



aircraft fleet 142

million passengers carried 27.5

passenger seat factor 78.1%

016 Emirates Airline

Overview

20.8%

increase in passengers carried across the network

The global aviation industry suffered a disastrous 2009-2010, with more than a score of airline bankruptcies, shrinkage in airline networks and service levels and overall industry-wide losses of US\$9.4 billion (AED 34.5 billion) in 2009. Across the industry, we witnessed contraction, fierce price-cutting and ultimately disaffection among staff in some competitor airlines.

Where skyrocketing oil prices had dominated the first half of 2008, global recession characterised the second half and presented a grim picture for those planning the 2009-2010 fiscal year. Falling demand, shattered consumer confidence and collapsing yields confronted the airlines. A 15% contraction in world trade saw changed business patterns which in turn meant that travel budgets were slashed. The global aviation industry, faced with a need to invest a collective US\$1 trillion (AED 3.7 trillion) in new, more fuel-efficient aircraft, was confronted with a banking industry reluctant to lend after the near collapse of the finance sector.

Emirates Airline faced the same challenges as other airlines, although it was fortunate to be operating in the Middle East where there was still positive growth in air travel. According to the International Air Transport Association (IATA), the Middle East outpaced the rest of the world in 2009, with passenger growth up 8.5%, predicted to further grow by 15.2% in 2010. Emirates is confident that global growth for passenger traffic will return to its

long-term trend of five percent per annum, with the Middle East region significantly ahead of that.

That Emirates was able to return a net profit of AED 3.5 billion (US\$964 million), an increase of AED 2.9 billion (US\$777 million) on revenues of AED 43.5 billion (US\$11.8 billion), is a testament to the superb response to the situation made by every area of the business. Passengers responded by affirming their loyalty to Emirates thanks to a commitment to maintain, and expand, the network and uphold service levels. We were able to extensively leverage brand equity built up over many years.

We were also able to leverage our tradition of pioneering new ideas, often in contrast to the conventional industry view. While vigorously addressing the need for cost containment, the goal remained to free our people to continue to shape our world through innovation and cutting edge ideas. Two examples which illustrate this philosophy:

- *In an environment where the financial institutions had almost stopped lending, Emirates continued to have requirements for new financing to support its growth programme. Not only did we encounter no difficulties in sourcing new finance, we helped create a new financial instrument that generated considerable excitement in the aviation and financial sectors and was recognised by an industry award. The US bond is guaranteed by the Export Import Bank of the United States and a novel feature is that it is backed by*



Critical to Emirates' long-term success is recruiting and retaining the best people.

corporate investors rather than traditional banks.

- *On the operational side, Emirates will be the first airline in the world to introduce the SmartLanding and SmartRunway safety solutions to reduce the risk of runway incursions and excursions. These advanced technologies, on which Emirates worked closely with Honeywell to develop, bring a new level of safety to landing an aircraft.*

Despite the challenges of 2009-2010, customer service remained at the heart of our decision-making. While some competitors reduced their networks, frequencies and service standards, Emirates resolved to uphold its own and to improve them.

There was no temptation to compromise our standards or adopt a "holding operation" until the world economy recovered. During 2009-2010, Emirates invested to improve the product, raise service levels

Overview



A mentoring programme was introduced this year to support Emirates UAE National employees.

and add even more value to the customer experience, while constantly planning for the future.

Business units within Emirates worked tirelessly to get in shape to meet the daunting economic challenges posed by the recession, but a number of key issues stood out. These included maintaining our growth strategy, a strong commitment to our people and upholding the special relationship that exists between Emirates and the UAE.

Our fleet expansion programme remained on track. During 2009-2010 we took delivery of 15 new aircraft, four Airbus A380s and 11 Boeing 777s. This brought our fleet to 142 aircraft. In addition, Emirates has 146 more aircraft on order, 50 more Airbus A380s, 21 Boeing 777s, 5 Boeing 747s and 70 Airbus A350 XWBs plus 50 options on the type. While we will continue to take delivery of new aircraft at an average of one per month, we are in negotiations with the manufacturers for additional aircraft.

Although we faced the same fundamental challenges as other airlines, our solutions to these challenges were quite different. We continued to take delivery of new aircraft, we continued to invest in our brand, and we continued to support and expand our network, all of which went against a prevailing industry norm on increasing contraction.

Clearly, cost containment was a priority and initiatives were launched at all levels to deliver

savings. Internal auditing initiatives designed to underpin cost containment included the introduction of the concept of Control Self Assessment at all outstations. This resulted in a comprehensive inventory of key risks and control activities enabling outstations to conduct their own health checks.

The cost containment strategy was balanced against the need to safeguard jobs and retain our finest talent. We met this challenge through a package of measures covering many areas of the business. Emirates prudently managed to keep staff costs at significantly lower levels than many of our competitors whilst at the same time, recruiting and retaining the best people as a critical part of our long-term strategy.

While committing to safeguard jobs to retain talent, a multifaceted programme proved a major success in containing staff costs. The early part of the financial year saw a freeze on new hires in non-essential areas, and non-replacement of staff leaving the company. It was combined with secondment of staff from well-resourced areas to those short of personnel, offering more balanced staffing to Emirates, and enabling people to learn new skills.

In addition, employees were given the opportunity to take unpaid leave, with 4,900 people taking up the offer. The total saved by this package was in excess of AED 41 million (US\$11.1 million). Emirates overall staff levels (as of March 2010) were 36,652 against

the 35,812 in the previous year.

A series of workshops on "Effective communication during challenging times" was organised for 240 line managers and addressed the issues of morale and motivation during the recession. Staff were asked to work harder in the interest of the airline. The response was positive. When 800 pursers were invited to management briefings on the economic situation which took place during their time off, nearly everyone turned up.

Emirates' faith in its people and its commitment to safeguard jobs was handsomely repaid by individuals and teams across the organisation who "went the extra mile" over and over again. When the worst flooding to hit Manila in 40 years struck, members of staff from the local station struggled through the chaos to handle the disruption caused to flights. Aircraft mechanic Garry S. Siong Loo, abandoned his car and walked four miles through floodwater to be at his station.

The same commitment came from staff who gave up their time to work for the Emirates Airline Foundation which continues to raise money to help poor children in Africa and Asia. In Chennai the Emirates Community Health Education Society home for HIV-positive children was inaugurated. It was funded by the foundation which has pledged to cover its running costs for 20 years. In Addis Ababa, Ethiopia, the Kidane Mehret Children's Home

received clothing and blankets from Emirates staff volunteering for the foundation.

A smart approach to staffing in the interests of cost containment was complemented by Emirates Group Information Technology, which underwent a cost reduction project that challenged every cost item. Although, regarded as a strategic asset and critical to our aims of being masters of our destiny, we were able to reduce costs while delivering business-critical systems. While playing a key role in enabling us to respond rapidly to the changing business landscape of 2009-2010, they managed savings of more than AED 100 million (US\$27.2 million) through internal restructuring, rationalising the supplier base and through renegotiated supplier contracts.

The rapid response to cost containment displayed by Emirates, resulted in the freedom to focus on continued investment in our product and services.

In addition to rolling out a new uniform for staff, the year saw all Cabin Crew attend a dedicated training course. The Nujoum course is a pioneering event, a sensory and physical spectacle aimed at reinforcing the Emirates service values – personal, considerate, pioneering, thorough and cosmopolitan. With the majority of Cabin Crew having been through the course, there is already clear evidence of its effectiveness. It has been the subject of a Disney business case study and another major Dubai-based service company has shown interest in adopting it.




Emirates continued its investment in training with Cabin Crew attending dedicated training courses.

Training is critical to ensuring that we continue to be able to shape our own future. A further 5,000 staff underwent training on various subjects with courses compressed into smaller timeframes in the interest of cost savings. In addition, Emirates Aviation College continues to leverage the reputation of the Emirates Group by successfully opening its doors to non-Emirates Group staff to generate revenue.

The commitment to improving our product and service continues to expand from a focus on the customer experience on board the aircraft to a long-term programme to improve their experience within the airport. This is based on an understanding that airports can be stressful, usually as a result of the requisite security measures.

In 2009-2010 we opened an additional six Emirates lounges including those at Hamburg, Manchester and Mumbai airports, the latter being our first



Preparation is underway to open the next phase of the Technical Facility dedicated to maintenance of the Emirates fleet.

lounge in India. The AED 266 million (US\$72.5 million) worldwide investment has seen the number of dedicated lounges, aimed at our premium customers and top-tier Skywards loyalty programme members, grow to 26 across the network. The lounges are a distinctive feature of Emirates and have proved a major attraction for customers. The Emirates lounge programme continues, with a further six planned for the coming year.

Furthering the investment in our product, we raised baggage allowances by ten kilogrammes per person across all seating classes. This stood in stark contrast to competitors who were imposing restrictions and new baggage charges at an ever-increasing rate.

There were also significant improvements to baggage handling at Dubai International Airport. Following the introduction of new standards, mishandled baggage fell to 7.5 bags per 1,000. While overall baggage processing increased by 22%, baggage handling effectiveness rose to 99.3% against 98.7% in the previous year. Furthermore, it represented a 27.7% reduction in costs incurred through administration and compensation.

As more passengers migrate to online check-in, so too will more staff be redeployed from routine check-in duties to personal passenger help and thereby further raise our service levels.

Even getting in touch with Emirates became easier

during the year with a significant upgrade to Emirates Contact Centres under a contract with British Telecom Global Connect. The worldwide network of Emirates Contact Centres will soon be joined to create a "virtual contact centre" offering new and improved services.

Attracting customer loyalty has always been a priority for Emirates. This year the award-winning Skywards loyalty programme celebrated its tenth anniversary with a complete programme relaunch. In an industry-leading innovation, members now earn miles by zone instead of actual miles flown. A Miles Accelerator feature offers bonus miles on specific flights and is designed to boost revenue on flights with lower loads. The year also saw the 5 millionth Skywards member join the programme.

The ultimate symbol of Emirates pioneering spirit is the Airbus A380 superjumbo which continues to make headlines at new airports around the world, including Bangkok, Toronto, Paris, Seoul and Jeddah, the first regional airport to take the aircraft. These destinations were added to an A380 network that already included Heathrow (a second superjumbo service a day will be added during 2010), Sydney and Auckland.

The successful deployment to Jeddah came despite the fact that there was no aerobridge, resulting in passengers travelling by bus from the stand to the terminal. The deployment was the product of a

8 A380s

servicing eight destinations



This year Emirates received the 6,000th Airbus production aircraft - an A380.

well-established "can-do" attitude. We also worked closely with airport authorities, especially in Delhi, Larnaca and Cape Town, where new or remodelled terminals are being developed. As always, the aim is to enhance Emirates' facilities by working in partnership with airports.

Emirates is perfectly qualified to advise on airport best practice following the highly successful first year of operations at the new Dubai International Airport Emirates Terminal 3. Planning is now underway for the opening of Concourse 3 in the third quarter of 2012 which will take the Dubai International Airport experience to new levels of excellence.

An amount of AED 286 million (US\$78 million) has been invested in upgrading cabin interiors and the inflight entertainment system, in line with the emphasis on continuous improvement to the fleet. A cabin refresh was completed on 26 Airbus aircraft comprising A330s and A340s while a more extensive cabin retrofit was completed on four aircraft in the B777 fleet.

The commitment to continuous improvement in product and service is complemented by the ongoing drive to implement ever-greater efficiencies in all technical areas. Such efficiencies translate into both cost savings and more environmentally-friendly operations.

To support the growing Emirates fleet, a Technical

Facility for maintenance is scheduled to open in 2010 at a cost in excess of AED 2 billion (US\$545 million). It includes a paint shop that will be used to repaint Emirates aircraft using advanced technology paints capable of reducing inflight drag.

An indicator of Emirates' growth can be seen from the fact that during the year, we received the 1,000th GE90 engine for the Boeing 777 fleet, and the 6,000th Airbus production aircraft - an A380. Dually significant, is the ever-deepening partnership between Emirates and key suppliers such as Boeing, Airbus and Rolls-Royce, a critical platform for securing new and greater efficiencies in future.

Technical and operational teams within Emirates worked closely in a Process Improvement Programme (PIP) that seeks to identify "gold standard aircraft" that deliver the best in terms of performance and fuel burn on a given route. Analysis of everything from flight planning to engineering issues is scrutinised to understand what delivers optimal performance and transfer this learning to other aircraft.

Aircraft were equipped with "paperless cockpits" with the deployment of Electronic Flight Bags that replace traditional paper-based flight plans with laptop-based information. As well as being a more efficient way of handling information, the savings in paper translate into a more environmentally-friendly way of conducting operations. This and other

reductions in paper carried on board aircraft resulted in millions of dirhams saved in a matter of months, together with significant emissions reductions.

More cash and emissions savings came in the form of an agreement with the Russian Government that allows overflying of the North Pole and can save up to 20 minutes on a Dubai-San Francisco or Los Angeles flight. Extensive work is underway between Emirates, national aviation authorities and international bodies on the possibility of optimising the current use of airspace. The prize here is the reduction of flight times and lower fuel burn resulting in cost savings and reduced emissions.

Emirates intends to continue to shape its world in areas like sustainability. While a range of measures



Emirates SkyCargo responded rapidly to the economic downturn by rightsizing its fleet.

such as recycling office materials were introduced, the primary focus is on aircraft operations which account for more than 95% of emissions.

The travel and aviation industries have become a focus for environmental criticism by lobbying groups, if not always in a constructive way. The extraordinary progress in improving aircraft engine efficiency, and thus emissions, in the past 30 years should be a cause for celebration.

The Emirates Group continues to take its responsibilities in sustainability and environmental stewardship seriously. The airline already operates one of the youngest – and thus one of the greenest – fleets in the world, positioning it as a leader in environmental best practice.

Additional savings on fuel and attendant emissions, not to mention cost, have been made thanks to a broad range of measures. This includes a study of historical data on drinking water carried on board subsequently optimising loads in order to reduce unnecessary weight. Considerable effort is also going into more efficient use of airspace in order to shorten flying times and cut fuel consumption.

Emirates was praised by the European Union for the quality of its data on fuel consumption submitted prior to the establishment of the EU's plans to introduce a carbon emissions trading scheme in 2012.

One of the biggest challenges of 2009-2010 was to accurately judge the market in terms of pricing strategies. Emirates was able to draw on the vast experience of its people to not just get this right but to explore and secure new market opportunities.

As with our commitment to staff to safeguard jobs, maintaining the integrity of the schedule and the worldwide network of Emirates routes was a priority.

A steep decline in business travel put yields under severe pressure. Tourism also showed a marked decline. A range of initiatives was launched, including an incentive for premium class passengers offering free luxury hotel accommodation in Dubai and the hugely successful "Kids go Free" promotion. The latter attracted around 20,000 international passengers and will be enhanced and launched again in 2010.

We added value to existing customers by creating new global account managers for corporates to handle their business in a more proactive way. At the same time new markets were targeted, including the increasingly important cruise segment operating out of Dubai. Agreements were signed with Costa Cruises and Royal Caribbean International.

A wide range of packages was developed around major events, including the 2010 FIFA World Cup™, the Dubai World Cup and the Dubai Rugby 7s. They were complemented by innovative payment schemes for those booking online. Certain payment card

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destinations worldwide

holders were offered the chance to pay for tickets in three monthly installments at zero percent interest. A wide range of additional forms of payment was also introduced.

The payment schemes also provided an incentive to the customer to move their business transactions online. Online booking, available in 59 countries in 13 languages, continues to grow rapidly. Revenue via emirates.com continues to grow at 45% a year and in some markets contributes more than 20% of total revenue.

With unpredictable swings in consumer behaviour, the job of shaping our pricing policy was not an easy task. There were times when the highly sophisticated software systems that routinely track the business and set prices gave way to the vast pool of experience available among members of the team.

Emirates also took critical decisions on pricing that ran counter to the prevailing conventions that then informed the airline industry. As competitors continued to discount air fares to loss levels, Emirates maintained fares while managing healthy yields supported by excellent load factors. This was not a paradox. Emirates was capable of doing this because of the sustained investment in the brand and powerful loyalty among customers. Emirates was an island of stability in profoundly uncertain times, and our customers were willing to pay a premium for that.

Emirates not only committed to protecting its route network, but expanded it during the year. The strategy to become a global airline joining any two points on earth through Dubai continued with the network of destinations reaching 102 during the year. Among the new routes was Dubai-Tokyo, a long-awaited service begun after years of negotiations. As a global business, Emirates is also quietly lobbying on behalf of globalisation and against the stirrings of protectionism that have resulted from the recession. Four more routes are already announced for later in 2010.

Real-time monitoring of markets and routes enabled capacity to be switched from regions highly impacted by the recession to the less affected ones. A key move was the flexible and effective deployment of the A380 to capture profitable business opportunities despite the long lead time involved in addressing the infrastructure requirement at destination airports. Emirates scored a major success with the deployment of the highly efficient Boeing 777-300ER to the West Coast of the United States through the optimisation of operational procedures and the use of new flight paths.

It also delivered the logistics that enabled the Emirates brand to be showcased in the Bahamas. This was a one-off operation to transport FIFA delegates to the offline destination of Nassau.

This smart deployment of assets was clearly evident



on the air freight side, which tends to be "first in, first out" in bad economic times. During 2009-2010 the global industry declined by 10%, registering a 23% fall in one month alone.

Emirates SkyCargo adopted a strategy of securing and protecting cargo market share, and was able to buck the trend during the year by rapidly responding to the downturn and rightsizing its fleet. As a result the business achieved double digit growth in the volumes transported. Having begun the year with eight aircraft, it ended the year with seven freighters – five Boeing 747Fs and two Boeing 777Fs. The latter were brand new aircraft and benefits were reaped from their efficiency and by economies of scale as they took their place in a large fleet of the type.

While aiming to have the right capacity in the right place, Emirates SkyCargo was also able to retain a

Optimising use of airspace is key to reducing flight times and fuel burn.



Overview

wide-ranging service to customers by making use of the hold capacity of an all-widebody passenger fleet and continued to win accolades for service excellence. When air freight picked up towards the latter end of the year, Emirates SkyCargo saw its business significantly ahead of industry-wide averages. The fast and flexible tactics employed by Emirates during the year, together with its longer-term strategies found vital support through a major communications programme. Due to the economic situation, advertising spend was redirected from corporate to tactical advertising campaigns to support specific markets.

Emirates is known for re-inventing the art of sports sponsorship, and its pioneering work in this area continued with a AED 300 million (US\$81.6 million) deal to back Italian football giants, AC Milan. The general business environment enabled some contracts to be renegotiated resulting in cost savings. In cricket, Emirates became the sponsor of the high profile Twenty20 World Cup held in England.

Over the year, more than 250 exhibitions and other events featured an Emirates or a Dnata presence. At the top end, the show-stopping Emirates Globe took centre stage at the Arabian Travel Market and won the "Best Exhibitor" award at ITB in the "Carrier" category, while an additional exhibition hall at this year's Dubai Airshow was called the Emirates Hall.

Significant progress was also made in digital

communications, with website traffic to emirates.com increasing whilst airline web traffic worldwide is in decline. Our traffic even reached a peak in the first quarter of 2010.

In the troubled global aviation sector, the Emirates Group was able to demonstrate through communications channels that it was "business as usual" and thereby leverage the cumulative strength of the brand to attract customers. This long-term marketing and communications strategy returned excellent dividends at a time of great uncertainty in the sector.

With consumer behaviour highly erratic during the year, the idea of the "package holiday" had to be reinterpreted by Destination & Leisure Management (DLM) and its business arms. But while the right response to difficult market conditions was critical, long-term issues such as sustainability in tourism were not sacrificed.

For Emirates Holidays, flexibility was critical to business success as customers opted for shorter breaks or more modest accommodation. Dubai remained the top destination managed by Emirates Holidays, followed by Indian Ocean resorts and Thailand. The total room nights booked for all destinations topped 165,000 during the year. The World of Choice holiday brochures were updated to include information on sustainability of hotels in line with customer expectations.

1,580

thousand tonnes of cargo carried

The Arabian Adventures arm of DLM opened its state-of-the-art Operations Centre in Dubai, a key investment in its long-term growth strategy.

But while managing short-term issues, the emphasis was again on the longer term, with the opening of Emirates Hotels & Resorts' Wolgan Valley Resort & Spa in Australia. Destined to become one of the world's leading conservation-based resorts, it was the first hotel in the world to achieve carbon neutral certification. The opening of Wolgan Valley reflects DLM's strategy of focussing on environmental and sustainable properties.

The Congress Solutions International arm of DLM continued to win major events, including the organisation of the World Economic Forum Summit on the Global Agenda 2009 which brought together 700 VIP delegates from 90 countries. It also launched its Green Declaration, a blueprint for reducing, negating or eliminating the environmental footprint left by large meetings and events.

All elements of the Emirates strategy – growth, quality, performance, sustainability – come together in our order for the next generation of aircraft that will shape our future. The Airbus A350 XWB super-long range and super-efficient aircraft will enter service in 2014. Emirates has 70 aircraft on order, with 50 options, a mix of the -900 and -1000 variants.

Emirates teams are working proactively with

manufacturer Airbus on aspects of the design, from the cockpit and galley layouts to technical maintainability. A member of the Emirates Cabin Crew is advising Airbus on practical issues such as galley design, taking experience from working on the A380 and helping to transfer it to the new aircraft. These new aircraft will ensure that Emirates continues its tradition of being a true pioneer in the industry.

It is perhaps not an accident that Emirates was born in Dubai, which places a very similar emphasis on its long-term vision. Given the nature of the economic landscape in the past year, Dubai's achievements in opening its state-of-the-art metro, Meydan Racecourse and the world's tallest tower, the Burj Khalifa, are more than worthy of note. Neither was the negative press about Dubai reflected in the numbers of people passing through. Dubai International Airport recorded passenger growth of 9.2% during 2009, with aircraft movements up by three percent.

The growth and development of Emirates and its home base of Dubai are intimately linked, not least by a shared vision that is centred on growth, prosperity, the highest standards of quality and a role as proactive citizens in a globalised world. While we run a business like any other enterprise, we also have a special relationship with Dubai and the UAE that remains a constant dimension in our thinking and planning.

In supporting the development aspirations of the United Arab Emirates, Emirates continued to champion



Destination & Leisure Management's Arabian Adventures arm offers tours and safaris in the UAE.

the UAE Nationals Programme, meeting the annual target of hiring 500 Nationals during the year. The success of the long-term programme can be seen from the fact that UAE Nationals now make up 26% of senior management in Emirates and the wider Group.

To help present a more balanced portrait of Dubai in 2009-2010, the Emirates Group took a leadership role in campaigns designed to present its home base to key opinion formers. These included the "Meet Dubai" advertising campaign and the "Keep discovering Dubai" initiative. The latter involved working with the Dubai Department of Tourism and Commerce Marketing and local hotels to bring 2,500 travel and tour operators, MICE specialists and journalists to the emirate.

It was a considerable logistical exercise. The result was an immediate boost to visitor numbers and, more importantly, a longer-term rebalancing of international perceptions. As Emirates Airline marks its 25th anniversary, we are given a valuable reminder of the importance of long-term thinking.