**The Emirates Group Annual Report 2016-17**

**Message from HH Sheikh Ahmed bin Saeed Al Maktoum**

**Chairman and Chief Executive, Emirates Airline and Group**

Aviation and travel are notoriously vulnerable to social, economic, and political events, as well as the ever-changing expectations of consumers. For us, this year has been a particularly testing one.

Our strong track record, business foundations, and brand reputation – all that we have painstakingly built over the years, have stood us in good stead, enabling us to weather the turbulent year marked by a slew of destabilising events that erupted across our markets around the world.

In 2016-17, Europe, one of our key operating regions, saw heightened concern around immigration, terror attacks in Brussels, Nice, Berlin, Paris, London, and a coup in neighbouring Turkey. The Brexit vote wrought uncertainty, and sent shockwaves not only in the UK but also more widely across the globe as businesses begin to grapple with its repercussions for their operations, supply chains, and talent pool.

The New Year ushered in a new president in the United States, and a new administration which in its first three months issued a raft of new measures relating to entry requirements, enhanced security vetting procedures, and restrictions on personal electronic devices in aircraft cabins. These all directly impacted Emirates’ operations into the US.

The developments in Europe and the US have influenced travel demand patterns, and more broadly, consumer and business confidence. While there are still patches of clear skies for aviation and travel in parts of Asia, Africa, and Oceania, generally across the board, airline margins have taken a battering as the industry lowered fares to motivate travel in a weak global economic environment. Meanwhile the strong US dollar against currencies in our major markets kept eroding our top line, and our operations in some parts of Africa continued to face ongoing currency devaluations and repatriation challenges.

In August, we tackled one of the biggest tests in the airline’s history when our flight EK521 from Thiruvananthapuram, India, crash-landed on arrival in Dubai. Thankfully, all passengers and crew onboard evacuated the aircraft safely before the aircraft caught fire. But sadly, one brave firefighter lost his life in the line of duty, and our thoughts will always be with him and his family.

In the immediate aftermath of the accident, and in the following days, our teams and airport partners pulled together to care for our crew and passengers on the affected flight, as well as the thousands of travellers who were affected by flight delays and cancellations while the airport was closed. The accident site was secured and cleared in record time, enabling the world’s busiest international airport to resume operations within hours.

While co-operating with the authorities on the ongoing investigation, we have also undertaken a thorough review of our operational procedures. Safety will always remain our top priority, and we are committed to taking all possible action to avoid a recurrence.

Our response to the accident has been highlighted as good industry practice, and I’m grateful for the support we received from our partners, customers, and our dedicated employees who stepped up during that difficult time. The ability to respond swiftly and appropriately does not come about by chance. It is a result backed up by hundreds of hours of training and contingency planning, and delivered through teamwork and a shared determination to do what is right for our people and our customers.

**Business resilience and performance**

Against the challenges of the year, the Group’s financial and operational performance in 2016-17 speaks to our business resilience, as well as the commitment and talent of our 105,000-strong team across more than 200 cities, including Dubai.

The Group reported a profit of AED 2.5 billion (US$ 670 million), down 70% from last year’s record profit, and Group total revenue of AED 95 billion (US$ 25.8 billion), a 2% increase compared to 2015-16.

Emirates carried 56.1 million passengers, 8% more than last year, and 2.6 million tonnes of airfreight, up 3%. dnata handled nearly 624,000 aircraft and 2.8 million tonnes of cargo, a 60% and 38% increase over 2015-16 respectively. We also served over 60 million meals to our customers at 63 airports around the world.

**Strengthening our global presence and capabilities**

In 2016-17, both Emirates and dnata continued to grow their global footprint and capabilities.

During the year, Emirates added 35 new aircraft to the fleet while retiring 27 older ones. This fleet roll-over involving 62 aircraft was the largest programme we have ever managed in a year, and it brought our average fleet age down significantly to 63 months, compared with 74 months last year, and the industry average of 140 months. It underscores our strategy to operate a young and modern fleet which is better for the environment, better for our operations, and better for our customers.

Emirates’ overall capacity grew 7%, supporting the launch of six new global destinations, as well as the enhancement of services with bigger aircraft or additional flights to existing destinations.

During the year, we took significant steps to enhance our product offering and expand customer choice. We unveiled a refreshed version of our popular A380 Onboard Lounge which will enter service from July 2017, and a range of other product enhancements for our customers both on board and on the ground.

We enabled Emirates Skywards members and their travel companions to access our award-winning lounges via a “pay-to-access” programme, and gave families and group travellers the option to pay for advanced seat selection.

Emirates Skywards marked its 16th year with a series of initiatives, including the launch of a Cash+Miles redemption option, and the introduction of exciting new partners that expanded the range of reward options available to members. We also revamped Emirates Business Rewards, our loyalty programme for corporate customers.

We were proud this year to be recognised **“World’s Best Airline” at the 2016 Skytrax World Airline Awards,** in addition to being awarded World’s Best Inflight Entertainment for a record 12th consecutive year, and Best Airline in the Middle East.

dnata bucked industry trends to mark its most successful and profitable year of operations yet. Across our four business divisions, we won significant new contracts, expanded existing relationships, and continued to earn recognition for quality services through customer accolades and industry awards which include “Ground Handler of the Year” by Air Cargo News for the fourth consecutive year.

During 2016-17, dnata invested over AED 1 billion to expand our capabilities and portfolio, develop our people, strengthen our safety systems, and build a strong and sustainable business supported by modern facilities and the latest technologies.

Our airport operations division made several key investments which significantly grew our footprint in the Americas. This includes the acquisition of Ground Services International in the US, which added 18 airports to our international airport operations network; a 50% stake in GTA Aviation’s cargo and ground handling operations at Toronto Pearson International Airport, Canada; and the addition of Sao Paulo and Rio de Janeiro to our existing Brazilian operations.

dnata also acquired a majority stake in Air Dispatch, a global market leader in centralised load planning services to the airline community, broadening the range of services we offer to our customers.

At home, we inaugurated our new export customer service centre and cargo integrated control centre in the Dubai Airport Free Zone.

Reflecting dnata’s global footprint, our international businesses accounted for over 66% of revenue this year, as we continued strengthening dnata’s position as one of the world’s biggest providers of air services.

**Laying ground for the future**

Consumer behaviours and expectations are changing. Whole industries are being disrupted, and our industry is not immune to these sweeping forces of change.

At the Emirates Group, we are on a journey to transform our business and chart new paths of opportunity. We are investing in our people, new systems, technologies, and infrastructure that will enable us to continue developing our business profitably and sustainably for the long-haul.

Through the turmoil of the past year, we’ve continued to progress towards our long-term goals while addressing the immediate challenges.

Our Passenger Services System programme continued to make significant inroads in updating the technology platforms that support our operations teams in delivering great customer journeys, and our business teams in extracting more value from revenue streams.

This year, the programme completed more than 40 deliverables including enhancements that improved the way our customers and contact centre staff search and access more complex flight options. We launched a completely new Customer Notification platform that provides our customers with relevant and timely updates throughout their journeys, and implemented other major improvements to support our front line service teams at various touch points throughout the airport.

We have made major investments in the technology we use to connect with the travel trade, improving the accuracy of responses to availability requests and helping them convert more requests into actual bookings.

But the transformation journey into the digital age is not limited to revenue generation within our existing business model.

We appointed a Chief Digital & Innovation Officer in September, and have already begun a complete process redesign of our current way of doing business.

Our future business will be digitally integrated into the ecosystem of partners, suppliers, and in particular with Dubai, offer more personalised customer experiences, and be enabled by a new suite of the latest technologies including automation, robotics and biometrics.

At Emirates and dnata, we do not take success for granted. We know that we must work hard to keep earning our customers’ business, and that we must evolve if we want to stay in the game. Moving forward, we continue to ready ourselves for the future, and build up our business resilience, by investing in our people, new technologies and infrastructure, and cultivating a culture of continuous learning and innovation.

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