

EMIRATES
Fleet information

~~JUDGE~~ ~~WATERS~~
BROWN LITTLE
OGI

At 31 March 2007:

Aircraft	In operation	On firm order	On option
B777-200	9	-	-
B777-300	12	-	20
B777-300ER	25	24	-
A310-300F	3	-	-
A330-200	29	-	-
A340-300	8	-	-
A340-500	10 ✓	-	-
A380-800	-	43	-
B777-200LR	-	10	-
B777-200LRF	-	8	-
B747-800F	-	10	10
Total	96	95	30

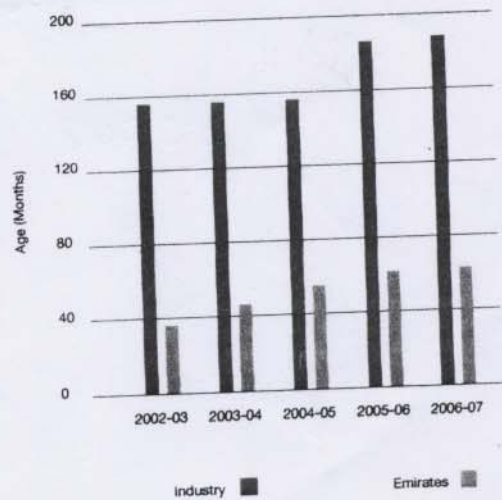
No A340-600 x 18

Emirates also had six B747 freighters on wet lease for its cargo operations at 31 March 2007. Further contract exists for a B747-400ERF on wet lease for delivery in May 2007.

In addition to the above, Emirates has contracted for ten B777-300ER aircraft for delivery between April 2007 and December 2008 from International Lease Finance Corporation (2 units) and GE Commercial Aviation Services (8 units). Further contracts exist for two B747-400ERF aircraft for delivery in July 2007 and February 2008.

Emirates operates one of the youngest fleet in the industry with an average age of 63 months compared with an industry average of 188 months.

Average fleet age: Emirates and industry



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Report on the financial statements

We have audited the accompanying consolidated financial statements of Dnata and its subsidiaries (together, referred to as "Dnata"), which comprise the consolidated balance sheet as of 31 March 2007 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Dnata as of 31 March 2007 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers
Chartered Accountants

Dubai
16 April 2007

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9.6 Capital Expenditures

In 2004, Air Canada signed definitive purchase agreements with Embraer - Empresa Brasileira de Aeronautica S.A. ("Embraer") for the acquisition of regional jet aircraft. In November 2005, Air Canada also concluded agreements with The Boeing Company ("Boeing") for the acquisition of Boeing 777 and Boeing 787 aircraft.

Embraer

The agreement with Embraer covers firm orders for 15 Embraer 175 series aircraft as well as 45 Embraer 190 series aircraft. The purchase agreement also contains rights to exercise options for up to 60 additional Embraer 190 series aircraft as well as providing for conversion rights to other Embraer models. As at December 31, 2006, 49 options remain exercisable.

Deliveries of the 15 Embraer 175 series aircraft commenced in July 2005 and the last aircraft was delivered in January 2006. All Embraer ERJ-175 deliveries were 80 percent financed by a third party as described in Note 7 to Air Canada's combined consolidated financial statements.

The Embraer 190 series deliveries commenced in December 2005. As at December 31, 2006, 18 of the Embraer 190 series firm aircraft orders have been completed and the remaining 27 deliveries were planned to be completed by November 2007 in accordance with the purchase agreement. Certain aircraft deliveries, which were planned to be completed by November 2007, have been delayed with the last delivery expected by January 2008. The impact of these delays has been reflected in the projected planned and committed capital expenditures table below. These projections are based on estimates using information currently available and are subject to change.

For the first 18 firm Embraer 190 deliveries, all of which have been delivered, Air Canada received loans from a syndicate of banks and the manufacturer covering 80 percent of the capital expenditure as described in Note 7 to Air Canada's combined consolidated financial statements.

Air Canada has also received loan commitments from a third party for an additional 18 firm Embraer 190 series aircraft covering approximately 80 percent of the capital expenditure to be repaid in quarterly installments for a 12-year term. Financing for a maximum of five of these aircraft may be based on fixed rates while the remaining 13 aircraft will be based on floating rates. The borrowings bear interest at the 90-day USD LIBOR rate plus a margin of 1.90 percent or, as appropriate, the fixed rate equivalent.

Air Canada also received loan commitments from a syndicate of banks for the remaining nine Embraer 190 series firm aircraft to cover approximately 80 percent of the capital expenditure and to be repaid in quarterly installments for a 12-year term. The borrowings bear interest either at the 90-day USD LIBOR rate plus a margin of 1.70 percent or the fixed rate equivalent.

Boeing

In November 2005, Air Canada concluded agreements with Boeing for the acquisition of up to 36 Boeing 777 aircraft and up to 60 Boeing 787 aircraft.

The order for the 36 Boeing 777 aircraft is comprised of firm orders for 18 aircraft plus purchase rights for 18 more, in a yet-to-be determined mix of the 777 family's newest models. As of December 31, 2006, Air Canada has confirmed with Boeing the delivery of eight Boeing 777-300ER aircraft and six Boeing 777-200LR aircraft. The models of the remaining four firm Boeing 777 aircraft are yet to be determined. Delivery of the first Boeing 777 aircraft is scheduled for March 2007.

The order for the 60 Boeing 787 aircraft is comprised of firm orders for 14 aircraft plus options and purchase rights for an additional 46 aircraft. Air Canada's first Boeing 787 aircraft is scheduled for delivery in 2010.

Air Canada has received financing commitments from Boeing and the engine manufacturer for all firm aircraft orders covering up to 90 percent of the capital expenditure. This available financing would be at an interest rate of 9.86 percent, based on interest rates as at December 31, 2006. The term to maturity would be 15 years with principal payments made on a mortgage style basis resulting in equal installment payments of principal and interest over the term to maturity. On November 3, 2006, Air Canada made an application for loan guarantee support from the Export-Import Bank of the United States for the first seven Boeing 777 aircraft deliveries in 2007. The loan guarantee, if provided, would cover a 12-year loan term for 85 percent of the capital expenditure at an interest rate of approximately 5.36 percent, based on interest rates as at December 31, 2006.

Air Canada has signed a 10-year lease agreement for one Boeing 777-300ER from International Lease Finance Corporation ("ILFC"), which is scheduled to be delivered in May 2007.

Refurbishment of Existing Aircraft

In addition to acquiring new aircraft, Air Canada commenced a major refurbishment of the interior of its existing aircraft in April 2006. Air Canada has completed the refurbishment of its 16th Airbus A320 and its fourth Boeing 767-300 aircraft. The refurbishment for the Airbus A319, A321 and A330 aircraft is expected to begin in early 2007. The Embraer and Boeing 777 aircraft are being delivered with the new seats and entertainment systems already installed. The aircraft refurbishment program is scheduled to be completed by mid-2008. The capital expenditure associated with this program will be amortized over a five-year period.

Projected Planned and Committed Capital Expenditures

The table below provides projections for aircraft expenditures for firm aircraft orders, net of aircraft financing, combined with planned and committed expenditures for aircraft engines, inventory, property and equipment, net of related financing, if applicable, for the years 2007 through to 2011.

In addition to the firm aircraft orders, Air Canada's purchase agreements include options, cancelable orders and purchase rights, all of which are not included in these projections.

Air Canada Services					
Projected planned and committed capital expenditures⁽¹⁾⁽²⁾⁽³⁾					
	2007	2008	2009	2010	2011
Projected committed expenditures	2,144	1,458	448	933	868
Projected planned but uncommitted expenditures	246	293	158	148	154
Total projected expenditures	2,390	1,751	606	1,081	1,022
Projected financing on committed expenditures	(1,533)	(1,293)	(302)	(834)	(732)
Total projected expenditures, net of financing	857	458	304	247	290

Jazz					
Projected planned and committed capital expenditures⁽¹⁾⁽²⁾					
	2007	2008	2009	2010	2011
Projected committed expenditures	7	-	-	-	-
Projected planned but uncommitted expenditures	20	28	23	23	23
Total projected expenditures	27	28	23	23	23

(1) US dollar amounts are converted using the December 31, 2006 noon day rate of \$1.1653. Final aircraft delivery prices include estimated escalation and, where applicable, deferred price delivery payment interest calculated based on the 90-day USD LIBOR rate at December 31, 2006.

(2) The dollar amounts reflected above do not include obligations pertaining to day-to-day operations.

(3) The projected financing amounts include loan commitments obtained as at December 31, 2006.

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Independent Auditors' Report

To the Shareholders of Air Canada

We have audited the combined consolidated statements of financial position of Air Canada as at December 31, 2006 and December 31, 2005 and the combined consolidated statements of operations, deficit and cash flows for the years then ended. These combined consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these combined consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the combined consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined consolidated financial statement presentation.

In our opinion, these combined consolidated financial statements present fairly, in all material respects, the combined consolidated financial position of the company as at December 31, 2006 and December 31, 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Montreal, Quebec

February 13, 2007

Empty operating weight:	268,300 lb (121,700 kg)	276,680 lb (125,500 kg)	276,680 lb (125,500 kg)
Cruise speed:	Mach 0.82	Mach 0.82	Mach 0.82
Range:	7,450 nm (13,806 km)	6,650 nm (12,325 km)	4,600 nm (8,525 km)

	<i>A340-500</i>	<i>A340-600</i>
Length overall:	219 ft 1 in (66.8 m)	245 ft 6 in (74.8 m)
Wing span:	208 ft 2 in (63.5 m)	same
Height overall:	58 ft 5 in (17.8 m)	same
Seating (3-class):	313	380
Max. T-O weight:	784,850 lb (356,000 kg)	804,700 lb (365,330 kg)
Empty operating weight:	374,800 lb	390,400 lb (177,240 kg)
Cruise speed:	Mach 0.83	same
Range:	8,650 nmi (16,020 km)	7,300 nmi (13,500 km)

Cost

The -300 lists for an average of \$179.6 million, but really sells for around \$125-140 million. The -600 lists for \$206.9 million, while the -500 lists for \$196.6 million. Real -500/600 prices are around \$145-165 million. Total development costs for the A340-500/600 are given as \$2.9 billion (in 1997 dollars). The A340-200 list price was \$138.6 million, but \$110-115 million is more realistic.

Sales/Deliveries Data

Deliveries*

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
A340-200	12	4	5	3	2	1	—	—	—	—	—
A340-300	10	21	14	25	31	23	20	19	22	8	10
A340-500	—	—	—	—	—	—	—	—	—	—	7
A340-600	—	—	—	—	—	—	—	—	—	8	16
Total A340	22	25	19	28	33	24	20	19	22	16	33
	2004	2005	Total								
A340-200	—	—	27								
A340-300	5	4	212								
A340-500	9	5	21								
A340-600	14	15	53								
Total A340	28	24	313								

*Excludes four -200/300 and four -500/600 test aircraft.

Order Book

User	Version	Ord./Del./Operated.	Note
Aerolineas Argentina	-200	—/—/4	
Aerolineas Argentina	-600	6/—/—	
Air Canada	-300	8/8/10	HGW variant
Air Canada	-500	2/2/2	
Air Canada	-600	3/—/—	to be cancelled
Air China	-300	3/3/—	
Air China Southwest	-300	3/3/6	
Air Europa	-200/300	—/—/1	
Air France	-300	14/14/20	
Air Jamaica	-300	—/—/2	
Air Madrid	-200/300	—/—/1	
Air Mauritius	-300	6/3/5	

TEAL GROUP