staff and cabin crew developing a special programme for disruptive passengers. The "human factor", not just machines, is the most vital component for any security sub-system and in recognition of this Group Security has jointly developed with the Edith Cowan University of Western Australia, a Diploma programme in Aviation Security Management which takes 12 months to complete. The first graduation from this course has already taken place.

Transguard continued to remain profitable and now offers one of the largest and the most sophisticated cash management system in the Gulf. It has a fleet of 34 armoured cars.

Legal

In what has been a busy year for Group Legal, the department has registered Emirates Group trademarks in 79 countries, co-ordinated and filed US regulatory applications necessary for operations to the US and worked on agreements in respect of Emirates' sponsorship deal with Arsenal Football Club and the Dubai International Film Festival 2004.

This was in addition to the naming sponsor agreement with Emirates Team New Zealand for the America's Cup regatta in Valencia in 2007.

The department was also involved with drafting and negotiating an agreement between Emirates and General Electric International Inc., regarding the design, construction and commissioning of an engine test facility in Dubai.

With regard to Emirates' fleet expansion, Group Legal drafted agreements for purchase of three A310 aircraft from Airbus and the subsequent freighter conversion by (EFWC) Elbe Flugzeug Werke Company. Group Legal Specialists were also involved in all aircraft financings and re-financings (five in total for the year) and engine financings (two), one of which was Emirates' first ever financing deal with Ex-Im Bank.

Internal Audit

Internal Audit has played a key advisory role in a range of business process initiative across the Group, from electronic funds transfer, e-ticketing and IT security to the roll-out of a financial control framework designed specifically for overseas locations.

The department's business-focused structure enables it to provide direct assistance to business managers in documenting key processes and in integrating analytical tools and exception reports, or managing significant risks on an on-going basis.

Regular knowledge sharing with other airlines and global professional bodies is actively encouraged by Emirates Group Internal Audit, which has been invited to chair the International Association of Airline Internal Auditors (AAIA) in 2005.

The Emirates Award for the best candidate from the UAE at the annual Certified Information Systems Auditor examination has been introduced to encourage the development of the audit profession in the region. This has now been extended to the Certified Information Security Manager examination as well. More than 90% of the audit team now hold at least one internationally recognised professional qualification in the field.

Skytrax again judged SriLankan as "Best Airline Central Asia 2004".

A SriLankan A340-300.

SriLankan wins awards for the quality of its inflight service.

SriLankan

Following last year's record profits, SriLankan faced two enormous challenges this year: the devastating effects of the tsunami, together with the unprecedented rise in the cost of fuel.

With SriLankan playing a pivotal role in handling and processing the huge international relief effort at Colombo International Airport, the country is beginning to recover from the effects of the tsunami. Whilst this will take time, visitor arrivals have already started to increase and the Company is cautiously optimistic for a return to profitability in 2005/6.

The addition of two more Airbus A320 aircraft has allowed SriLankan to expand its profitable Indian network to 77 services per week, serving 10 destinations.

A new US$20 million Flight Kitchen is under construction at Colombo International Airport, which will more than double the existing unit's capability to cope with growing demand when completed in early 2006.

More international awards came SriLankan's way, with the airline sweeping the board at AVION 2004, winning three awards including "Best Overall Inflight Entertainment" for a fleet size of less than 20 aircraft. Once again Skytrax judged SriLankan as "Best Airline Central Asia 2004", for the fourth consecutive time, and TTG Asia also awarded the airline "Best Airline South Asia 2004".

Group

Chairman	His Highness Sheikh Ahmed bin Saeed Al-Maktoum
Vice Chairman and Group President	Maurice Flanagan
President Emirates Airline	Tim Clark
President Dnata and Associated Companies	Gary Chapman
President Group Support Services	Dermot Mannion
Senior Vice Presidents	
Chairman's Office & Facilities Management	Ali Mubarak Al Soori
Corporate Communications	Mike Simon
Safety and Standards	Mohammed A AlKhaja
Safety	Michael Quinn
Group Security	Abdulla Al Hashimi
Internal Audit	Neeraj Kumar

Emirates

President	Tim Clark
Executive Vice President - Commercial Operations Worldwide	Ghaith Al Ghaith
Executive Vice President - Engineering and Operations	Adel Al Redha
Senior Vice Presidents	
Emirates SkyCargo	Ram C Menen
Destination and Leisure Management	Hans Haensel
Emirates Airport Services	Dale Griffith
Dubai Airport Development	Ahmed Khoory
Emirates Airport Services – Dubai	Mohammed Mattar
Planning, International and Industry Affairs	Tony Tayeh
Service Delivery	Terence Daly
Commercial Operations - The Americas	Nigel L Page
Commercial Operations - Europe	Keith Longstaff
Commercial Operations - East Asia & Australasia	Richard Vaughan
Commercial Operations - Gulf, Middle East & Iran	Hamad Obaidalla
Commercial Operations - Africa	Nasser Bin Kherbash
Commercial Operations - West Asia & Indian Ocean	Nabil Sultan
Customer Affairs and Service Audit	Richard Ng
Revenue Optimisation	Scott Alan McMahen

Dnata and Associated Companies

President	Gary Chapman
Executive Vice President	Ismail Ali Albanna
Senior Vice Presidents	
Dnata Agencies	Rashid Al Noori
Dnata Airport Operations	Tom Lewis
Dnata Airport Projects	Derek Swan
Dnata Cargo	Jean Pierre De Pauw
Corporate Development	Khaled Al Kamda
Galileo Emirates	Naz Nizari
Associated Companies	Stewart Angus

Group Support Services

President	Dermot Mannion
Executive Vice President - Human Resources	Abdulaziz Al Ali
Senior Vice Presidents	
Medical Services	Cliff Webster
Performance Development	Martin Tomlinson
Corporate Treasury	Riyaz Peermohamed
Finance	Nigel Hopkins
Information Technology	Joshua Koshy
Procurement & Logistics (Non-Aircraft)	Saeed Mohammed
Legal	Alistair Dunn

Emirates

	2004-05	2003-04	2002-03	2001-02	2000-01
Consolidated financial statements					
Total revenue (AED'000)	18,113,085	13,286,331	9,709,749	7,274,658	6,417,372
Total expenditure (AED'000)	15,678,183	11,602,094	8,749,606	6,783,795	5,970,725
Operating profit (AED'000)	2,564,492	1,748,756	1,000,511	625,794	665,653
Net profit (AED'000)	2,339,571	1,573,511	906,747	468,231	421,825
Airline operating statistics					
Performance indicators					
Yield (Fils per RTKM)	192	181	169	166	174
Unit cost (Fils per ATKM)	111	107	111	108	114
Breakeven load factor (%)	58.2	59.0	65.4	65.1	65.5
Fleet					
Number of aircraft	69	61	46	38	35
Average age (months)	55	46	36	37	36
Production					
Destination cities	76	73	64	57	55
Overall capacity (ATKM million)	13,292	10,207	7,350	5,718	4,761
Available seat kilometres (ASKM'000)	68,930,198	54,656,790	41,336,554	32,629,532	27,254,862
Aircraft departures (number)	72,057	58,763	45,452	38,914	35,310
Traffic					
Passengers carried (number)	12,528,761	10,441,345	8,502,894	6,765,113	5,718,818
Passenger seat kilometres (RPKM'000)	51,398,393	40,110,375	31,660,547	24,230,533	20,468,473
Average distance flown per pax (Kms)	4,102	3,841	3,724	3,582	3,579
Passenger seat factor (%)	74.6	73.4	76.6	74.3	75.1
Cargo carried (Kg'000)	838,400	659,816	525,188	400,569	335,194
Overall load carried (RTKM million)	8,649	6,629	5,145	3,908	3,310
Overall load factor (%)	65.1	64.9	70.0	68.3	69.5
Employee					
Average employee strength (number)	15,858	12,804	10,507	8,697	7,571
Capacity per employee (ATKM)	838,202	797,156	699,487	657,513	628,850
Load carried per employee (RTKM)	545,392	517,727	489,627	449,331	437,148
Revenue per employee (AED)	1,103,117	993,171	883,632	793,642	808,469
Value added per employee (AED)	370,380	355,197	317,063	286,484	299,539

Dnata

	2004-05	2003-04	2002-03	2001-02	2000-01
Consolidated financial statements					
Total revenue (AED'000)	1,414,031	1,093,948	959,965	820,131	740,988
Total expenditure (AED'000)	1,153,624	920,169	818,236	685,364	631,460
Operating profit (AED'000)	240,950	158,628	123,600	112,776	79,312
Net profit (AED'000)	260,407	173,779	141,729	134,767	109,528
Average employee strength (number)*	8,196	7,186	6,253	6,389	5,887
Revenue per employee (AED)*	154,584	150,495	150,956	125,290	124,431
Value added per employee (AED)*	120,433	116,071	112,787	98,133	96,068
Airport performance indicators					
Aircraft handled (number)*	93,004	79,932	69,322	59,994	60,689
Passengers handled (number)*	22,389,218	19,130,592	16,452,152	13,805,735	12,793,174
Cargo handled (Kg'000)*	457,869	405,906	399,193	635,298	572,778
Employee					
Average employee strength (number)*					
Airport operations*	5,563	4,601	3,885	3,764	3,555
Cargo*	894	849	811	1,161	1,027
Aircraft handled per employee (number)*	17	17	18	16	17
Passengers handled per employee (number)*	4,025	4,158	4,235	3,668	3,599
Cargo handled per employee (Kgs)*	512,158	478,099	492,223	547,199	557,720

*These figures exclude subsidiaries.

Financial statistics

		2004-05	2003-04	% Change
Group				
Total revenue*	AED (million)	19,091.8	14,012.8	36.2
Total costs*	AED (million)	16,396.5	12,154.8	34.9
Operating profit	AED (million)	2,805.4	1,907.4	47.1
Net profit	AED (million)	2,600.0	1,747.3	48.8
Operating margin*	%	14.9	13.8	1.1 pts
Net margin*	%	13.8	12.6	1.2 pts
Group liquid funds	AED (million)	8,171.6	7,277.6	12.3
Shareholders' funds	AED (million)	8,768.7	5,763.7	52.1
Return on shareholders' funds	%	35.8	34.3	1.5 pts
Value added	AED (million)	7,249.1	5,676.0	27.7
Emirates				
Total revenue	AED (million)	18,113.1	13,286.3	36.3
Total costs	AED (million)	15,678.2	11,602.1	35.1
Operating profit	AED (million)	2,564.5	1,748.8	46.6
Net profit	AED (million)	2,339.6	1,573.5	48.7
Operating margin	%	14.3	13.3	1 pt
Net margin	%	13.1	12.0	1.1 pts
Value added	AED (million)	6,181.3	4,835.5	27.8
Dnata				
Total revenue	AED (million)	1,414.0	1,093.9	29.3
Total costs	AED (million)	1,153.6	920.2	25.4
Operating profit	AED (million)	241.0	158.6	51.9
Net profit	AED (million)	260.4	173.8	49.8
Operating margin	%	17.3	14.7	2.6 pts
Net margin	%	18.7	16.1	2.6 pts
Value added	AED (million)	1,068.2	841.0	27.0

*After eliminating inter company transactions of AED 435.3 million in 2004-05 (2003-04: AED 367.4 million), comprising operating income / expense of AED 434.9 million (2003-04: AED 366.9 million) and interest income / expense of AED 0.4 million (2003-04: AED 0.5 million).

The financial year of the Emirates Group is from 1 April to 31 March. Throughout this report all figures are in UAE Dirhams (AED) unless otherwise stated. The exchange rate of the Dirham to the US Dollar is fixed at 3.67.

The percentage change has been based on the exact figures before rounding in respect of the two financial years.

Income

Group net profit for 2004-05 was AED 2,600 million, recording an impressive 48.8% growth compared with the previous year (2003-04: AED 1,747 million).

Group operating profit, at AED 2,805 million, was AED 898 million better than last year. The operating margin of 14.9% was 1.1 points better than last year.

Return on shareholders' funds reflected an increase to 35.8% as compared with 34.3% in 2003-04.

Revenue

Total Group revenue in 2004-05 was AED 19,092 million, a considerable increase of AED 5,079 million (36.2%) over the previous year. Group revenue consisted of operating revenue of AED 18,540 million and other income of AED 552 million (2003-04: AED 13,542 million and AED 471 million).

All inter company transactions between Emirates and Dnata have been eliminated in computing Group revenue.

Emirates operating revenue increased by AED 4,765 million (37.1%) to AED 17,620 million reflecting higher capacity and traffic, together with improved yields.

Passenger revenue at AED 12,991 million was 37.3% higher than last year, while cargo and related revenue grew by 42.8% to AED 3,453 million. Transport revenue constituted 94.1% of Emirates' total operating revenue. Dnata's operating revenue increased by 28.4% over last year to AED 1,355 million.

Expenditure

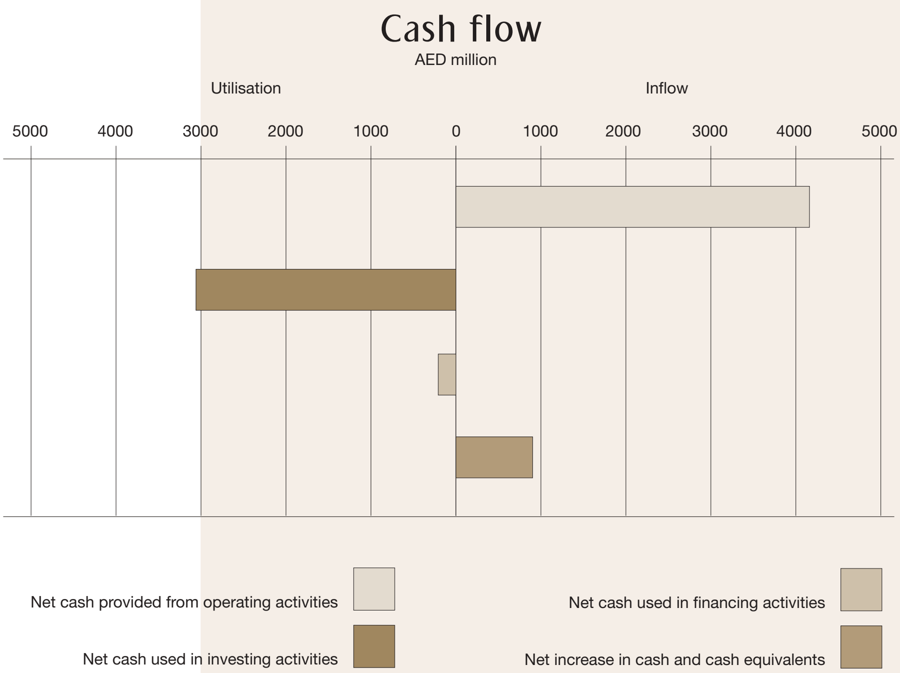
Group operating costs at AED 16,054 million were AED 4,133 million (34.7%) up over last year.

Total Group expenditure including financing costs and taxation was AED 16,397 million, a rise of AED 4,242 million (34.9%) over last year in line with the increase in total Group revenue.

The increase in Emirates' costs came mainly from higher fuel and oil (up AED 1,647 million or 100.9%), aircraft operating lease costs (up AED 526 million or 38.9%), employee expenditure (up AED 447 million or 19.8%) and sales and marketing costs (up AED 432 million or 29.5%).

Cash flow

Group cash generated from operating activities was AED 4,168 million, an increase of AED 1,318 million (46.3%). Emirates contributed AED 3,798 million of the cash generated from operating activities while Dnata generated AED 370 million.



Group operating cash margin was healthy at 22.1%, up 1.5 points as compared with the previous year. Emirates' operating cash margin at 21.2%, increased 1.7 points from 19.5% in 2003-04.

Group cash generated from operating activities stood at 160.3% of net profit with Emirates at 162.3% and Dnata at 142.0%.

Emirates' cash generated from operating activities covered 64.0% (2003-04: 55.9%) of current liabilities at 31 March 2005. Dnata's cash generated from operating activities covered 84.3% (2003-04: 84.2%) of current liabilities at 31 March 2005.

Capital expenditure

Group capital expenditure for 2004-05 was AED 3,067 million, 95.5% higher than the previous year's level of AED 1,568 million. Aircraft, spares and spare engines comprised 53% of the total capital spend, including disbursements for aircraft deliveries during the year and progress payments for future deliveries.

Financial position

Group
At 31 March 2005, the Group's cash funds (including held to maturity cash investments of AED 349 million) improved by 16.5% to AED 8,521 million (USD 2,322 million). The Group invested surplus funds in a mix of highly rated bank deposits and diversified structured products. The overall interest income earned yielded an effective rate of 2.43 % (2004: 1.89%), reflecting the increase in prevailing rates.

Group shareholders' funds at 31 March 2005 was AED 8,769 million (USD 2,389 million), up by 52.1% compared to AED 5,764 million (USD 1,570 million) at 31 March 2004.

Emirates
At 31 March 2005, Emirates' cash position (including held to maturity cash investments of AED 220 million) improved by 16.5% to AED 7,549 million (USD 2,057 million). The improvement in cash was recorded after funding capital expenditure outflows of AED 2,363 million (USD 644 million) comprising of pre-delivery payments, spare engines, rotables, buildings and other capital items and paying dividends to the shareholder of AED 300 million (USD 82 million) during the year. Emirates' cash balance more than adequately covers the benchmark of maintaining cash balances for at least six months debt obligations and lease rentals. Emirates' cash management policy ensures that sufficient liquidity is maintained to meet day-to-day needs and its long term capital investment programme.

During the current financial year, Emirates used operating leases to finance seven aircraft at attractive terms. These included two B777-300ER, one each from International Lease Finance Corporation (ILFC) and General Electric Capital Aviation Services (GECAS) respectively; two A340-300 from Boeing Aircraft Holding Company and three A340-500 were financed on a sale and leaseback basis. Emirates also raised circa USD 186 million (AED 683 million) at an attractive all-in cost to finance one A340-500 aircraft and to refinance one B777-200. This year Emirates also raised USD 239 million to finance 22 (twenty two) spare engines, including 15 (fifteen) Trent spare engines and 7 (seven) GE90 spare engines (for the B777-300ER fleet).

Emirates continued to adopt a well diversified balanced portfolio approach to finance its fleet requirements, with 55% coming from commercial sources (more than half of which was from international banks), 11% from export credit (US Ex-Im) finance and 34% through operating lessors i.e. ILFC and GECAS.

Emirates' cash profit from operations (or EBITDAR) for the year ended 31 March 2005 was robust at 29.1% of operating revenue or AED 5,128 million, up by AED 1,376 million (36.7%) from year ending 31 March 2004. EBITDAR for the year equated to more than twenty one months of debt service and lease rentals, including principal and interest payments on aircraft financing and bond issues.

Emirates continued to follow a balanced portfolio approach by hedging around half of its interest rate exposure going forward, using a blend of natural hedge solutions and swaps. In line with this approach, Emirates used fixed rate financing on four of the eight aircraft delivered during the year. Emirates' borrowings and lease liabilities (net of cash) after including operating rentals, at 31 March 2005, comprised 67% on a fixed interest rate basis with the balance 33% on floating interest rates. A 1% increase in interest rate would increase the interest charges and the operating lease charges (net of interest income) during the next financial year by AED 22 million (2004: AED 52 million). At 31 March 2005, Emirates borrowings and lease liabilities carried a weighted average interest rate of circa 3.52% (2004: 3.65%).

On the currency front, taking advantage of the continuing weak dollar, Emirates secured financing in UK Sterling and Euros for two A340-500s and four B777-300ERs (three to be delivered next year). This financing will provide a natural hedge against some of its Sterling and Euro inflows. At 31 March 2005, around 23% of the net annual UK Sterling receipts were hedged, while for Euros and Japanese Yen, the hedging coverage was 19% and 45% respectively.

Financial position (continued)

Emirates' shareholder's funds at 31 March 2005 was AED 7,642 million (USD 2,082 million), up by 56.1% compared to AED 4,897 million (USD 1,334 million) at 31 March 2004. Emirates' long term borrowings and lease liabilities was AED 7,635 million (USD 2,080 million) at 31 March 2005, a net increase of AED 669 million (USD 182 million) over 31 March 2004. At 31 March 2005, Emirates' long term borrowings and lease liabilities (net of cash) / shareholders' funds ratio was 4.0% (2004: 10.7%). After including operating leases, the same ratio was 108% (2004: 152%).

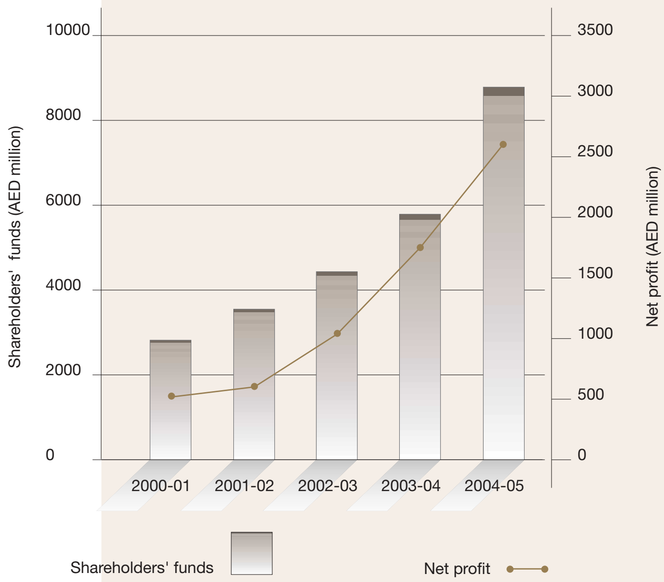
Dnata

At 31 March 2005, Dnata's cash position (including held to maturity cash investments of AED 129 million) improved by 16.5% to AED 972 million (USD 265 million). The improvement in cash was recorded after funding capital expenditure outflows of AED 142 million, funding subsidiary acquisition of AED 58 million and paying dividends to the shareholder of AED 29 million during the year.

The year marked the first ever financing by Dnata (through its fully owned subsidiary Kedma Holdings Pte Ltd.) of Singapore Dollars 140 million (USD 85 million) to acquire a 100% stake in Changi International Airport Services (CIAS), which is a provider of aircraft handling and catering services at Singapore airport.

Dnata's shareholder's funds at 31 March 2005 was AED 1,126 million (USD 307 million), up by 30% compared to AED 866 million (USD 236 million) at 31 March 2004. Dnata's long term debt was AED 278 million (USD 76 million) at 31 March 2005 (2004: NIL).

Shareholders' funds



Value added

Value added is a measure of wealth created. This statement shows the value added by the Group over the past five years and its distribution by way of payments to employees, governments and to providers of capital. It also indicates the portion of wealth retained in the business.

	2004-05 AED'000	**2003-04** AED'000	**2002-03** AED'000	**2001-02** AED'000	**2000-01** AED'000
Group operating revenue	18,539,482	13,542,317	9,940,793	7,437,127	6,612,761
Less: Purchase of goods and services	11,842,683	8,336,822	6,139,412	4,568,328	3,970,290
	6,696,799	**5,205,495**	**3,801,381**	**2,868,799**	**2,642,471**
Add: Other operating income	320,113	285,959	188,835	220,458	224,019
Interest income	191,270	97,925	105,143	98,822	91,956
Share of profit / (loss) of associated companies	40,952	86,643	107,831	58,142	(7,325)
Total value added by the Group	**7,249,134**	**5,676,022**	**4,203,190**	**3,246,221**	**2,951,121**
Distribution of value added:					
To employees – salaries and other employee costs	3,386,725	2,831,320	2,251,121	1,724,489	1,537,339
To overseas governments – Corporation and other taxes	58,685	16,871	16,996	13,302	10,272
To suppliers of capital –					
Dividends	368,000	329,000	240,000	140,000	140,000
Interest	283,670	217,065	218,217	256,602	263,149
Minority interests	95,332	110,726	53,396	22,632	24,822
Retained for re-investment and future growth –					
Depreciation and amortisation	824,745	752,750	614,984	626,198	584,186
Retained profits	2,231,977	1,418,290	808,476	462,998	391,353
Total distribution of value added	**7,249,134**	**5,676,022**	**4,203,190**	**3,246,221**	**2,951,121**

In 2004-05, the total ‘value added’ of the Group increased by AED 1,573 million (27.7%) to AED 7,249 million (2003-04: AED 5,676 million). The increase came mainly from increased operating revenue (AED 4,997 million) while the cost of purchases of goods and services increased by AED 3,506 million.

Employees received AED 3,387 million (46.7% of the total value added) in the form of salaries and other related costs including a profit share whilst distributions on account of taxation, interest, dividends and minority interests were AED 805 million (11.1%).

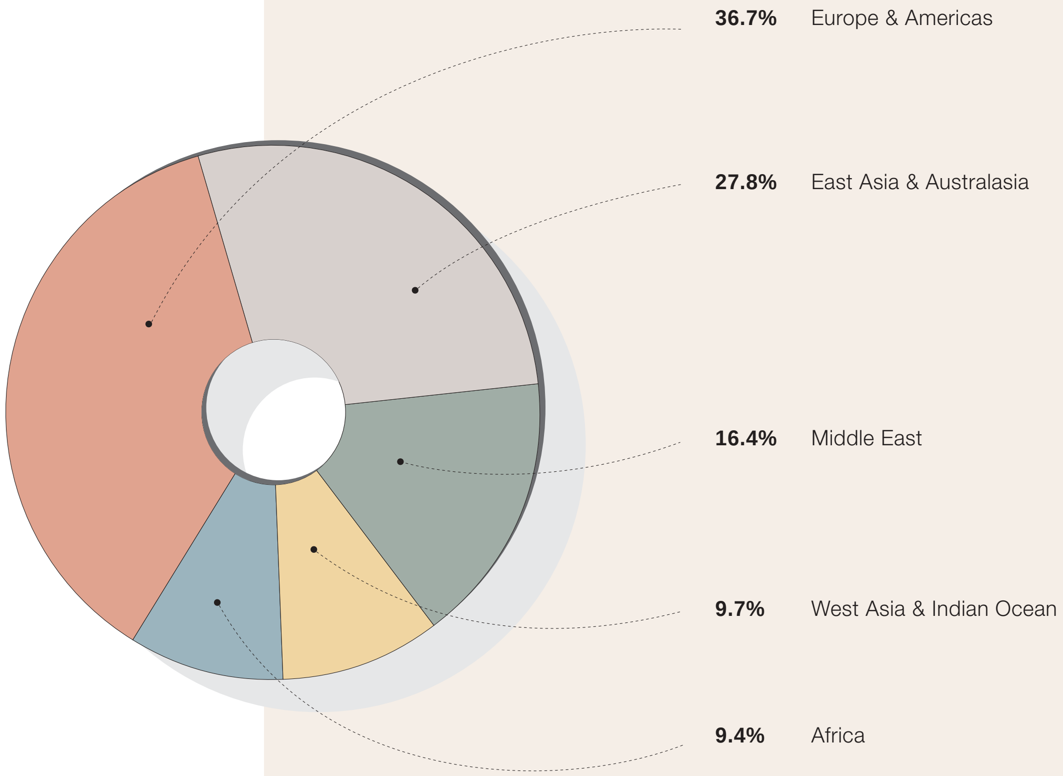
The amount retained in the business for future growth was AED 3,057 million (42.2%).

Revenue

	2004-05 AED million	%	2003-04 AED million	%
Passenger	12,991	73.7	9,462	73.6
Cargo	3,291	18.7	2,294	17.8
Excess baggage	137	0.8	107	0.8
Courier	112	0.6	91	0.7
Mail	50	0.3	33	0.3
Transport revenue	**16,581**	**94.1**	**11,987**	**93.2**
Sale of goods	779	4.4	698	5.4
Destination and leisure (see below)	123	0.7	86	0.7
Other	137	0.8	84	0.7
Total operating revenue	**17,620**	**100.0**	**12,855**	**100.0**

Destination and leisure revenue reflects the net income after elimination of inter company transactions and direct operating costs. Total package sales achieved for 2004-05 were AED 802.5 million up 37% on the previous year (2003-04: AED 585.4 million).

Segment revenue

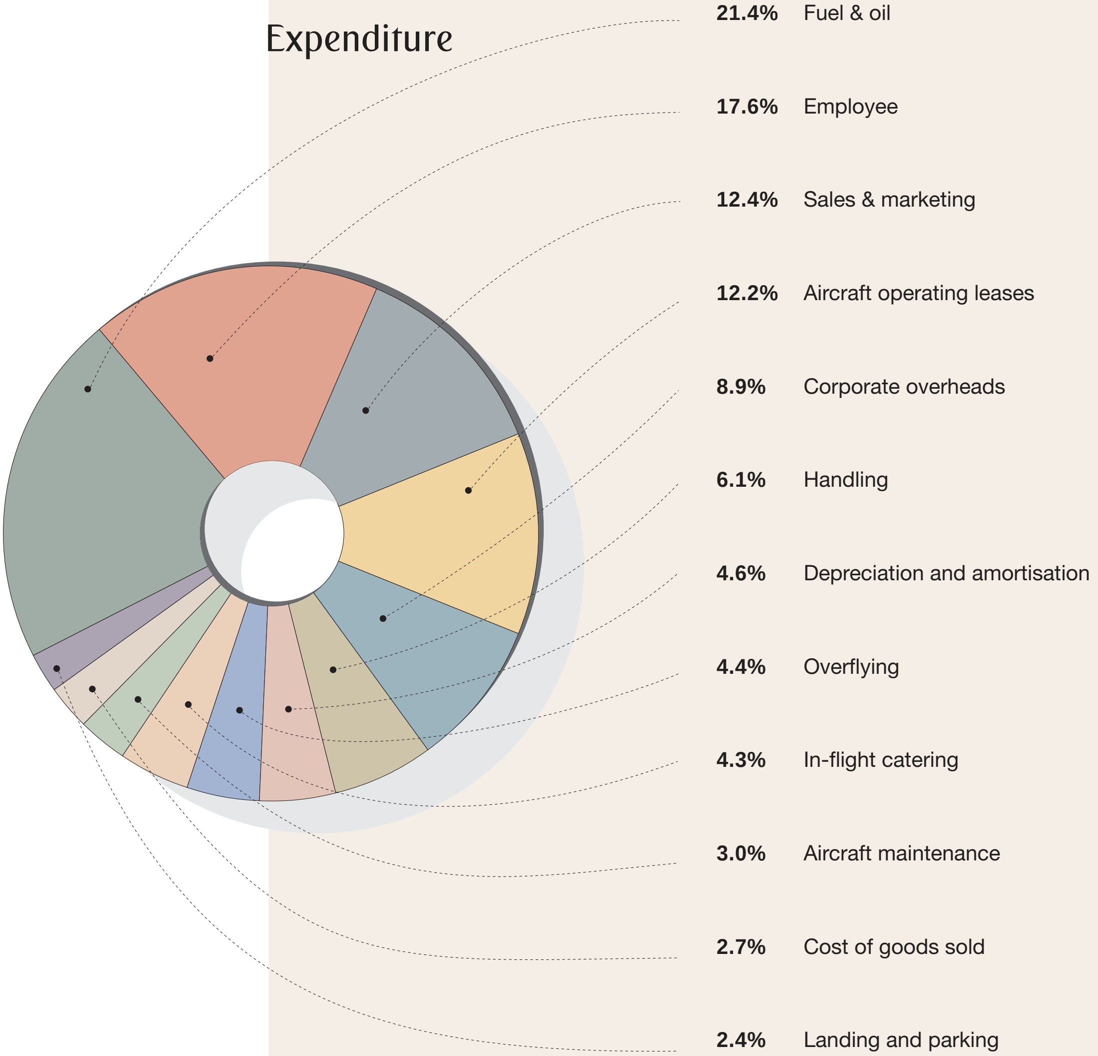


Expenditure

	2004-05 AED million	%	2003-04 AED million	%
Fuel and oil	3,279	21.4	1,633	14.4
Employee (see (a) below)	2,701	17.6	2,254	19.8
Sales and marketing	1,896	12.4	1,464	12.9
Aircraft operating leases	1,878	12.2	1,352	11.9
Handling	933	6.1	736	6.5
Depreciation	675	4.4	622	5.5
Overflying	673	4.4	506	4.4
In-flight catering	655	4.3	480	4.2
Aircraft maintenance	461	3.0	449	3.9
Cost of goods sold	407	2.7	382	3.4
Landing and parking	374	2.4	270	2.4
Amortisation	32	0.2	41	0.4
Corporate overheads	1,376	8.9	1,179	10.3
Total operating costs (see (b) below)	**15,340**	**100.0**	**11,368**	**100.0**

(a) Includes in-house engineering employees.
(b) Excludes interest and financing costs.

Expenditure



Yield, unit cost and breakeven load factor

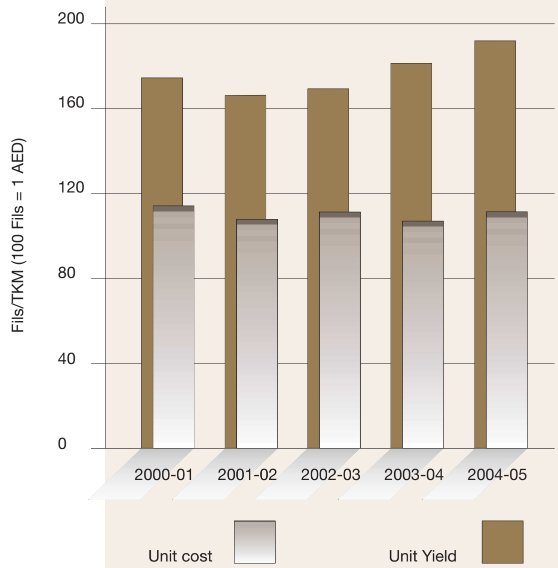
Overall yield increased by 6.0% to 192 fils per tonne-kilometre.

Passenger yield increased 7.1% mainly on account of stronger currencies, an increase in premium class traffic and the collection of additional fuel surcharges to cover higher fuel cost. Cargo yield increased by 7.2% on account of stronger currencies, collection of cargo security and fuel surcharges designed to cover higher operating costs.

Unit cost increased by 4.8 fils (4.4%) to 111.5 fils per capacity tonne-kilometre. The increase is mainly due to fuel costs up by 8.7 fils partly offset by reduction in corporate overheads by 1.3 fils, staff costs by 1.5 fils and depreciation charges by 1 fil.

The breakeven load factor has improved to 58.2% from 59.0% last year benefiting from the overall net yield increase.

Yield and unit cost



Capacity, traffic and load factor

Traffic increased by 30.5% to 8,649 million tonne-kilometre, and the capacity increased by 30.2% to 13,292 million tonne-kilometres. Aircraft departures increased by 22.6% to 72,057 while aircraft utilisation remained one of the highest in the industry at 13.7 hours per day.

The increase in traffic came principally from:

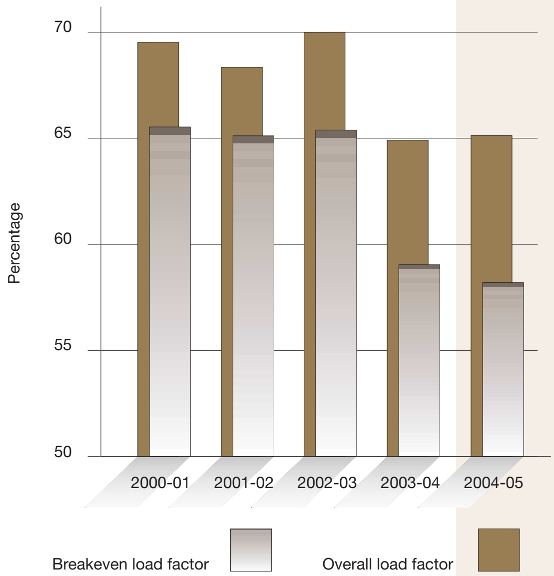
- introduction of new passenger services to Vienna, Glasgow, Shanghai, New York, Christchurch and Seychelles
- increased frequencies to India, Jordan, Hongkong, Japan, United Kingdom and Russia
- increased capacity to existing destinations with bigger aircraft, mainly Frankfurt, Munich, Peshawar, Kuwait, Cairo and Mauritius
- increase in freighter operations (57% higher compared with the previous year) with the introduction of new cargo services to Johannesburg, Lahore and Nairobi and operation of charters to various destinations.

Passenger seat factor at 74.6% increased by 1.2 percentage points over last year. Passengers carried reached 12.5 million in 2004-05, representing an increase of 20% over last year.

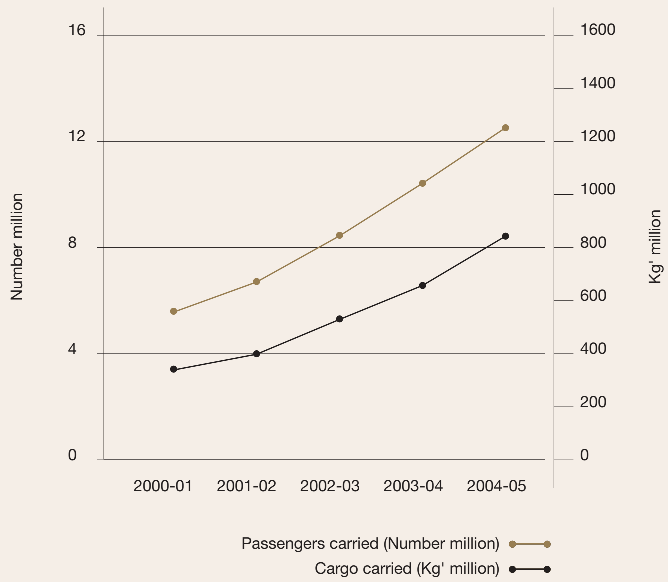
Cargo carried in 2004-05 improved by 27.1% to 838,400 tonnes (2003-04: 659,816 tonnes), recording strong growth across the entire network.

Overall load factor increased marginally to 65.1% (2003-04: 64.9%).

Overall and breakeven load factor



Pax and cargo carried



Employee strength and productivity

In the year under review, the average workforce rose by 3,676 (22.6%) to 19,956. The average number of employees in the airline grew by 3,054 (23.9%) to 15,858 as a result of the significant growth in capacity.

A breakdown of the number of employees by category is shown below:

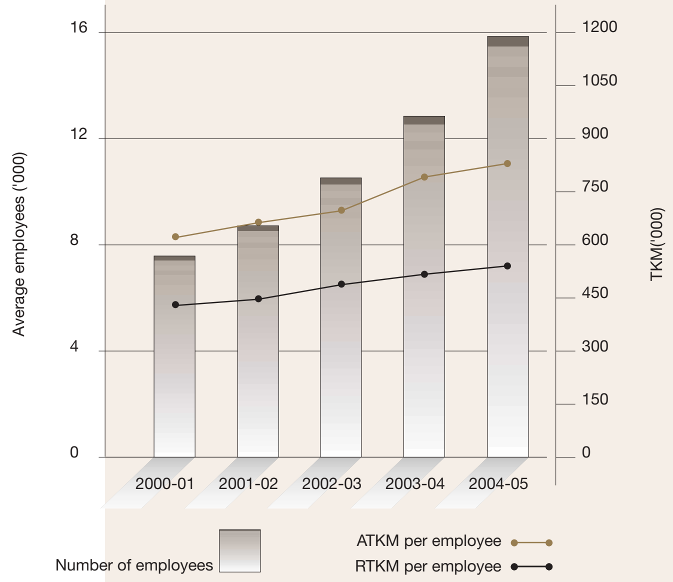
	2004-05	2003-04
UAE		
Cabin crew	5,612	4,340
Flight deck crew	1,060	862
Engineering	1,112	917
Other	5,203	4,359
	12,987	**10,478**
Overseas stations	2,871	2,326
Total Emirates	**15,858**	**12,804**
Subsidiary companies	**4,098**	**3,476**
Average employee strength	**19,956**	**16,280**

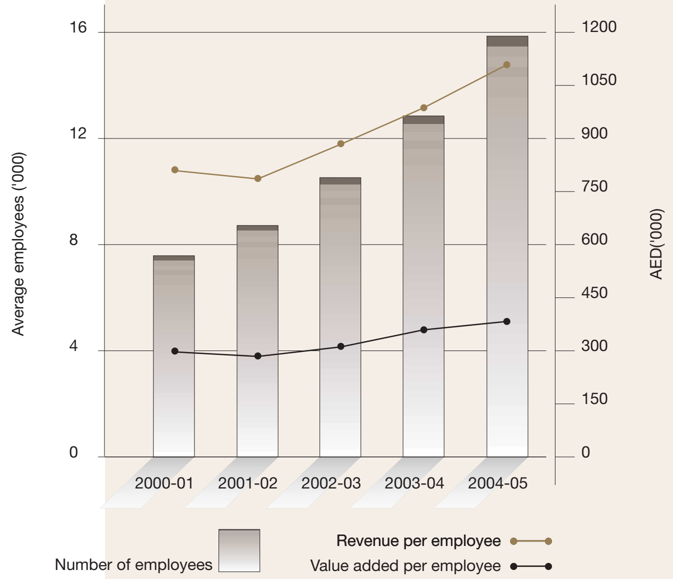
Employee productivity for the airline, measured in terms of revenue per employee was up 11.1% at AED 1,103,117 compared with AED 993,171 in 2003-04.

Value added, which is a measure of wealth created by the airline was AED 5,873 million up 29.2% on last year (2003-04: AED 4,548 million). This is equivalent to AED 370,380 per employee, up 4.3% over the previous year (2003-04: AED 355,197).

Capacity per airline employee improved for the fifteenth year with a 5.2% increase in ATKM to 838,202 (2003-04: 797,156). In addition, load carried per airline employee increased 5.3% to RTKM 545,392 (2003-04: 517,727).

Employee strength and productivity (continued)





Emirates
Fleet information

Aircraft	In operation	On firm order	On option
B777-200	9	-	-
B777-300	12	-	-
B777-300ER	2*	4	9
A310-300	1	-	-
A310-300F	-	3*	-
A330-200	29	-	-
A340-300	8	-	-
A340-500	8	2	-
A340-600	-	10	8
A380-800	-	43	-
Total	**69**	**62**	**17**

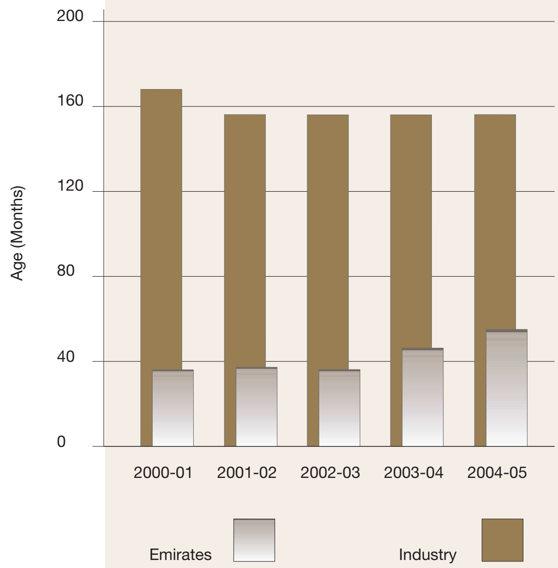
*At 31 March 2005, one B777-300ER was delivered and commenced service on 2 April 2005. Further, one of the three A310-300 aircraft was delivered and is undergoing conversion to freighter aircraft.

Emirates also had six B747 freighters on wet lease for its cargo operations at 31 March 2005.

In addition to the above, Emirates has contracted for twenty four B777-300ER aircraft for delivery between April 2005 and October 2007 from ILFC (11 units) and GECAS (13 units). Further contracts exist for two A380-800 aircraft for delivery in April and May 2007 and two A340-600 aircraft for delivery in April and May 2008 from ILFC.

Emirates operates one of the youngest fleet in the industry with an average age of 55 months as compared with an industry average of 156 months.

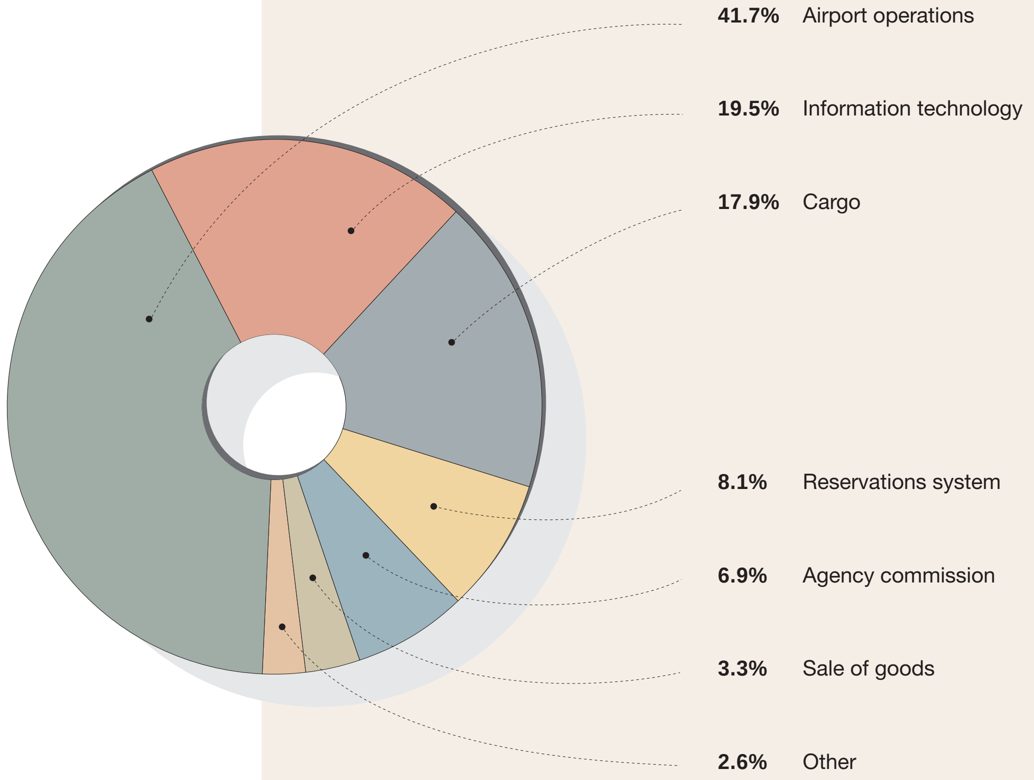
Average fleet age: Emirates and industry



Revenue

	2004-05 AED million	%	2003-04 AED million	%
Airport operations	565	41.7	441	41.8
Information technology	264	19.5	246	23.3
Cargo	243	17.9	152	14.4
Reservations system	110	8.1	101	9.5
Agency commission	94	6.9	83	7.9
Sale of goods	45	3.3	-	-
Other	34	2.6	32	3.1
Total operating revenue	**1,355**	**100.0**	**1,055**	**100.0**

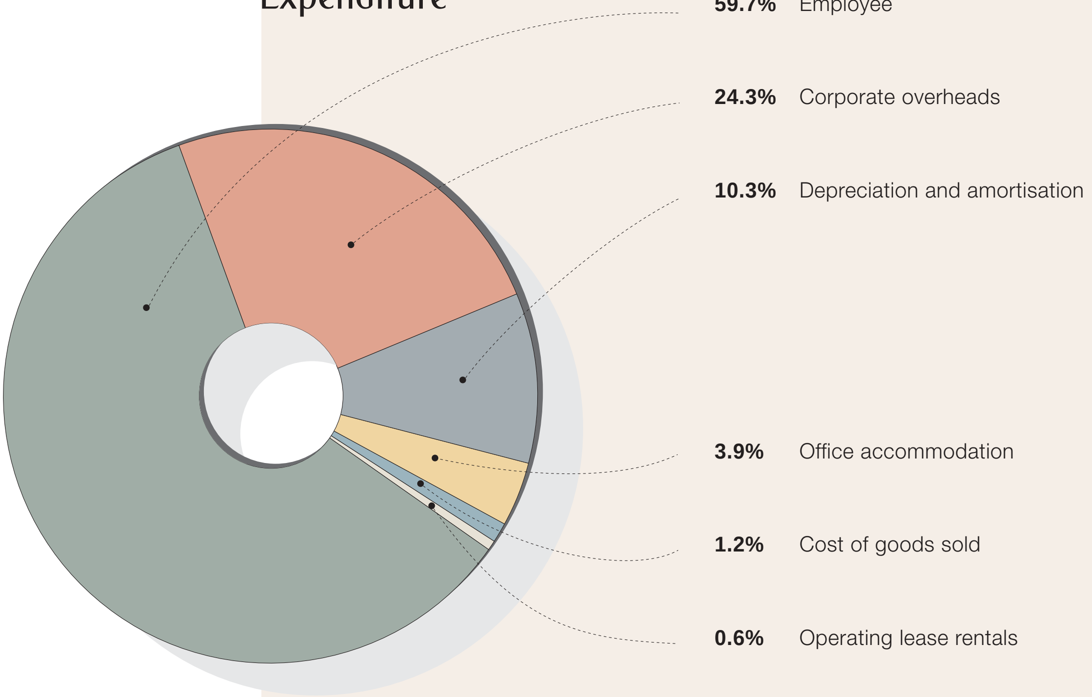
Revenue



Expenditure

	2004-05 AED million	%	2003-04 AED million	%
Employee	686	59.7	577	62.7
Depreciation and amortisation	118	10.3	90	9.8
Office accommodation	45	3.9	44	4.8
Cost of goods sold	13	1.2	-	-
Operating lease rentals	7	0.6	-	-
Corporate overheads	280	24.3	209	22.7
Total operating costs	**1,149**	**100**	**920**	**100**

Expenditure



Aircraft, passengers and cargo handled

Dubai International Airport maintained its impressive growth on traffic volumes:

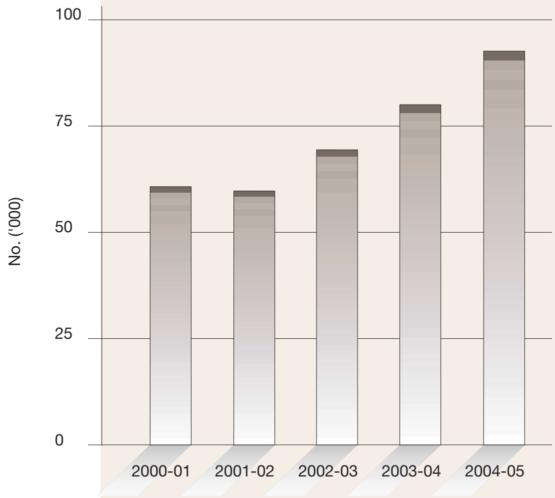
- the number of passengers handled were 22.4 million, an increase of 17.0% or 3.3 million over the previous year

- the volume of cargo handled was 457,869 tonnes. This shows a robust growth of 12.8% as compared with last year's volume of 405,906 tonnes

- Dnata handled 115 (2003-04: 110) scheduled international airlines operating to Dubai International Airport

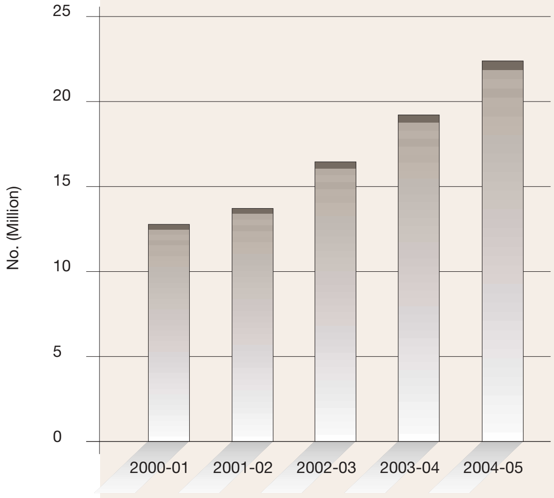
- the number of aircraft handled during the year increased by 16.3% to 93,004 as compared with 79,932 during 2003-04.

Aircraft handled

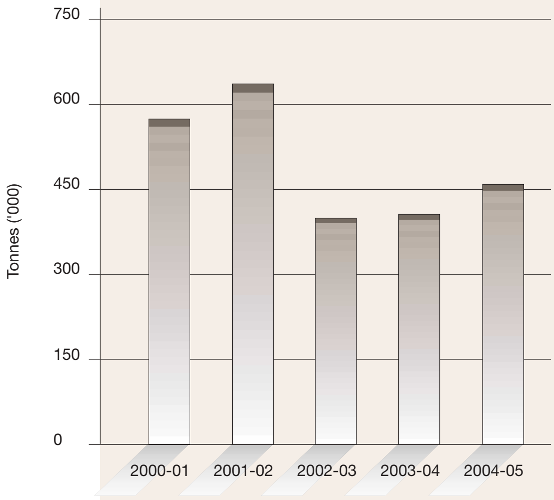


Aircraft, passengers and cargo handled (continued)

Passengers handled



Cargo handled



Employee strength and productivity

A breakdown of the number of employees by category is shown below:

	2004-05	2003-04
Airport operations	5,563	4,601
Cargo handling	894	849
Dnata agencies	580	550
Other	1,159	1,186
Total Dnata	**8,196**	**7,186**
Subsidiary companies	**1,411**	**139**
Average employee strength	**9,607**	**7,325**

During the year under review, the average workforce increased by 2,282 (31.2%) to 9,607. The average workforce in subsidiaries has increased by 1,272 in 2004-05 to reach 1,411 (2003-04: 139) mainly on account of the acquisition of CIAS in October 2004.

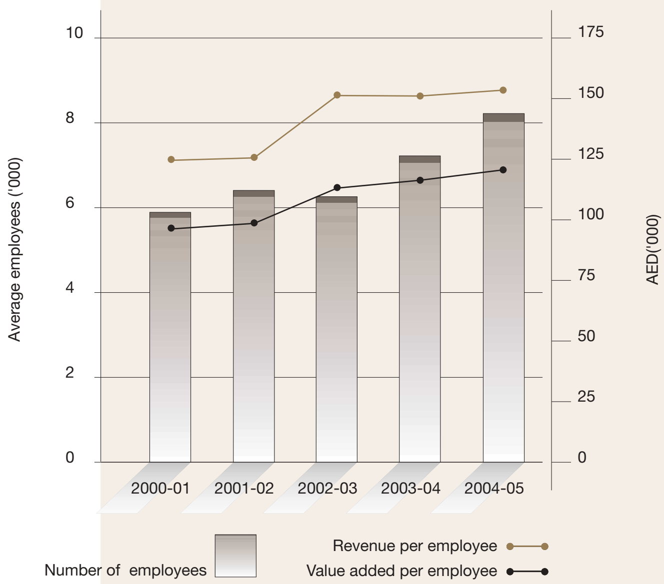
Revenue per employee for Dnata increased by 2.7% to AED 154,584 from AED 150,495 in 2003-04.

Value added which is a measure of wealth created by Dnata during the year, was up by 18.3% to AED 987 million (2003-04: AED 834 million). This is equivalent to AED 120,433 per employee, an increase of 3.8% over the previous year (2003-04: AED 116,071).

Aircraft handled per airport employee was 17 (2003-04: 17) while passengers handled per airport employee decreased by 3.2% to 4,025 (2003-04: 4,158). These decreases are mainly due to the build up of manpower at the airport to handle the operations at geographically dispersed terminals being built as a part of overall airport expansion.

Cargo handled per cargo handling employee was 512,158 kgs compared with 478,099 kgs in 2003-04, an increase of 7.1% over 2003-04.

Employee strength and productivity



Glossary

Terms

1. ATKM (Available Tonne Kilometre) - Overall capacity measured in tonnes available for carriage of passengers and cargo load multiplied by the distance flown

2. RTKM (Revenue Tonne Kilometre) - Actual traffic load (passenger and cargo) carried measured in terms of tonnes multiplied by the distance flown

3. ASKM (Available Seat Kilometre) - Passenger seat capacity measured in seats available multiplied by the distance flown

4. RPKM (Revenue Passenger Kilometre) - Number of passengers carried multiplied by the distance flown

5. EBITDAR - Operating profit before depreciation, amortisation and operating lease rentals

Ratios

1. Passenger Seat factor - RPKM divided by ASKM

2. Overall Load Factor - RTKM divided by ATKM

3. Yield (Fils per RTKM) - Transport revenue earned per RTKM

4. Unit cost (Fils per ATKM) - Operating costs incurred per ATKM

5. Breakeven load factor - The load factor at which transport revenue will equal operating costs

6. Operating margin - Operating profit expressed as a percentage of sum of operating revenue and other operating income

7. Net margin - Profit for the year expressed as a percentage of sum of operating revenue and other operating income

8. Return on shareholders' funds - Profit for the year expressed as a percentage of average shareholders' funds

9. Operating cash margin - Cash generated from operating activities expressed as a percentage of sum of operating revenue and other operating income

Independent auditors' report to the Government of Dubai

We have audited the accompanying consolidated balance sheet of Emirates ("the company") and its subsidiaries (together referred to as "Emirates") as at 31 March 2005 and the related consolidated statements of income and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Emirates as at 31 March 2005 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers
Chartered Accountants

Dubai
16 April 2005

Consolidated income statement for the year ended 31 March 2005

	Notes	2005 AED'000	2004 AED'000
Operating revenue	2	17,619,769	12,854,515
Other operating income	3	284,404	261,918
Operating costs	4	(15,339,681)	(11,367,677)
Operating profit		**2,564,492**	**1,748,756**
Net financing costs	5	(106,565)	(127,878)
Associated companies - share of results	10	33,759	80,230
Profit before taxation		**2,491,686**	**1,701,108**
Income tax expense	6	(56,783)	(16,871)
Profit after taxation and before minority interest		**2,434,903**	**1,684,237**
Minority interest	7	(95,332)	(110,726)
Profit for the year		**2,339,571**	**1,573,511**

The accounting policies on pages 80 to 85 and the notes on pages 86 to 101 form an integral part of the consolidated financial statements.

Consolidated balance sheet at 31 March 2005

	Notes	2005 AED'000	2004 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	9,761,869	7,615,681
Intangible assets	9	419,212	327,054
Investment in associated companies	10	180,178	172,287
Available-for-sale investments	11	2,872	2,872
Held-to-maturity investments	11	220,380	36,730
Advance lease rentals	12	239,186	184,924
Derivative financial instruments	27	734,502	98,467
		11,558,199	**8,438,015**
Current assets			
Inventories	13	600,441	489,483
Trade and other receivables	14	3,074,533	2,524,020
Held-for-trading investments	11	96,100	112,975
Cash and cash equivalents	25	7,328,459	6,454,929
Derivative financial instruments	27	563,735	318,312
		11,663,268	**9,899,719**
Total assets		**23,221,467**	**18,337,734**
EQUITY AND LIABILITIES			
Capital and reserves			
Capital	15	801,214	772,214
Reserves		6,841,180	4,125,132
		7,642,394	**4,897,346**
Minority interest	7	**149,703**	**115,234**
Non-current liabilities			
Borrowings and lease liabilities	16	7,634,790	6,965,980
Provisions	19	289,758	238,719
Deferred credits	20	581,658	572,585
Derivative financial instruments	27	392,948	324,022
		8,899,154	**8,101,306**
Current liabilities			
Trade and other payables	21	5,890,995	4,557,096
Taxation		43,980	12,367
Borrowings and lease liabilities	22	507,239	653,866
Derivative financial instruments	27	88,002	519
		6,530,216	**5,223,848**
Total liabilities		**15,429,370**	**13,325,154**
Total equity and liabilities		**23,221,467**	**18,337,734**

The consolidated financial statements were approved on the 16th day of April 2005 and signed by:

Sheikh Ahmed bin Saeed Al-Maktoum
Chairman

Maurice Flanagan
Vice Chairman and Group President

The accounting policies on pages 80 to 85 and the notes on pages 86 to 101 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 March 2005

	Capital AED'000	Translation reserve AED'000	Fair value reserves AED'000	Retained earnings AED'000	Total AED'000
1 April 2003	**732,214**	**(13,179)**	**261,272**	**2,728,267**	**3,708,574**
Additions during the year	40,000	-	-	-	40,000
Currency translation differences (Note 10)	-	173	-	-	173
Gains due to changes in fair value	-	-	182,508	-	182,508
Transferred to income statement	-	-	(307,420)	-	(307,420)
Profit for the year	-	-	-	1,573,511	1,573,511
Dividend	-	-	-	(300,000)	(300,000)
1 April 2004	**772,214**	**(13,006)**	**136,360**	**4,001,778**	**4,897,346**
Additions during the year	29,000	-	-	-	29,000
Currency translation differences (Note 10)	-	(3,984)	-	-	(3,984)
Gains due to changes in fair value	-	-	1,189,561	-	1,189,561
Transferred to income statement	-	-	(441,100)	-	(441,100)
Profit for the year	-	-	-	2,339,571	2,339,571
Dividend	-	-	-	(368,000)	(368,000)
31 March 2005	**801,214**	**(16,990)**	**884,821**	**5,973,349**	**7,642,394**

The accounting policies on pages 80 to 85 and the notes on pages 86 to 101 form an integral part of the consolidated financial statements.

Consolidated statement of cash flows for the year ended 31 March 2005

	2005 AED'000	2004 AED'000
Operating activities		
Profit for the year before taxation and after minority interest	2,396,354	1,590,382
Adjustments for:		
Depreciation and amortisation (Note 4)	706,917	662,765
Net financing costs (Note 5)	106,565	127,878
Net amortisation of bond issue costs	2,014	1,149
Recognition of proceeds from liquidation of derivative financial instruments	(23,919)	(23,298)
Loss / (profit) on sale of property, plant and equipment and intangibles	5,292	(7,832)
Associated companies - share of results (Note 10)	(33,759)	(80,230)
Fair value loss / (gain) on held-for-trading investments	1,753	(1,354)
Provision for impairment of trade receivables	11,566	8,295
Provision for employee benefits	160,007	115,476
Deferred credits recognised (Note 20)	(78,334)	(72,555)
Operating cash flows before working capital changes	**3,254,456**	**2,320,676**
Employee benefit payments	(129,054)	(97,955)
Net advance lease rentals (Note 12)	(54,262)	(184,924)
Changes in working capital:		
Inventories	(110,958)	(83,100)
Trade and other receivables	(561,802)	(752,047)
Current liabilities and deferred accounts	1,424,773	1,368,195
Tax paid	(25,170)	(16,034)
Net cash provided from operating activities	**3,797,983**	**2,554,811**
Investing activities		
Proceeds from sale of property, plant and equipment and intangibles	2,592	42,052
Additions to intangibles	(73,617)	(69,854)
Capital expenditure (Note 26)	(2,363,172)	(1,045,213)
Additional investment in a subsidiary (Note 10)	(66,000)	(32,000)
Acquisition (Note 28)	(6,013)	-
Held-to-maturity investments made during the year	(183,650)	-
Sale / (purchase) of held-for-trading investments	15,122	(100,000)
Proceeds from liquidation of derivative financial instruments	47,864	22,088
Interest income	178,389	82,328
Dividend received from associated companies (Note 10)	21,884	14,203
Net cash used in investing activities	**(2,426,601)**	**(1,086,396)**
Financing activities		
Net proceeds from issue of bonds (Note 16)	-	1,828,402
Net proceeds from term loans (Note 17)	669,830	2,495
Aircraft financing costs	(157,355)	(157,624)
Other finance charges	(84,796)	(34,631)
Net lease liabilities	(604,864)	(366,611)
Dnata account	-	(28,845)
Capital introduced	29,000	40,000
Dividend paid	(300,000)	(300,000)
Dividend paid to minority shareholders (Note 7)	(38,670)	(89,832)
Net cash (used in) / provided from financing activities	**(486,855)**	**893,354**
Net increase in cash and cash equivalents	**884,527**	**2,361,769**
Cash and cash equivalents at beginning of year	6,443,932	4,082,163
Cash and cash equivalents at end of year (Note 25)	**7,328,459**	**6,443,932**

The accounting policies on pages 80 to 85 and the notes on pages 86 to 101 form an integral part of the consolidated financial statements.

A summary of the principal accounting policies, which have been applied consistently, 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). The consolidated financial statements are prepared under the historical cost convention except as modified by the revaluation of available-for-sale investments, held-for-trading investments and derivative financial instruments.

Basis of consolidation

Subsidiaries are those entities in which Emirates has an interest of more than one half of the voting rights or otherwise has the power to govern the entity's operating and financial policies. Subsidiaries are consolidated from the date on which control is transferred to Emirates and are no longer consolidated from the date that control ceases. All material inter-company transactions, balances and unrealised surpluses and deficits arising on transactions between Emirates and its subsidiaries are eliminated.

The purchase method of accounting is used to account for acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of assets given and liabilities assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets including intangibles acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date.

Associated companies are those entities in which Emirates has between 20% and 50% of the voting rights, or over which it has significant influence, but which it does not control. Investment in associated companies are accounted for in accordance with the equity method and includes goodwill (net of accumulated impairment loss) on acquisition.

Joint ventures are contractual arrangements which establish joint control. As a jointly controlled operation, each venturer individually recognises the assets it controls, liabilities and expenses it incurs and its share of income from the services rendered.

All material unrealised surpluses and deficits arising on transactions between Emirates and its associates and joint ventures are eliminated to the extent of Emirates' interest.

Revenue

Passenger and cargo sales are recognised as revenue when the transportation is provided. Tickets sold but unused are held in the balance sheet under current liabilities as passenger and cargo sales in advance.

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 operating revenue is recognised net of discounts when services are rendered.

Interest income is recognised on a time proportion basis using the effective interest method.

Foreign currency translation

Foreign currency transactions are translated into UAE Dirhams at exchange rates approximating those ruling on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into UAE Dirhams at the exchange rates ruling on the balance sheet date. The resultant foreign exchange gains or losses, other than those on qualifying cash flow hedges deferred in equity, are recognised in the income statement.

Share of results in associated companies are translated into UAE Dirhams at average exchange rates for the year. Translation differences relating to investments in associated companies and subsidiaries are classified as translation reserve in equity until the disposal of the investment when the translation differences are recognised in the income statement as part of the gain or loss on sale.

Taxation

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

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.

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 useful lives of the assets concerned. The estimated useful lives and residual values are:

Aircraft	15 years (residual value 10%)
Aircraft engines and rotable spares	5 - 15 years (residual value 0 - 10%)
Buildings	5 - 20 years
Other property, plant and equipment	3 - 15 years or over the lease term

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Repairs and maintenance are charged to the income statement during the period in which they are incurred. Major modifications and improvements to property, plant and equipment are capitalised and depreciated over the lower of the remaining useful life or the lease term of the related asset.

Manufacturers' credits

Emirates receives credits from manufacturers in connection with the acquisition of certain aircraft and engines. Depending on the terms of credits, 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, the 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.

Capital projects

Capital projects are stated at cost together with financing costs incurred from the date of commencement of the project to the date on which it is commissioned. When commissioned, capital projects are transferred to the appropriate category under property, plant and equipment and depreciated in accordance with Emirates' policies.

Finance and operating leases

Where property, plant and equipment have been financed by lease agreements under which substantially all of the risks and rewards of ownership are transferred to Emirates, they are treated as if they had been purchased outright and classified as finance leases. Finance leases are capitalised at the inception 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. Interest is computed on a time proportion basis at rates specified in the lease agreement. Interest expense together with depreciation on the asset are charged to the income statement.

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 income statement on a straight line basis over the period of the lease.

Profits arising on sale and leaseback transactions resulting in operating leases are recognised in the income statement to the extent that the sale proceeds do not exceed the fair value of the assets concerned. Any excess of sale proceeds over the fair value is deferred and amortised over the lease term. In the case of profit 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.

Intangible assets

Intangible assets are capitalised at cost only when future economic benefits are probable. Cost includes purchase price together with any directly attributable expenditure.

When the carrying amount of an intangible asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Intangible assets are amortised on a straight line basis over their estimated useful lives which are:

Service rights	15 years
Computer software	5 years

Goodwill

Goodwill represents the excess of the cost of an acquisition or subsequent exchange transaction over the fair value of the share of the net assets acquired by Emirates in its subsidiaries at the date of acquisition or subsequent exchange transaction. Goodwill is presented with 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. An impairment loss is recognised when the carrying value of the cash generating unit exceeds its recoverable amount.

Available-for-sale investments

Investments intended to be held for an indefinite period of time are classified as available-for-sale. Such investments are initially recognised in the balance sheet on the trade date at cost including transaction costs.

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

Unquoted investments in this category are stated at cost less impairment if fair values cannot be reliably measured.

At each balance sheet date a review is made for an indication of impairment and where necessary the carrying amount is written down through the income statement to the present value of expected future cash flows discounted at current market rates.

Unrealised gains and losses arising from changes in the fair value are recognised in the fair value reserves in equity until the investment is sold, at which time the cumulative gain or loss previously recognised in equity is included in the income statement.

Held-to-maturity investments

Investments with fixed maturity that management has the intent and ability to hold to maturity are recognised in the balance sheet on the trade date as held-to-maturity investments. Such investments are stated at amortised cost using the effective interest method.

At each balance sheet date a review is made for an indication of impairment and where necessary the carrying amount is written down through the income statement to the present value of expected future cash flows discounted at current market rates.

Held-for-trading investments

Investments that are intended to be held for the short term are classified as held-for-trading and included in current assets. Such investments are initially recognised in the balance sheet on the trade date at cost including transaction costs and subsequently measured at their fair value based on quoted bid prices. Realised and unrealised gains and losses arising from changes in the fair value of such investments are included in the income statement.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost including transaction costs and subsequently remeasured at their fair values. Derivatives are designated either as a hedge of the fair value of a recognised asset or liability (fair value hedge) or a hedge of a forecasted transaction or of a firm commitment (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.

Emirates' criteria to account for a derivative 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 income statement, along with any changes in the fair value of the hedged asset or liability.

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 reserves in equity. When the forecasted transaction or firm commitment results in the recognition of an asset or of a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. In all other cases, amounts deferred in equity are transferred to the income statement in the period during which the hedged firm commitment or forecasted transaction affects the income statement.

When a hedging instrument expires or is sold, 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 income statement when the committed or forecasted transaction occurs. If a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Inventories

Inventories are stated at the lower of cost or 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 carried at original invoice amount less provision made for impairment of these receivables. Where there is objective evidence of amounts that are not collectible, a provision is made for the difference between the carrying amount and the recoverable amount.

Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. After initial recognition, borrowings are subsequently stated at amortised cost using the effective interest method.

Employee benefits

UAE national employees participate in the UAE government's pension fund to which the employee and Emirates contribute a specified percentage of salary. Contributions to the pension fund, are charged to the income statement in the period in which they fall due.

Senior employees who are based in the UAE participate in a defined contribution provident fund to which the employee and Emirates contribute a specified percentage of salary. Contributions to the provident fund are charged to the income statement in the period in which they fall due.

End of service benefits for other employees based in the UAE are provided for as per UAE labour law and is based on periods of cumulative service and employees' current basic salary.

End of service benefits for employees based outside the UAE are provided for in accordance with the relevant local regulations.

Frequent flyer programme

Emirates maintains 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.

Miles accrued through utilising the services of programme partners is paid for by the participating partners and the resulting revenue is recorded as other operating income.

The incremental direct cost of providing free travel as adjusted for estimated redemption rates, is provided for as programme members accrue miles.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise all cash and liquid funds with an original maturity of less than three months net of bank overdrafts.

1. Establishment and operations

Emirates comprises Emirates, its subsidiaries and associated companies. Emirates was incorporated, with limited liability, by an Emiri Decree issued by H. H. Sheikh Maktoum bin Rashid Al-Maktoum on 26 June 1985 as the national airline for the emirate of Dubai, UAE. Emirates is wholly owned by the Government of Dubai and commenced commercial operations on 25 October 1985.

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. Operating revenue

	2005 AED'000	2004 AED'000
Services		
Passenger	12,990,911	9,461,782
Cargo	3,290,886	2,293,543
Excess baggage	137,015	106,586
Destination and leisure	123,148	86,221
Courier	111,593	91,016
Hotel operations	62,304	31,076
Training	58,240	37,367
Mail	50,126	32,741
Licensed engineering income	16,144	16,204
	16,840,367	**12,156,536**
Sale of goods	**779,402**	**697,979**
	17,619,769	**12,854,515**

2. Operating revenue (continued)

Segment information
Primary reporting format - geographical segments

	Middle East AED'000	Europe & Americas AED'000	East Asia & Australasia AED'000	West Asia & Indian Ocean AED'000	Africa AED'000	Total AED'000
2005						
Segment revenue	2,938,766	6,571,675	4,974,109	1,738,190	1,681,433	17,904,173
Segment results	1,465,537	1,916,717	1,215,533	534,218	569,075	5,701,080
Unallocated costs						(3,136,588)
Operating profit						**2,564,492**
Associated companies -share of results	33,759	-	-	-	-	33,759
Net financing costs	(106,565)	-	-	-	-	(106,565)
Income tax expense	(11,803)	-	(42,256)	-	(2,724)	(56,783)
Minority interest	(95,332)	-	-	-	-	(95,332)
Profit for the year						**2,339,571**
2004						
Segment revenue	2,610,596	4,198,456	3,713,923	1,450,254	1,143,204	13,116,433
Segment results	1,274,687	1,340,518	1,005,711	532,075	321,174	4,474,165
Unallocated costs						(2,725,409)
Operating profit						**1,748,756**
Associated companies -share of results	80,230	-	-	-	-	80,230
Net financing costs	(127,878)	-	-	-	-	(127,878)
Income tax expense	(7,956)	-	(8,540)	-	(375)	(16,871)
Minority interest	(110,726)	-	-	-	-	(110,726)
Profit for the year						**1,573,511**

Transport revenue is allocated to the segments based on turnover by destination. Revenue from inbound and outbound airline operations between UAE and the overseas point are attributed to the geographical area in which the respective overseas points are located. The Middle East segment also includes other operating income and revenue streams since it is the principal segment in which services are rendered. Costs not directly attributable to geographical segments are shown as unallocated.

The major revenue earning asset is the aircraft fleet which is registered in the UAE. Since the aircraft fleet is deployed flexibly across the Emirates' route network, there is no suitable basis of allocating such assets and the related depreciation and liabilities to geographical segments.

2. Operating revenue (continued)

Segment information
Secondary reporting format - business segments

	Airline related AED'000	Consumer goods AED'000	Other AED'000	Total AED'000
2005				
Segment revenue	17,298,332	519,719	86,122	17,904,173
Total assets	22,634,554	358,499	228,414	23,221,467
Capital expenditure and intangible assets	2,898,442	8,267	46,084	2,952,793
2004				
Segment revenue	12,606,088	461,034	49,311	13,116,433
Total assets	17,823,159	286,788	227,787	18,337,734
Capital expenditure and intangible assets	1,393,478	3,367	27,726	1,424,571

3. Other operating income

Other operating income includes an amount of AED 113.2 million (2004: AED 66.8 million) being collections from ancillary services provided in relation to transportation of passengers and cargo, unrealised loss on held-for-trading investments of AED 4.4 million (2004: gain of AED 1.9 million) and a net exchange gain of AED Nil (2004: AED 73.4 million).

4. Operating costs

	2005 AED'000	2004 AED'000
Fuel and oil	3,279,107	1,632,574
Employee (see (a) below & (d) over)	2,700,992	2,254,113
Sales and marketing	1,896,421	1,464,404
Aircraft operating leases (see (b) over)	1,878,249	1,351,983
Handling (see (c) over)	932,680	735,483
Depreciation (Note 8)	674,960	621,853
Overflying (see (c) over)	672,641	505,733
In-flight catering	654,692	480,144
Aircraft maintenance	461,275	448,847
Cost of goods sold	406,706	382,391
Landing and parking (see (c) over)	374,116	269,967
Amortisation (Note 9)	31,957	40,912
Corporate overheads (see (e) over)	1,375,885	1,179,273
	15,339,681	**11,367,677**

(a) Employee costs include AED 160.0 million (2004: AED 115.5 million) in respect of employee benefits and AED 90.0 million (2004: AED 177.7 million) in respect of the employee profit share scheme.

4. Operating costs (continued)

(b) Aircraft operating lease charges include AED 1,361.8 million (2004: AED 1,024.1 million) in respect of fifty aircraft (2004: thirty eight) and AED 516.4 million (2004: AED 327.9 million) in respect of wet lease of freighter aircraft.

(c) A detailed review of direct operating cost accruals is performed each year. This review necessitated an adjustment to the accruals for landing, handling and overflying costs resulting in a release of excess accruals made in prior years amounting to AED 26.4 million (2004: AED 3.7 million).

(d) Average employee strength during the year was 19,956 (2004: 16,280).

(e) Corporate overheads includes a net exchange loss of AED 11.0 million (2004: AED Nil).

5. Net financing costs

	2005 AED'000	2004 AED'000
Aircraft financing costs	(190,628)	(182,263)
Interest charges	(91,091)	(35,283)
Interest income	175,154	89,668
	(106,565)	**(127,878)**

Interest charges include interest on bonds (Note 16) of AED 87.1 million (2004: AED 31.7 million). The total interest income before impact of derivative financial instruments was AED 147.5 million (2004: AED 66.4 million).

6. Income tax

Taxation relates only to certain overseas stations where Emirates is subject to income tax and where tax exemptions are not likely to be obtained. Hence providing information on effective tax rates is not meaningful.

7. Minority interest

	2005 AED'000	2004 AED'000
Balance brought forward	**115,234**	**109,461**
Investment during the year	-	2,215
Acquired during the year (Note 10)	(22,193)	(17,336)
Share of results for the year	95,332	110,726
Dividends paid	(38,670)	(89,832)
Balance carried forward	**149,703**	**115,234**

8. Property, plant and equipment

	Aircraft AED'000	Aircraft engines and rotable spares AED'000	Land and buildings AED'000	Other property, plant and equipment AED'000	Capital projects AED'000	Total AED'000
Cost						
1 April 2004	5,880,291	1,434,634	926,068	1,120,874	1,095,485	10,457,352
Additions	-	106,030	83,368	65,647	2,573,633	2,828,678
Acquisitions (Note 28)	-	-	-	354	-	354
Transfers from capital projects	475,745	286,605	54,876	264,287	(1,081,513)	-
Disposals	(11,870)	(12,103)	(208)	(13,175)	-	(37,356)
31 March 2005	**6,344,166**	**1,815,166**	**1,064,104**	**1,437,987**	**2,587,605**	**13,249,028**
Depreciation						
1 April 2004	1,590,333	401,923	327,026	522,389	-	2,841,671
Charge for the year	380,587	95,025	55,964	143,384	-	674,960
Disposals	(11,870)	(4,419)	(60)	(13,123)	-	(29,472)
31 March 2005	**1,959,050**	**492,529**	**382,930**	**652,650**	**-**	**3,487,159**
Net book value						
31 March 2005	**4,385,116**	**1,322,637**	**681,174**	**785,337**	**2,587,605**	**9,761,869**
31 March 2004	4,289,958	1,032,711	599,042	598,485	1,095,485	7,615,681

The net book value of aircraft and aircraft engines includes an amount of AED 4,217.1 million (2004: AED 4,195.7 million) in respect of assets held under finance leases (Note 18).

The net book value of land and buildings, aircraft and aircraft engines includes an amount of AED 722.4 million (2004: AED 75.1 million) in respect of assets provided as security against term loans (Note 17).

No depreciation is charged on land carried at AED 59.7 million (2004: AED Nil), the title for which will be transferred to Emirates on final payment.

Capital projects

Capital projects include pre-delivery payments of AED 1,376.5 million (2004: AED 779.1 million) in respect of aircraft (Note 23) due for delivery between 2005 and 2011.

9. Intangible assets

	Goodwill AED'000	Service rights AED'000	Computer software AED'000	Total AED'000
Cost				
1 April 2004	214,842	47,680	122,921	385,443
Additions	50,498	35,107	38,510	124,115
31 March 2005	**265,340**	**82,787**	**161,431**	**509,558**
Amortisation and impairment				
1 April 2004	-	-	58,389	58,389
Amortisation for the year	-	4,185	21,034	25,219
Impairment charge (Note 28)	6,738	-	-	6,738
31 March 2005	**6,738**	**4,185**	**79,423**	**90,346**
Net book value				
31 March 2005	**258,602**	**78,602**	**82,008**	**419,212**
31 March 2004	214,842	47,680	64,532	327,054

Computer software includes an amount of AED 23.2 million (2004: AED 23.6 million) in respect of projects under implementation.

In accordance with the transitional provisions of IFRS 3, Business Combinations, the opening balance of goodwill is net of accumulated amortisation of AED 58.2 million as at 31 March 2004.

For the purpose of testing goodwill for impairment, the entire goodwill is allocated to the consumer goods cash generating unit. The recoverable amount for the cash generating unit has been determined on the basis of fair value less cost to sell. The calculations arrive at a business enterprise value using the discounted cash flow methodology.

The key assumptions and basis to arrive at the fair value include a risk adjusted discount rate, historical gross margins and growth rates based on management's expectations for market development.

10. Investment in subsidiaries, associated companies and joint ventures

Subsidiaries

	Percentage of equity owned	Principal activities	Country of incorporation and principal operations
Maritime & Mercantile International L.L.C.	68.7	Wholesale and retail consumer goods	UAE
Emirates Hotel L.L.C.	100.0	Hotel	UAE
Emirates Flight Catering Company L.L.C.	54.7	Catering services to airlines	UAE

During the year Emirates invested a further 17.4% in Maritime & Mercantile International L.L.C..

There were no other changes in ownership during the year.

10. Investment in subsidiaries, associated companies and joint ventures (continued)

Associated companies

	Percentage of equity owned	Principal activities	Country of incorporation and principal operations
SriLankan Airlines Limited	43.6	Air transportation, aircraft handling and catering	Sri Lanka
Oman United Agencies L.L.C.	34.4	Wholesale and retail consumer goods	Sultanate of Oman

The increase of 8.9% in the effective ownership in Oman United Agencies L.L.C. is a result of the additional investment in Maritime & Mercantile International L.L.C..

There were no changes in ownership during the year.

Joint venture

The joint venture with CAE Inc. provides flight simulator training in the UAE. The joint venture has been set up as a jointly controlled operation.

Movement of investment in associated companies

	2005 AED'000	2004 AED'000
Balance brought forward	**172,287**	**106,087**
Share of results	33,759	80,230
Dividends received	(21,884)	(14,203)
Translation difference	(3,984)	173
Balance carried forward	**180,178**	**172,287**

Investments in associated companies includes goodwill of AED 31.3 million (2004: AED 31.3 million). In accordance with the transitional provisions of IFRS 3, Business Combinations, goodwill as at 1 April 2004 is stated net of accumulated amortisation of AED 3.8 million.

11. Other investments

(a) Available-for-sale investments represent unquoted depository certificates without fixed maturity in SITA Inc.. The investment is measured at cost as the fair value cannot be reliably measured.

(b) Held-to-maturity investments:

	Interest rate	Maturity	2005 AED'000	2004 AED'000
USD floating rate notes	LIBOR + 35bps	July 2007	36,730	36,730
USD floating rate notes	LIBOR + 50bps	June 2006	128,555	-
USD floating rate deposit	LIBOR + 40bps	May 2006	55,095	-
			220,380	**36,730**

The effective interest rate was 2.37% (2004: 1.53%) per annum.

(c) Held-for-trading investments represent quoted bonds, the effective interest rate on which was 3.11% (2004: 1.63%) per annum.

12. Advance lease rentals

	2005 AED'000	2004 AED'000
Balance brought forward	**184,924**	-
Paid during the year	72,477	192,587
Charge for the year	(18,215)	(7,663)
Balance carried forward	**239,186**	**184,924**

Advance lease rentals are not refundable in the event of the related lease being terminated prior to its expiry.

13. Inventories

	2005 AED'000	2004 AED'000
Engineering	391,168	320,358
In-flight consumables	101,772	82,778
Consumer goods	72,452	56,429
Other	35,049	29,918
	600,441	**489,483**

14. Trade and other receivables

	2005	2004
Trade receivables		
Airlines	88,976	80,604
Agents	1,313,539	916,602
Retail and consumer goods customers	254,183	198,436
	1,656,698	**1,195,642**
Other receivables		
Prepayments and deposits	499,403	553,340
Operating lease deposits	685,601	614,567
Other	232,831	160,471
	1,417,835	**1,328,378**
	3,074,533	**2,524,020**

There is no significant concentration of credit risk.

The effective interest rate on operating lease deposits was 3.49% (2004: 3.94%) per annum.

15. Capital

Capital represents the permanent capital provided by the Government of Dubai.

16. Borrowings and lease liabilities-non-current

	2005 AED'000	2004 AED'000
Lease liabilities (Note 18)	3,575,349	3,529,572
Bonds (see (a) below)	3,327,878	3,325,864
Term loans (Note 17)	731,563	110,544
	7,634,790	**6,965,980**

(a) Bonds

	Interest rate	Maturity	2005 AED'000	2004 AED'000
AED Floating rate notes	EBOR + 70bps	July 2006	1,500,000	1,500,000
USD Floating rate notes	LIBOR + 80bps	March 2011	1,836,500	1,836,500
			3,336,500	**3,336,500**
Less: Unamortised transaction costs			(8,622)	(10,636)
			3,327,878	**3,325,864**

EBOR is the UAE inter bank offered rate.

Contractual repricing dates are set for six months in January / July and March / September each year for bonds maturing in July 2006 and March 2011 respectively.

Bonds may be redeemed earlier at principal amounts plus accrued interest on the interest payment date in March 2009 for bonds maturing in March 2011 by Emirates or the holders of more than 50% of the bonds then outstanding.

17. Term loans

	2005 AED'000	2004 AED'000
Balance brought forward	**114,544**	**112,049**
Acquisitions (Note 28)	694	-
Additions during the year	690,524	6,495
Repayments during the year	(20,694)	(4,000)
Balance carried forward	**785,068**	**114,544**
Loans are repayable as follows:		
Within one year (Note 22)	**53,505**	**4,000**
2-5 years	527,082	58,702
After 5 years	204,481	51,842
Total over one year (Note 16)	**731,563**	**110,544**

Term loans are secured on buildings, aircraft and aircraft engines. The corporate guarantee of AED 50.0 million provided in the previous year for the term loan on buildings has been released.

18. Lease liabilities

Finance leases

	2005 AED'000	2004 AED'000
Gross lease liabilities:		
Within one year	624,731	904,306
2-5 years	3,153,447	3,109,097
After 5 years	1,486,361	1,505,342
	5,264,539	**5,518,745**
Future interest	(1,011,502)	(1,034,534)
Term deposits	(223,954)	(315,770)
Net lease liabilities	**4,029,083**	**4,168,441**
Net lease liabilities are repayable as follows:		
Within one year (Note 22)	**453,734**	**638,869**
2-5 years	2,307,403	2,233,488
After 5 years	1,267,946	1,296,084
Total over one year (Note 16)	**3,575,349**	**3,529,572**

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 2005, the penalties would have been AED 235.6 million (2004: AED 236.4 million).

Operating leases

Future minimum lease payments are as follows:

	2005 AED'000	2004 AED'000
Aircraft fleet	14,936,397	12,945,967
Other	720,516	29,245
	15,656,913	**12,975,212**
Less than 1 year	1,825,724	1,401,640
2-5 years	7,908,262	5,961,496
After 5 years	5,922,927	5,612,076
	15,656,913	**12,975,212**

In the event of aircraft leases being terminated prior to their expiry, penalties are payable. Had these leases been cancelled at 31 March 2005, the penalties would have been AED 473.9 million (2004: AED 392.6 million).

Emirates is entitled to extend certain aircraft leases for a further period of one to three years at the end of the initial lease period. Further, Emirates is entitled to purchase twenty four of the fifty aircraft under these leases.

In addition, Emirates has twenty eight Airbus / Boeing aircraft contracted on operating lease for delivery between April 2005 and May 2008.

19. Provisions

	End of service benefit AED'000	Frequent flyer programme AED'000	Total AED'000
Balance brought forward	**217,532**	**21,187**	**238,719**
Acquisitions (Note 28)	84	-	84
Charge for the year	49,145	36,060	85,205
Payments made / benefits utilised during the year	(18,192)	(16,058)	(34,250)
Balance carried forward	**248,569**	**41,189**	**289,758**

UAE national employees participate in the UAE government's pension fund to which the employee and Emirates contribute a specified percentage of salary.

Senior employees who are based in the UAE participate in a defined contribution provident fund to which the employee and Emirates contribute a specified percentage of salary.

The end of service benefit provision relates to employees who do not participate in the provident fund or the UAE government's pension fund.

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations at 31 March 2005, in respect of employees' end of service benefits payable under the relevant local regulations. The assessment assumed average expected salary increases between 0% and 5% and a discount rate of 6% per annum. The present values of the obligations at 31 March 2005, using the actuarial assumptions as set out above, were not materially different from the provision computed in accordance with relevant local regulations.

20. Deferred credits

	2005 AED'000	2004 AED'000
Balance brought forward	**572,585**	**618,662**
Additions during the year	87,407	26,478
Recognised during the year	(78,334)	(72,555)
Balance carried forward	**581,658**	**572,585**

21. Trade and other payables

Trade payables and accruals	3,290,067	2,638,127
Passenger and cargo sales in advance	2,232,928	1,618,969
Dividend payable	368,000	300,000
	5,890,995	**4,557,096**

22. Borrowings and lease liabilities - current

	2005 AED'000	2004 AED'000
Lease liabilities (Note 18)	453,734	638,869
Term loans (Note 17)	53,505	4,000
Bank overdrafts (Note 25)	-	10,997
	507,239	**653,866**

23. Commitments

Capital commitments

	2005 AED'000	2004 AED'000
Authorised and contracted:		
Aircraft fleet	44,349,807	43,322,719
Other	2,169,198	1,175,295
Jointly controlled operation	79,220	53,042
	46,598,225	**44,551,056**
Authorised but not contracted:		
Aircraft fleet	-	49,329
Other	2,112,169	2,921,013
Jointly controlled operation	19,143	15,176
	2,131,312	**2,985,518**
	48,729,537	**47,536,574**

Commitments have been entered into for the purchase of aircraft for delivery as follows (Note 8):

Financial year	**Aircraft**
2005 - 2006	7
Beyond 2005 - 2006	55

In addition, options are held on eight Airbus and nine Boeing aircraft.

Operational commitments

	2005 AED'000	2004 AED'000
Letters of credit issued by bankers in the normal course of business	285,337	104,663

24. Guarantees

	2005 AED'000	2004 AED'000
Performance bonds provided by bankers in the normal course of business	27,725	67,770

25. Cash and cash equivalents

	2005 AED'000	2004 AED'000
Short term bank deposits and liquid funds	6,970,502	6,115,386
Cash and bank	357,957	339,543
	7,328,459	**6,454,929**
Bank overdrafts (Note 22)	-	(10,997)
	7,328,459	**6,443,932**

Transactions are limited to financial institutions possessing high credit quality and hence the risk of default is low. Short term bank deposits and liquid funds bear an effective interest rate of 2.05% (2004: 1.49%) per annum.

26. Analysis of capital expenditure

For the purposes of the consolidated statement of cash flows, capital expenditure is analysed as under:

	2005 AED'000	2004 AED'000
Purchase of property, plant and equipment (Note 8)	2,828,678	1,339,055
Less: Assets acquired under finance leases	(465,506)	(293,842)
Capital expenditure	**2,363,172**	**1,045,213**

27. Financial instruments

(i) Interest rate risk

Emirates is exposed to interest rate fluctuations on the international financial market with respect to interest cost and interest income.

Interest cost

The long term debt portfolio of Emirates has a blend of fixed and floating rate debt and lease liabilities. Emirates closely monitors interest rate trends and the related impact on interest costs and manages interest rate exposure by maintaining an appropriate blend of fixed and floating rate debt and lease liabilities and by entering into interest rate swaps and options. A 1% increase in interest rates relating to the debt and operating lease liabilities will increase the charge to the income statement in the next financial year by AED 92.1 million (2004: AED 102.9 million). Aircraft related financing and term loans bear an effective interest rate of 4.19% (2004: 4.22%) per annum while the effective interest rate on bonds was 2.61% (2004: 2.06%) per annum.

Interest income

Emirates earns interest income on its cash surpluses. Emirates closely monitors interest rate trends and the related impact on interest income and manages interest rate exposure by entering into interest rate swaps and options.

27. Financial instruments (continued)

Description	Term	AED'000
Cash flow hedge		
2005		
Interest rate swap liability	2005-2015	67,241
2004		
Interest rate swap liability	2004-2015	74,868
Fair value hedge		
2005		
Interest rate swaps		Nil
2004		
Interest rate swap liability		519

The notional principal amounts of the outstanding contracts at 31 March 2005 were AED 866.8 million (2004: AED 784.3 million).

Inflows on account of liquidated interest rate derivatives amounting to AED 1.2 million (2004: AED 21.5 million) will enter into the determination of profit in 2005.

(ii) Currency risk

Emirates is exposed to exchange rate fluctuations between the US Dollar and other currencies which are generated from its sales activities. Emirates' reporting currency, UAE Dirham is pegged to the US Dollar. Emirates closely monitors currency rate trends and the related impact on revenues. Emirates manages its currency exposure as follows:

(a) where appropriate by structuring aircraft financing leases in currencies in which revenues are being generated to form a natural hedge. Where a currency exposure is created on account of certain end-of-lease obligations relating to aircraft lease transactions; this is managed by means of forward foreign currency contracts

(b) by entering into strategic forward foreign exchange positions in respect of an appropriate portion of its major foreign currency future cash inflows

Exchange rate hedges

Description	Term	AED'000
Cash flow hedge		
2005		
Currency swap asset	2005	46
Currency swap liability	2005-2012	325,707
2004		
Currency swap asset	2004	9,240
Currency swap liability	2004-2012	249,154

27. Financial instruments (continued)

The notional principal amounts of the outstanding contracts at 31 March 2005 were AED 1,511.5 million (2004: AED 1,878.8 million).

Inflows on account of liquidated currency derivatives amounting to AED 18.5 million (2004: AED 22.1 million) will enter into the determination of profit between 2005 and 2011.

A letter of credit for AED 148.2 million has been placed as a collateral against the liability which was previously provided in the form of a margin call account amounting to AED 106.7 million.

A currency derivative entered into to hedge exposure on operating lease outflows in 2011 has been liquidated and a gain of AED 31.1 million realised. As the forecasted transaction is no longer expected to occur, this has been taken to the income statement as an exchange gain.

(iii) Fuel price risk

The airline industry is exposed to fluctuations in the price of jet fuel. Emirates closely monitors the actual cost of fuel against forecasted cost. Emirates utilises commodity futures and options to manage fuel costs.

Fuel price hedges

Description	**Term**	AED'000
Cash flow hedge		
2005		
Futures and options asset	2005-2006	563,689
Futures and options asset	2006-2010	734,502
Futures and options liability	2005-2006	88,002
2004		
Futures and options asset	2004-2005	309,072
Futures and options asset	2005-2009	98,467

The notional principal amounts of the outstanding contracts at 31 March 2005 were AED 7,048.9 million (2004: AED 1,474.8 million).

Inflows on account of liquidated derivatives amounting to AED 47.9 million will enter into the determination of profit between 2005 and 2007.

(iv) Credit risk on derivative financial instruments

Derivative counterparties are limited to financial institutions possessing high credit quality and hence the risk of default is low.

28. Business combinations

On 1 July 2004, Maritime & Mercantile International L.L.C. acquired 100% of the shares in Duty Free Dubai Ports FZE (DFDP), a free zone establishment with exclusive rights to sell duty free products in all ports controlled by the Dubai Ports Authority.

On 1 July 2004, Maritime & Mercantile International L.L.C. also acquired 100% of the shares in Harts International Retailers (Middle East) FZE, the management company of DFDP.

The acquired business contributed revenues of AED 29.8 million and net profit of AED 1.4 million from the acquisition date to 31 March 2005.

The assets and liabilities arising from acquisition of subsidiaries are as follows:

	Recognised on acquisition / Acquiree's carrying amount AED'000
Cash and cash equivalents	209
Property, plant and equipment	354
Other current assets	3,507
Current liabilities	(3,808)
Borrowings	(694)
End of service benefit provision	(84)
Fair value of net assets acquired	**(516)**
Goodwill	6,738
Total purchase consideration	**6,222**
Less: Cash and cash equivalents	(209)
Cash outflow on acquisitions	**6,013**

The purchase consideration includes direct costs of the acquisition amounting to AED 0.4 million.

The goodwill arising on the acquisition is fully impaired (Note 9).

There were no acquisitions in the prior year.

Independent auditors' report to the Government of Dubai

We have audited the accompanying consolidated balance sheet of Dnata ("the company") and its subsidiaries (together referred to as "Dnata") as at 31 March 2005 and the related consolidated statements of income and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Dnata as at 31 March 2005 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers
Chartered Accountants

Dubai
16 April 2005

Consolidated income statement for the year ended 31 March 2005

	Notes	2005 AED'000	2004 AED'000
Operating revenue	2	1,354,590	1,054,756
Other operating income		35,709	24,041
Operating costs	3	(1,149,349)	(920,169)
Operating profit		**240,950**	**158,628**
Net financing income	4	14,166	8,738
Associated companies - share of results	8	7,193	6,413
Profit before taxation		**262,309**	**173,779**
Income tax expense	5	(1,902)	-
Profit for the year		**260,407**	**173,779**

The accounting policies on pages 107 to 110 and the notes on pages 111 to 119 form an integral part of the consolidated financial statements.

Consolidated balance sheet at 31 March 2005

	Notes	2005 AED'000	2004 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	558,657	267,587
Intangible assets	7	182,358	23,291
Investment in associated companies	8	34,300	22,585
Held-to-maturity investment	9	128,555	-
Receivables	10	3,285	-
Advance lease rentals	11	27,467	-
		934,622	**313,463**
Current assets			
Inventories		15,111	11,788
Trade and other receivables	12	283,274	193,473
Cash and cash equivalents	21	843,115	833,714
		1,141,500	**1,038,975**
Total assets		**2,076,122**	**1,352,438**
EQUITY AND LIABILITIES			
Capital and reserves			
Capital	13	62,615	62,615
Reserves		1,063,644	803,708
		1,126,259	**866,323**
Non-current liabilities			
End of service benefit provision	14	152,007	135,964
Term loan	15	278,397	-
Deferred tax liability	16	49,642	-
		480,046	**135,964**
Current liabilities			
Trade and other payables	17	428,176	350,151
Term loan	15	31,133	-
Taxation		10,508	-
		469,817	**350,151**
Total liabilities		**949,863**	**486,115**
Total equity and liabilities		**2,076,122**	**1,352,438**

The consolidated financial statements were approved on the 16th day of April 2005 and signed by:

Sheikh Ahmed bin Saeed Al-Maktoum
Chairman

Maurice Flanagan
Vice Chairman and Group President

The accounting policies on pages 107 to 110 and the notes on pages 111 to 119 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 March 2005

	Capital AED'000	Translation reserve AED'000	Retained earnings AED'000	Total AED'000
1 April 2003	**62,615**	**(4,004)**	**662,543**	**721,154**
Profit for the year	-	-	173,779	173,779
Dividend	-	-	(29,000)	(29,000)
Currency translation differences	-	390	-	390
1 April 2004	**62,615**	**(3,614)**	**807,322**	**866,323**
Profit for the year	-	-	260,407	260,407
Currency translation differences	-	(471)	-	(471)
31 March 2005	**62,615**	**(4,085)**	**1,067,729**	**1,126,259**

The accounting policies on pages 107 to 110 and the notes on pages 111 to 119 form an integral part of the consolidated financial statements.

Consolidated statement of cash flows for the year ended 31 March 2005

	2005 AED'000	2004 AED'000
Operating activities		
Profit for the year before tax	262,309	173,779
Adjustments for:		
Depreciation and amortisation (Note 3)	117,828	89,985
Net financing income (Note 4)	(14,166)	(8,738)
Provision for employee benefits	33,832	27,895
Charge for / (write back of) impairment of trade receivables	2,751	(720)
Associated companies - share of results (Note 8)	(7,193)	(6,413)
Profit on sale of property, plant and equipment	(1,433)	(293)
Advance lease rental recognised (Note 11)	572	-
Operating cash flows before working capital changes	**394,500**	**275,495**
Employee benefit payments	(17,789)	(15,457)
Changes in working capital:		
Inventories	282	(3,568)
Trade and other receivables	(48,360)	(26,049)
Trade and other payables	42,048	64,459
Tax paid	(838)	-
Net cash provided from operating activities	**369,843**	**294,880**
Investing activities		
Purchase of property, plant and equipment (Note 6)	(142,413)	(151,083)
Additions to intangible assets (Note 7)	(21,936)	(8,239)
Proceeds from sale of property, plant and equipment	4,451	830
Investment in associated company (Note 8)	(1,037)	(3,000)
Emirates account	-	28,846
Net financing income	13,244	7,168
Dividend received from associated companies (Note 8)	8,628	5,277
Held-to-maturity investment made during the year (Note 9)	(128,555)	-
Loans to associated companies (Note 10)	(3,637)	-
Acquisition (Note 22)	(367,014)	-
Net cash used in investing activities	**(638,269)**	**(120,201)**
Financing activities		
Dividend paid	(29,000)	(40,000)
Term loan (Note 15)	309,530	-
Net cash provided from / (used in) financing activities	**280,530**	**(40,000)**
Net increase in cash and cash equivalents	**12,104**	**134,679**
Cash and cash equivalents at beginning of year	833,714	698,700
Effects of exchange rate changes	(2,703)	335
Cash and cash equivalents at end of year (Note 21)	**843,115**	**833,714**

The accounting policies on pages 107 to 110 and the notes on pages 111 to 119 form an integral part of the consolidated financial statements.

Principal accounting policies

A summary of the principal accounting policies, which have been applied consistently, is set out below.

Basis of preparation

The consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards. The consolidated financial statements are prepared under the historical cost convention.

Basis of consolidation

Subsidiaries are those entities in which Dnata has an interest of more than one half of the voting rights or otherwise has the power to govern the entity's operating and financial policies. Subsidiaries are consolidated from the date on which control is transferred to Dnata and are no longer consolidated from the date that control ceases. All material inter-company transactions, balances and unrealised surpluses and deficits arising on transactions between Dnata and its subsidiaries are eliminated.

The purchase method of accounting is used to account for acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of assets given and liabilities assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets including intangibles acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date.

Associated companies are those entities in which Dnata has between 20% and 50% of the voting rights, or over which it has significant influence, but which it does not control. Investment in associated companies are accounted for in accordance with the equity method and includes goodwill (net of accumulated impairment loss) on acquisition.

All material unrealised surpluses and deficits arising on transactions between Dnata and its associates are eliminated to the extent of Dnata's interest in the associated company.

Revenue

Revenue from sale of services is stated net of value-added taxes, rebates and discounts, and is recognised on the performance of services.

Revenue from sale of goods is recognised when risks and rewards of ownership are transferred to the customer and is stated net of discounts.

Revenue from information technology services is recognised as services are rendered for time-and-material contracts and as per the percentage-of-completion method with reference to the stage of completion for software implementation services.

Interest income is recognised on a time proportion basis using the effective interest method.

Foreign currency translation

Foreign currency transactions are translated into UAE Dirhams at exchange rates approximating those ruling on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into UAE Dirhams at the exchange rates ruling on the balance sheet date. The resultant foreign exchange gains or losses are recognised in the income statement.

Income statements and cash flows of subsidiaries are translated into UAE Dirhams at average exchange rates for the year and their balance sheets are translated at the exchange rates ruling on the balance sheet date. Share of results in associated companies are translated into UAE Dirhams at average exchange rates for the year.

Translation differences relating to investments in associated companies and subsidiaries are classified as translation reserve in equity until the disposal of the investment when the translation differences are recognised in the income statement as part of the gain or loss on sale.

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.

Depreciation is calculated so as to write off the cost of property, plant and equipment on a straight line basis over the useful lives of the assets concerned. The estimated useful lives are:

Buildings	5 - 20 years
Leasehold property	over the remaining term of the lease
Airport plant and equipment	5 - 10 years
Office equipment and furniture	3 - 5 years
Motor vehicles	5 years

When the carrying amount of property, plant and equipment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Repairs and maintenance are charged to the income statement during the period in which they are incurred. Major modifications and improvements to property, plant and equipment are capitalised and depreciated over the lower of the remaining useful life or lease term of the related asset.

Capital projects

Capital projects are stated at cost together with financing costs incurred from the date of commencement of the project to the date on which it is commissioned. When commissioned, capital projects are transferred to the appropriate category under property, plant and equipment and depreciated in accordance with Dnata's policies.

Intangible assets

Intangible assets are capitalised at cost only when future economic benefits are probable. Cost includes purchase price together with any directly attributable expenditure.

When the carrying amount of an intangible asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Intangible assets are amortised on a straight line basis over their estimated useful lives of the concerned assets which are:

Contractual rights	over the term of the rights
Computer software	5 years

Goodwill

Goodwill represents the excess of the cost of an acquisition or subsequent exchange transactions over the fair value of the share of the identifiable net assets acquired by Dnata in its subsidiaries at the date of acquisition or subsequent exchange transactions. Goodwill is presented with 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. An impairment loss is recognised when the carrying value of the cash generating unit exceeds its recoverable amount.

Held-to-maturity investments

Investments with fixed maturity that management has the intent and ability to hold to maturity are recognised in the balance sheet on the trade date as held-to-maturity investments. Such investments are stated at amortised cost using the effective interest method.

At each balance sheet date a review is made for an indication of impairment and where necessary the carrying amount is written down through the income statement to the present value of expected future cash flows discounted at current market rates.

Operating leases

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 income statement on a straight line basis over the period of the lease.

Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined on the weighted average cost basis.

Trade receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. Where there is objective evidence of amounts that are not collectible, a provision is made for the difference between the carrying amount and the recoverable amount.

Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. After initial recognition, borrowings are subsequently stated at amortised cost using the effective interest method.

Employee benefits

UAE national employees participate in the UAE government's pension fund to which the employee and Dnata contribute a specified percentage of salary. Contributions to the pension fund are charged to the income statement in the period in which they fall due.

Senior employees who are based in the UAE participate in a defined contribution provident fund to which the employee and Dnata contribute a specified percentage of salary. Contributions to the provident fund are charged to the income statement in the period in which they fall due.

End of service benefits for other employees based in the UAE are provided for as per UAE labour law and are based on periods of cumulative service and employee's current basic salary.

End of service benefits for employees based outside the UAE are provided for in accordance with the relevant local regulations.

Deferred income taxes

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 financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted in the jurisdiction of the individual companies by the balance sheet date and are expected to apply when the related deferred income tax liability is settled or the deferred tax asset realised.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise all cash and liquid funds with an original maturity of less than three months, net of bank overdrafts.

1. Establishment and operations

Dnata comprises Dnata, its subsidiaries and associated companies. Dnata was incorporated in the emirate of Dubai, UAE with limited liability, under an Emiri Decree issued by H.H. Sheikh Maktoum bin Rashid Al-Maktoum on 4 April 1987. On that date, Dnata took over for nil consideration, the total assets and liabilities of Dubai National Air Travel Agency with effect from 1 April 1987. Dnata is wholly owned by the Government of Dubai.

The main activities of Dnata comprise:

- aircraft handling and engineering services
- handling services for export and import cargo
- information technology services
- representing airlines as their general sales agent
- travel agency and other travel related services
- inflight and institutional catering

2. Operating revenue

	2005 AED'000	2004 AED'000
Services		
Airport operations	564,528	440,539
Information technology	264,474	246,168
Cargo	242,877	151,936
Reservations system	109,633	100,501
Agency commission	93,506	83,427
Other	34,220	32,185
	1,309,238	**1,054,756**
Sale of goods	**45,352**	-
	1,354,590	**1,054,756**

3. Operating costs

	2005 AED'000	2004 AED'000
Employee (see below)	685,733	577,207
Depreciation and amortisation	117,828	89,985
Office accommodation	45,227	44,376
Cost of goods sold	13,345	-
Operating lease rentals	7,463	-
Corporate overheads	279,753	208,601
	1,149,349	**920,169**

(a) Employee costs include AED 33.8 million (2004: AED 27.9 million) in respect of employee benefits and AED 22.6 million (2004: AED 48.4 million) in respect of the employee profit share scheme.

(b) Average employee strength during the year was 9,607 (2004: 7,325) including 1,247 employees relating to the subsidiaries acquired during the year.

4. Net financing income

	2005 AED'000	2004 AED'000
Interest income	16,539	8,738
Interest charges	(2,373)	-
	14,166	**8,738**

5. Income tax

The components of income tax expense are:

	2005 AED'000	2004 AED'000
Current tax	1,670	-
Deferred tax charge (Note 16)	232	-
	1,902	**-**

Taxation relates to a subsidiary company which is subject to tax. Hence providing information on effective tax rates is not meaningful.

6. Property, plant and equipment

	Buildings and leasehold property AED'000	**Airport plant and equipment** AED'000	**Office equipment and furniture** AED'000	**Motor vehicles** AED'000	**Capital projects** AED'000	**Total** AED'000
Cost						
1 April 2004	75,395	278,306	458,317	15,477	12	827,507
Additions	951	51,709	54,665	2,299	32,789	142,413
Acquisition (Note 22)	231,816	21,317	665	-	1,469	255,267
Currency translation differences	1,618	149	5	-	10	1,782
Transfer from capital projects	7,320	1,657	2,368	-	(11,345)	-
Disposals	(7)	(11,753)	(16,842)	(1,093)	-	(29,695)
31 March 2005	**317,093**	**341,385**	**499,178**	**16,683**	**22,935**	**1,197,274**
Depreciation						
1 April 2004	35,792	159,681	354,716	9,731	-	559,920
Charge for the year	9,823	40,743	52,729	2,121	-	105,416
Disposals	(7)	(11,457)	(14,198)	(1,057)	-	(26,719)
31 March 2005	**45,608**	**188,967**	**393,247**	**10,795**	**-**	**638,617**
Net book value						
31 March 2005	**271,485**	**152,418**	**105,931**	**5,888**	**22,935**	**558,657**
31 March 2004	39,603	118,625	103,601	5,746	12	267,587

7. Intangible assets

	Goodwill AED'000	Contractual rights AED'000	Computer software AED'000	Total AED'000
Cost				
1 April 2004	-	-	53,128	53,128
Additions	-	-	21,936	21,936
Acquisition (Note 22)	70,852	76,096	1,601	148,549
Currency translation differences	494	531	11	1,036
Disposals	-	-	(142)	(142)
31 March 2005	**71,346**	**76,627**	**76,534**	**224,507**
Amortisation				
1 April 2004	-	-	29,837	29,837
Charge for the year	-	3,544	8,868	12,412
Disposals	-	-	(100)	(100)
31 March 2005	**-**	**3,544**	**38,605**	**42,149**
Net book value				
31 March 2005	**71,346**	**73,083**	**37,929**	**182,358**
31 March 2004	-	-	23,291	23,291

Computer software includes an amount of AED 9.4 million (2004: AED 15.8 million) in respect of projects under implementation.

For the purpose of testing goodwill for impairment, the entire goodwill is allocated to the airport services cash generating unit based in the Far East. The recoverable amount for the cash generating unit has been determined on the basis of fair value less cost to sell. The calculations arrive at a business enterprise value using the discounted cash flow methodology.

The key assumptions and basis to arrive at the fair value include a risk adjusted discount rate, historical gross margins and growth rates based on management's expectations for market development.

8. Investment in subsidiaries and associated companies

The subsidiaries and associated companies are:

	Percentage of equity owned	Principal activities	Country of incorporation and principal operations
Subsidiaries			
Dnata Travel (UK) Ltd.	100	Travel agency	UK
Dnata Inc.	100	Aircraft handling services	Philippines
Kedma Holdings Pte Ltd.	100	Investment company	Singapore
Changi International Airport Services (International) Pte Ltd.	100	Investment company	Singapore
Changi International Airport Services Pte Ltd.	100	Aircraft handling and catering services	Singapore
CIAS Enterprises Pte Ltd.	100	Institutional catering	Singapore
Associated companies			
Dubai Express L.L.C.	50	Freight clearing and forwarding	UAE
Gerry's Dnata (Private) Ltd.	50	Aircraft handling services	Pakistan
Safiran Dnata Airport Services PJSC	49	Ground handling services	Iran
Emirates Loyalty Company L.L.C.	40	Customer loyalty programme	UAE
Dnata Arabian Airport Services Co. Ltd.	50	Aircraft handling services	Sudan
Guangzhou Baiyun International Airport Ground Handling Services Co. Ltd.	20	Ground handling services	People's Republic of China

The investment in Dnata Arabian Airport Services Co. Ltd. was made during the year. Kedma Holdings Pte Ltd. was incorporated as a wholly owned investment company during the year for Dnata's investment in the Changi International Airport Services (International) Pte Ltd. group comprising of Changi International Airport Services Pte Ltd., CIAS Enterprises Pte Ltd. and Guangzhou Baiyun International Airport Ground Handling Services Co. Ltd..

Dnata Wings Aviation Systems Corporation was renamed as Dnata Inc..

There were no other changes in ownership during the year.

Movement of investment in associated companies

	2005 AED'000	2004 AED'000
Balance brought forward	**22,585**	**20,775**
Acquisition (Note 22)	12,504	-
Investment during the year	1,037	3,000
Share of results	7,193	6,413
Goodwill amortised	-	(2,381)
Dividend received	(8,628)	(5,277)
Translation difference	(391)	55
Balance carried forward	**34,300**	**22,585**

9. Held-to-maturity investment

Held-to-maturity investment represents a floating rate US dollar bank deposit with Abu Dhabi Commercial Bank maturing in May 2006. The effective interest rate during the year was 2.35% per annum.

10. Receivables

	2005 AED'000	2004 AED'000
Loans to associated companies	3,637	-
Less: Payable within one year	(352)	-
	3,285	**-**

The effective interest rate on loans to associated companies was 4.18% per annum.

11. Advance lease rentals

	2005 AED'000	2004 AED'000
Acquisition (Note 22)	28,039	-
Charge for the year	(572)	-
Balance carried forward	**27,467**	**-**

12. Trade and other receivables

	2005	2004
Trade receivables		
Travel agents	17,626	11,088
Airlines	55,368	30,719
Other	120,328	85,801
	193,322	**127,608**
Other receivables and prepayments		
Prepayments and deposits	21,475	18,934
Associated company (Note 10)	352	-
Other	68,125	46,931
	89,952	**65,865**
	283,274	**193,473**

There is no significant concentration of credit risk.

13. Capital

Capital represents the value of the net assets taken over from Dubai National Air Travel Agency for nil consideration with effect from 1 April 1987.

14. End of service benefit provision

	2005 AED'000
Balance brought forward	**135,964**
Charge for the year	25,724
Payments during the year	(9,681)
Balance carried forward	**152,007**

UAE national employees participate in the UAE government's pension fund to which the employee and Dnata contribute a specified percentage of salary.

Senior employees who are based in the UAE participate in a defined contribution provident fund to which the employee and Dnata contribute a specified percentage of salary.

End of service benefits for employees based outside the UAE are provided for in accordance with the relevant local regulations.

The end of service benefit provision relates to employees who do not participate in the provident fund or the UAE government's pension fund.

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations at 31 March 2005, in respect of employees' end of service benefits payable under the relevant local regulations. The assessment assumed average expected salary increases between 0% and 5% and a discount rate of 6% per annum. The present values of the obligations at 31 March 2005, using the actuarial assumptions as set out above, were not materially different from the provision computed in accordance with relevant local regulations.

15. Term loan

	2005 AED'000
Raised during the year	311,328
Less: unamortised transactions costs	(1,798)
Balance carried forward	**309,530**
The loan is repayable as follows:	
Within one year	**31,133**
2-5 years	123,732
After 5 years	154,665
Total over one year	**278,397**

The term loan is secured by a charge on the shares of Changi International Airport Services (International) Pte Ltd. and Changi International Airport Services Pte Ltd. in addition to a corporate guarantee provided by Dnata.

The effective interest on the loan was 1.67% per annum.

16. Deferred tax liability

Deferred tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same income tax authority.

The movement in the deferred tax liability account is as follows:

	2005 AED'000
Acquisition (Note 22)	(49,410)
Charged to the income statement	(232)
31 March 2005	**(49,642)**

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Deferred tax liabilities

	Property, plant & equipment 2005 AED'000	**Intangible assets 2005** AED'000	**Total 2005** AED'000
Acquisition (Note 22)	(35,651)	(15,325)	(50,976)
(Charged) / credited to the income statement	(645)	709	64
31 March 2005	(36,296)	(14,616)	(50,912)

Deferred tax assets

	Impairment of receivables 2005 AED'000	**Accruals 2005** AED'000	**Total 2005** AED'000
Acquisition (Note 22)	765	801	1,566
(Charged) / credited to the income statement	(316)	20	(296)
31 March 2005	449	821	1,270

17. Trade and other payables

	2005 AED'000	2004 AED'000
Payables and accruals	296,346	221,469
Dividend payable	-	29,000
Employee leave pay	31,645	26,312
Airlines	100,185	73,370
	428,176	**350,151**

18. Operating leases

Future minimum lease payments are as follows:

	2005 AED'000	2004 AED'000
Less than 1 year	5,964	-
2-5 years	20,250	-
After 5 years	57,782	-
	83,996	**-**

19. Capital commitments

	2005 AED'000	2004 AED'000
Authorised and contracted	65,220	7,915
Authorised but not contracted	314,694	333,195
	379,914	**341,110**

20. Guarantees

	2005 AED'000	2004 AED'000
Guarantees provided by Dnata's bankers in the normal course of business	50,474	32,032

21. Cash and cash equivalents

	2005 AED'000	2004 AED'000
Short term bank deposits and liquid funds	734,416	802,765
Cash and bank	108,699	30,949
	843,115	**833,714**

Transactions are limited to financial institutions possessing high credit quality and hence the risk of default is low. Short term bank deposits and liquid funds bear an effective interest rate of 1.67% (2004: 1.1%) per annum.

22. Business combinations

Dnata acquired 100% of the shares in Changi International Airport Services International (CIASI), which in turn holds 78.4% of the shares in Changi International Airport Services Pte Ltd. (CIAS) through its wholly owned subsidiary Kedma Holdings Pte Ltd.. The balance 21.6% of the shares in CIAS has also been acquired by Kedma Holdings Pte Ltd. from the other shareholders. The effective date of the acquisition was 6 October 2004, on which date control passed to Dnata. The acquired business contributed revenues of AED 138.1 million and net profit of AED 11.3 million from the acquisition date to 31 March 2005. The principal activities of CIAS, the operating company, are providing aircraft handling and catering services in Singapore.

The assets and liabilities arising from acquisition of subsidiaries are as follows:

	Recognised on acquisition AED'000	**Acquiree's carrying amount** AED'000
Cash and cash equivalents	32,324	32,324
Property, plant and equipment	255,267	135,314
Intangible assets	77,697	1,601
Advance lease rentals	28,039	26,694
Investment in associated company	12,504	12,504
Other current assets	46,185	46,185
Current liabilities	(74,120)	(74,120)
Deferred tax liability	(49,410)	(9,658)
Fair value of net assets acquired	**328,486**	**170,844**
Goodwill	70,852	
Total purchase consideration	**399,338**	
Less: Cash and cash equivalents	(32,324)	
Cash outflow on acquisitions	**367,014**	

The purchase consideration includes direct costs of the acquisition amounting to AED 1.8 million.

The goodwill is attributable to the high profitability of the acquired business.

There were no acquisitions in the prior year.