



His Highness Sheikh  
**Khalifa Bin Zayed Al Nahyan**  
President of the United Arab Emirates



His Highness Sheikh Dr.  
**Sultan Bin Mohammad Al Qasimi**  
Member of the Supreme Council Ruler of Sharjah

# AIR ARABIA ANNUAL REPORT 2013



## OUR VISION

"To be one of the world's leading budget airlines" In terms of:

- Profit Margin
- Innovation
- Reputation
- Operational Excellence



## OUR MISSION

"To revolutionise air travel in the region through an innovative business approach offering superb value for money and a safe, reliable operation."

To achieve this we will:

- Be known for our low fares
- Grow our business profitably
- Build motivated multi-functional teams
- Demonstrate the highest operational standards
- Manage our costs ruthlessly

In 2013, Air Arabia's global network crossed the 87 destinations mark operating from three strategic hubs in UAE, Morocco and Egypt



G9

Air Arabia's ambitious network expansion strategy was central to the significant growth in passenger numbers witnessed in 2013. Air Arabia added eight new routes from its main hub at Sharjah International Airport to Yerevan, in Armenia; Lar and Mashhad in Iran; Baghdad in Iraq; Sialkot in Pakistan; Abha, Hai'l and Hofuf in Saudi Arabia. The growth pattern from the carrier's main hub has been expanded to over 68 airports with special focus to KSA and the GCC region.

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Air Arabia Maroc and Air Arabia Egypt maintained their regular operations by serving five cities from Egypt and 20 cities from Morocco. The carrier will further invest in increasing its reach at the right time.



## AIR ARABIA'S MESSAGE

Dear Shareholders,

The last financial year was one of special significance for Air Arabia. The airline completed a decade of successful operations, marking one great milestone in the history of Arab Aviation. This year's letter will focus on the many important steps forward that have been taken to support Air Arabia's continued growth across all areas of the business.

It gives us great pride to say that 2013 witnessed the celebration of a decade of low cost air travel in the Middle East and North Africa region since Air Arabia started operations in October 2003. In accordance with the vision of His Highness Dr Sheikh Sultan Bin Mohammad Al Qassimi, Member of the Supreme Council and Ruler of Sharjah, The Board of Directors and the Management of the airline have continued to drive Air Arabia's performance to new heights, investing in customer service and bringing solid and sustainable returns on investment to you, our shareholders.

While 2013 has seen further escalation in the surrounding regional politics; the overall economy has seen a positive improvement, especially in Air Arabia's home base the United Arab Emirates. We have seen a stronger performance in various sectors of the economy and financial markets have seen one of the strongest comebacks in their respective histories. Air Arabia has also seen its share price double fold in the past 12 month driven by the strong performance and market appeal for investment.

Air Arabia's growth in 2013 was supported by strong increase in passenger traffic, with the airline reporting a strong 15% growth in its passenger numbers, carrying over 6.1 million customers. Air Arabia's adopted fuel hedging strategy has and over the past 3 years helped the airline save on fuel costs and manage fuel price fluctuations in best ways possible.

We have celebrated our tenth anniversary with further expansion across all areas of the business. We have continued our route expansion plan for the year, entering new markets and increasing frequency on others as well as increasing our market share. We have also remained loyal to our low cost philosophy and continued to drive our operational costs lower. We have significantly increased our investment in our fleet growth and maintenance by taking delivery of seven brand new Airbus A320 aircraft in 2013. We are proud to say that Air Arabia is the first airline in the Middle East to take delivery of Sharklet equipped Airbus A320, further enabling the airline to achieve increased operational efficiency. In addition, our supporting businesses continue to increase their contribution to the Group's bottom-line. We foresee a good growth and return on investment from those businesses along with the ongoing growth of Air Arabia.

The year 2013 has also seen special focus on taking the customer service and experience to new heights. We embarked on a series of improvements across all customer interaction areas, whether at our main base in Sharjah International Airport or onboard our flights, introducing new programs and launching new services. We have also invested in additional sales offices to have a wider coverage especially in the GCC markets. In addition, we have launched our new state-of-the art website providing our customers with even a greater online experience.

We have also continued our organic growth from Air Arabia's operating hubs in Sharjah, Casablanca and Alexandria. Air Arabia Egypt maintained its existing operations, which is considered a great achievement considering the transition that Egypt is still going through. Air Arabia Maroc has also strengthened its position in Europe by linking various airports in Morocco and Europe. We have also maintained growth from our base at Sharjah International Airport by adding eight new routes and increasing frequencies to many existing ones. We are proud to say that Air Arabia can now fly you to over 90 destinations across the globe.

In 2013, we continued to introduce new products and services to further add value to our customers. Air Arabia subsidiaries have also continued to develop and profitably contributing to the bottom line of the Group.

During last year's Annual General Meeting, the Board proposition of 7% cash dividend was ratified. This is a testament to our promise of continuous return to our investors. This year we have continued our legacy of being one of the world's most profitable airlines and registered a net profit of AED 435 million for 2013 while revenues touched AED3.2 billion, demonstrating the continued profitability and the efficiency of Air Arabia's business model.

Air Arabia has completed a decade of continuous success, growth and profitability and as we always say to our people, this is just the beginning. We are confident that the business model that Air Arabia created, the efficiency of our operations and our compelling value-for-money customer proposition will continue to chart its path of success.

Finally, we would like to close by expressing gratitude to the 40 million customers who chose to fly Air Arabia over the past 10 years; and as always to shareholders for your continued support. Operating conditions remain challenging; however the state of the Air Arabia Group remains stronger.

Yours Sincerely,

**Abdulla Bin Mohammed Al Thani**  
Chairman

**Adel Abdullah Ali**  
Board Member and Group CEO

# 2013 IN REVIEW

## JANUARY

- Air Arabia partners with UAE National Emergency Crisis and Disasters Management Authority.
- Sharjah Aviation Services launches Go Green initiatives in partnership with Air Arabia and Sharjah Airport.
- Air Arabia takes delivery of first Sharklet equipped Airbus A320 aircraft

## FEBRUARY

- Air Arabia announces 2012 annual net profits of 425 million.
- Air Arabia partners with Sharjah Social Empowerment to help renovate houses for underprivileged families.

## MARCH

- Air Arabia takes delivery of second aircraft in 2013.
- Air Arabia approves 7 per cent cash dividend at Annual General Meeting.

## MAY

- Air Arabia signs US\$350 million financing deal with QNB & CBI.
- Air Arabia takes off to Abha, Saudi Arabia.
- Air Arabia celebrates one million flight hours with CFM engines.

## JUNE

- Air Arabia's third Arab Aviation and Media Summit take place in Salalah, Oman.

## APRIL

- Air Arabia breaks passenger record in first quarter of 2013.

## AWARDS

Air Arabia continues to be recognized, locally and internationally, for its strong performance and community efforts. The airline won several awards in 2013 that recognizes the appealing business and excellent product. Air Arabia named Best Low-Cost Airline, Middle East at Skytrax World Airline Awards that took place in France in July.

The airline also won the Brand Leadership Award, by the 3rd Asian Leadership Awards for Excellence in Branding & Marketing. Air Arabia was also named "Low Cost Carrier of the Year" at the 2013 Aviation Business Awards as well as Highly commended winner of the "Corporate Social Responsibility Award" at the same event.



# 2013 IN REVIEW

## JULY

- Air Arabia named Best Low-Cost Airline, Middle East at Skytrax World Airline Awards.

## AUGUST

- Air Arabia takes off to Yerevan, Armenia.

## SEPTEMBER

- Air Arabia celebrates fifth anniversary of operations in Ukraine.

## OCTOBER

- Air Arabia & Mashreq create the first-ever spend anywhere, fly anytime credit card.
- A decade of flying high: Air Arabia celebrates 10 year anniversary.

## NOVEMBER

- Air Arabia takes off to Hofuf, Saudi Arabia.
- Air Arabia wins "Low Cost Carrier of the Year" and "Corporate Social Responsibility Award" at the 2013 Aviation Business Awards.
- Air Arabia 'City Check-in Terminal' opens in Saeef Mall, Sharjah.

## DECEMBER

- Air Arabia enhances online offering by launching an all new website.



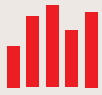
## OUR FLEET

Air Arabia operates one of the youngest fleets in the world comprised entirely of Airbus A320 aircrafts. The carrier has ended the year by receiving seven new aircrafts in 2013. Thus, Air Arabia has taken delivery of 21 out of the 44 A320 aircrafts ordered back in 2007. The delivery of the 44 new aircrafts will be completed by 2016, and will more than double the size of Air Arabia's fleet which in line with the carrier's aim to increase its total operating fleet to more than 50 aircrafts. In 2013, Air Arabia taken delivery of its first Sharklet equipped Airbus A320 aircraft.

Air Arabia becomes the first airline in the Middle East to take delivery of Sharklet equipped Airbus A320, further enabling the airline to achieve increased operational efficiency.

This growth of Air Arabia fleet size could only be supported with a range of infrastructure projects that assure fleet support in the long run. As a result, the airline invested in its own state-of-the-art aircraft Hangar at Sharjah International Airport which was designed to meet all the maintenance, repair and overhaul requirements of the entire Air Arabia fleet.



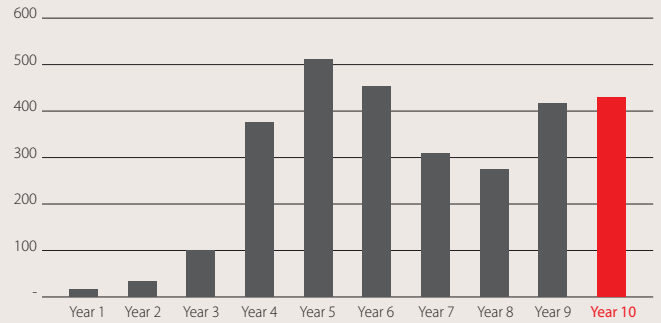


# A PATH OF EXCELLENCE

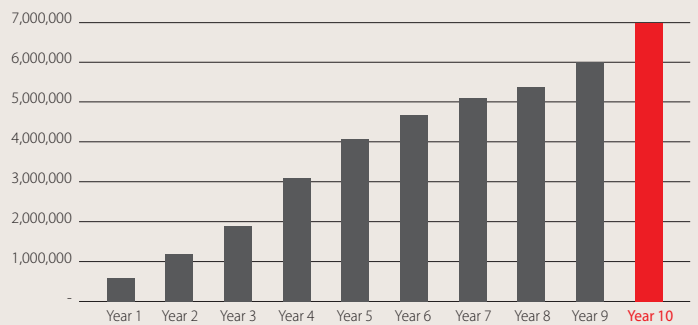
A decade of excellence is best summarized in the following set of performance indicators:



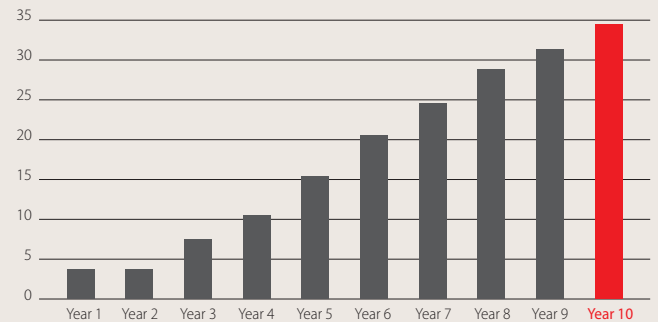
## PROFITABILITY (AED MILLIONS)



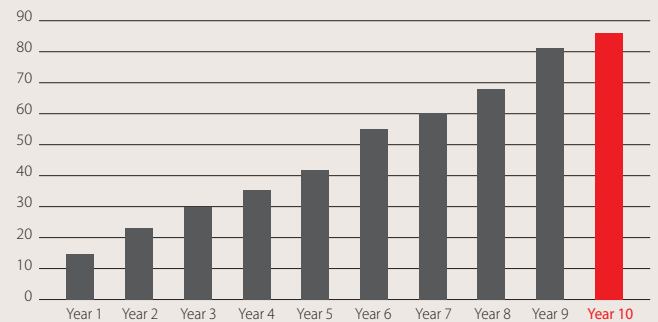
## PASSANGERS



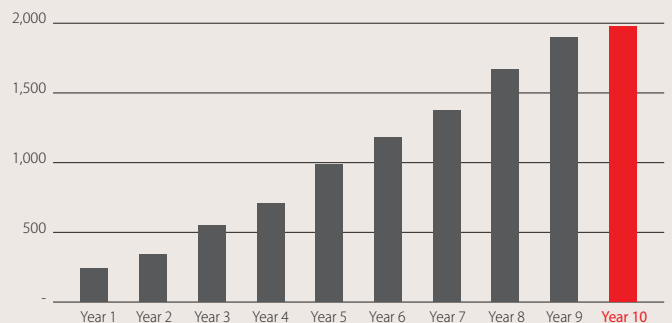
## FLEET SIZE



## DESTINATIONS



## EMPLOYEES





# CORPORATE SOCIAL RESPONSIBILITY

Air Arabia is not only committed to providing affordable air travel but is also dedicated to uplifting the lives of the less fortunate. Taking responsibility of the social needs of local and international communities and aiding them has played a part in the carrier's success. To this end, Air Arabia has implemented a Corporate Social Responsibility program for sustainable development with an emphasis on providing better education and healthcare for underprivileged communities.

Air Arabia was among the first to introduce a sustainable CSR initiative by launching 'Charity Cloud' project in collaboration with Sharjah Charity International. The program aims in raising funds through certain initiatives such as on-board donations. The fund is raised, collected annually and re-invested in educational and medical care establishments in countries in need across Air Arabia network.

Charity Cloud Clinics have been established in Sudan, Sri Lanka, Yemen and Turkey while Charity Cloud Schools have been established in Sri Lanka, Nepal and India. Moreover, Charity Cloud Project has also planned Social Initiatives against Meningitis in Sudan, initiatives against Heart Disease in Yemen and many more.

In 2013, Air Arabia encouraged staff to get involved in CSR activities and initiated projects to this effect. One such initiative was to visit the Charity Cloud Schools in India and Sri Lanka. Volunteers from various departments at Air Arabia visited the school. Another award-winning project undertaken in 2013 was in collaboration with Sharjah Social Empowerment Foundation where a team of employees helped renovate a house in Sharjah. Employees joined hands with social workers and on-site professionals to take the project forward and complete the task.



## Projects completed in 2013 include:

Staff renovate a house for an underprivileged family [UAE](#)

Staff visit Charity Cloud Schools [India, Sri Lanka](#)

Staff visit Charity Cloud Clinic [Yemen](#)

Participate in the Walk for Autism [UAE](#)

Staff visit 2 orphanages and Old people's house [Bangalore, India](#)

Staff donate money for Philippines [UAE](#)

Charity Cloud initiative also won the Corporate Social Responsibility Award at Aviation Business Awards for second year in a row.

In line with its commitment towards serving its local community, Air Arabia has signed a Memorandum of Understanding with Sharjah City for Humanitarian Services (SCHS) in November 2010. Under the terms of the agreement, the airline provides support to those with physical and mental disabilities. This will include financial aid, wheelchair services at airports, specific seat allocations for disabled passengers, and special printing for the visually impaired and sign language.



# AIR ARABIA GROUP

Air Arabia (PJSC), listed on the Dubai Financial Market and traded under ticker symbol: (DFM:AIRARABIA) is now a holding company worth over AED 9 billion. Established with a modest capital back in October 2003 as the region's first low cost carrier, Air Arabia today consists of a group of airlines and companies offering travel and

tourism services across the globe and holds a portfolio of successful businesses and projects. Air Arabia operates from three hubs in Sharjah International Airport, UAE; Mohamed V International Airport in Morocco and Burj Al Arab International Airport in Alexandria, Egypt.

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airarabia.com

## AIR ARABIA (UAE)

Air Arabia was able to re-define air travel in this part of the world through offering superb value for money travel along with comfortable and reliable operations.

## SHARJAH AVIATION SERVICES (SAS)

Sharjah Aviation Services delivers a comprehensive range of passenger, ramp and cargo handling services for airline operators and their customers at the airport.

## AIR ARABIA (MAROC)

Air Arabia's second hub in Casablanca is providing the airline with a platform from which to reach the wider Europe, Middle East and Africa (EMEA) market.

## ALPHA FLIGHT ACADEMY

This academy helps Air Arabia meet its own internal needs for pilots to man its expanding aviation fleet.

## AIR ARABIA (EGYPT)

Air Arabia third hub after UAE and Morocco. From its base in Alexandria this carrier contributes to the on-going development of the Egyptian travel and tourism sector.

## ALPHA FLIGHT SERVICES

The company was established in 2007 to support and enhance the quality of on board catering needs.

## CENTRO SHARJAH HOTEL

The property, which includes both standard rooms and suites, is located near to Sharjah International Airport.

## COZMO TRAVEL

Cozmo Travel, a UAE-based travel agency providing a wide range of innovative individual and corporate travel solutions.

## RADISSON BLU, DUBAI MARINA

Situated in an up-market neighborhood near to the beachfront and on the marina, Radisson Blu Residence, Dubai Marina is located in the heart of all action.

## MAINTENANCE HANGAR

Located at Sharjah International Airport and has been designed to meet all the maintenance, repair and overhaul requirements of the entire Air Arabia fleet.

## STUDIO APARTMENTS

The project was completed in first quarter of 2010 and currently offers Air Arabia staff a total of 152 apartments.

## FLIGHT SIMULATOR

This US\$10 million flight simulator is used to provide world-class flight training for up to 400 pilots per year.

## INFORMATION SYSTEM ASSOCIATES (ISA)

ISA unique creation is the state of the art reservation system 'AccelAero' that is now used by many low cost airlines across the world.



# Air Arabia PJSC

## Corporate Governance Report 2013

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# **Air Arabia Governance report for the 2013**

## **1. Practices of corporate governance**

Air Arabia has been one of the leading companies in applying the principles of corporate governance among the public companies. Air Arabia strongly believes in the importance of the practical application of governance practices and the strong adherence to the related laws & regulations and the operations within the general framework of the principles of corporate governance which preserves the rights and interests of the company, its investors, its management and the investment environment surrounding it.

Therefore, Air Arabia, and all its subsidiaries and group companies are committed to all laws and regulations imposed upon them as a global aviation and as a public joint stock company. This covers the Commercial Companies Law (Federal Law No. (8) Of 1984 concerning Commercial Companies and subsequent resolutions and amendments or interpretations or clarifications issued by the Securities & Commodities authority and any other official authorities later till date, covering all activities and dealings. The company is also committed to the strict application of Ministerial Decree No. (518) for the year 2009 issued by the Minister of Economy and Chairman of the Securities and Commodities Authority regarding corporate governance and corporate discipline, and any decisions that may be issued or amended in future. This cultivates confidence of those major investment bodies around the globe to occupy a position within the owners of Air Arabia.

To reflect the above, Air Arabia had issued the corporate governance manual, which besides many other details, covers the following:

1. Shareholder Communication Statement
2. Code of Ethic and Conduct
3. Share Dealing Policy
4. Whistle Blowing Policy
5. Corporate Social & Environmental Responsibility
6. Dividends Policy

The full manual is posted on the company's intranet and is available for all employees to refer to at any point of time.

## **2. Board members trades in Air Arabia shares:**

The Board of Directors of Air Arabia and senior management are well briefed, informed and aware of the importance of the rules and procedures that govern the dealings of board members and senior managers of the company who, by virtue of their responsibilities, possess information that is not yet available to the public. In order to raise the level of transparency and disclosure and to allow equal opportunity to all shareholders when dealings in the company's shares, equal even to insiders from within the company, the company issued a statement internally which is included within the corporate governance manual, which sets the conditions and restrictions of insider trading, and the importance to disclose any inside trading in this report.

The company aspires through these actions being taken to protect the rights of all parties concerned, as well as maintaining the company's reputation and enhancing the confidence of shareholders and investors of the company.

In 2013, the board members did not personally trade in Air Arabia shares.

## **3. Board of Directors:**

### **a. Composition of the board:**

Air Arabia board of directors consists of 7 board members. Nomination for the membership of Air Arabia's board was opened on the 22<sup>nd</sup> of January 2011 for 30 days as per the governing rules and regulations. It was announced in different local newspapers (English and Arabic) in addition to the websites of Air Arabia and DFM. Lists of candidates and their curriculum vitae were published for the legal period of time required prior to the AGM. The AGM convened on the 21<sup>st</sup> of March 2011, a secret cumulative voting was supervised by the representative of the Securities Authority, independent auditor, vote collector and the corporate secretary. The board of directors was elected for a period of three years and composes of:

1. Sheikh Abdullah Bin Mohammed Al Thani	Chairman of the Board
2. Adel Abdullah Ali	Executive member
3. Dr. Ghanem Mohammed Al Hajri	Independent member
4. Taryam Mattar Taryam	Independent member
5. Abdulwahab Mohammed Al Romi	Independent member
6. Aref Naqvi	Non-Executive member
7. Sheikh Mohammed Bin Abdullah Al Thani	Independent member

## Summary biographies of the members:

### **1. Sheikh Abdullah Bin Mohammad Al Thani- Air Arabia Chairman since 2003**



His Excellency Sheikh Abdullah Bin Mohammed Al Thani holds several prominent positions in UAE. He served as member of the Executive Council of Sharjah and as Chairman of Sharjah Civil Aviation Department. He has a well-known track record in contributions towards developing air transport sector in UAE, as well as significant contributions and support to Economic & Tourism development in Sharjah.

### **2. Adel Abdullah Ali (Chief Executive Officer & Air Arabia Board Member since 2003)**



Mr. Adel Ali received award for the best CEO of low-cost carrier in the world for the years 2007, 2008, 2009, 2010 & 2011 in recognition of his efforts in founding the first low-cost carrier in the Middle East and North Africa. He is also selected as the best business man for the year 2011.

Ali has more than 28 years in aviation world & strategic planning, His deep knowledge in tourism and commercial operations are well reflected in Air Arabia's performance since 2003.

Before Air Arabia, Mr. Ali served in various aviation positions; he served as vice president of the commercial & customer services in Gulf Air where he played a key role in restructuring the company. He also served for more than 20 years in different management positions with British Airways last of which was General Manager of the Middle east and Africa.

### **3. Dr. Ghanem Al Hajiri (Air Arabia Board Member since 2003 & former Chairman of Sharjah Airport Authority)**



Dr. Ghanem Al Hajiri last served as the Chairman of Sharjah International Airport; Dr. Al Hajiri assumed various posts in the aviation sector locally and internationally. He served as Director General of Sharjah International Airport for over 15 years and he also serves as Secretary General of the Gulf Airports Services Association & Arabs Airports Council.

Besides that Dr. Ghanem Al Hajiri is a board member of the Airports Council International (ACI) since 1991 & served in numerous management positions there till he was elected as deputy chairman, before assuming the position of

Airports Council International Chairman. Dr. Ghanem is one of the first UAE Nationals holding a PhD in Air Transport; he was awarded the degree in United Kingdom. He also has a master's degree in Airport Planning, and a bachelor's degree in management.

#### **4. Taryam Matar Taryam (Air Arabia Board Member since 2003)**



Mr. Taryam has a long & wide experience in the private business sector; he has served for over 15 years in the region's leading telecommunications company (Etisalat) in numerous Management positions, concluding it in the post of Director General of the telecommunications sector.

He then served for over 10 years as Director General of Sharjah Airport International Free zone, during which the Free Zone witnessed phenomenal growth and expansion. Mr. Taryam holds a bachelor's degree in Business Administration.

#### **5. Abdulwahab Mohammed Al Roomi (Air Arabia Board Member since 2003)**



Engineer Abdulwahab Mohammed Al Roomi assumed different managerial positions with the finest oil companies in UAE. H.E. then moved to serve for several years as Director of Sharjah Civil Aviation, before taking over as Director General of Sharjah Civil Aviation. Engineer Abdulwahab holds a degree in Chemical and Petroleum Engineering from Al Ain University.

H.E. is a member of Air Arabia since inception in 2003.

#### **6. Arif Naqvi (Air Arabia Board Member since 2007, Founder and Chief Executive Officer of Abraaj Capital)**



Mr. Arif Naqvi is the founder and Vice Chairman & Chief Executive Officer of Abraaj Capital one of the Leading institutions in private equity management in Middle East, North Africa and South Asia, beside that he is a board member in many companies and social institutions.

Mr. Naqvi has been selected as one of the "50 most influential in Private Equity" in the world

He has been honored with the highest and most prestigious Medal by the President of the Islamic Republic of Pakistan in 2006. Mr. Naqvi holds a Bachelor's Degree in Economic Planning.

**7. Sheikh Mohammed Bin Abdullah Al Thani- Air Arabia Board Member since March 2011,  
Chairman – Sharjah Statistics Center.**



H.E. Sheikh Mohammed Al Thani is one of the young leaders in Sharjah, and a businessman, with positive footprints in many business fields especially travel and tourism. H.E. assumed the role Director of His Highness Sharjah Ruler's Office in the American University of Sharjah. Late 2011, he was appointed Director General of Sharjah Statistics Center.

Besides that, he also serves as Chairman of Gamma Aviation, AM Holding Company, Al Nawras Catering Company, Santos International Company, Ascent Advertising Company and Universal Tourism Company; he is also the deputy chairman Sharjah Golf & Shooting Club.

**b. Membership in other Companies:**

1. **Shk Abdullah Bin Mohammed Al Thani:** Besides chairing Air Arabia board of directors, H.E. is a board member of Al Buhairah Insurance Company.
2. **Arif Naqvi:** is a board member at Aramex PJSC.
3. **Taryam MAttar** is a board member of Mawashee

**c. Board Remuneration:**

1. In **2013** the AGM approved **AED 3.85 M** as remuneration for the year **2012**.
2. The board of directors recommended **AED 3.850/-** as remuneration for the year **2013**.
3. As per the Articles of Association of Air Arabia, board members do not receive "attendance allowance" or any other allowance for that matter. Only a lump sum is distributed after the approval of the AGM.

**b. Board meetings and attendees:**

A table detailing the dates and attendees of the board meetings is attached, under appendix 1.

**c. Boards Duties & Responsibilities:**

Referring to the duties and responsibilities of the board of directors, the Board oversees the company strategically, reviews the strategies and implementation with the executive management, while the Executive management is authorized to run the day to day activities of the company, and report to the board the expansion plans, challenges and future objectives.

**d. Transactions with related parties:**

No material transactions with related parties, other than those disclosed in the audited financial statements.

**e. Senior Staff Pay details:**

Group CEO: AED3.6M per year which includes accommodation and transportation.

Senior Management team: which is formed of 9 members, and their total remuneration is AED 8.875M which includes, Salaries, 2012 Bonus, Allowances, and children's education.

In 2013, the board approved 2 weeks basic pay bonus for the year 2013.

**4.External Accounts Auditor:**

**KPMG (the external auditor in 2013):**

KPMG was appointed as external auditors in 2013 for a Total remuneration of AED 455,000/- and they were not appointed for any other services.

KPMG is a global network of professional firms providing Audit, Tax and Advisory services. KPMG operate in 155 countries and have more than 155,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. Each KPMG firm is a legally distinct and separate entity and describes itself as such.

KPMG in the UAE is a member firm of KPMG International. It was established in 1973 and now consists of about 750 staff members, including 30 partners. In addition to providing audit and accounting services, the nature of work performed by the UAE offices of KPMG includes Internal Audit, Accounting Advisory, Tax, IT Advisory, Executive Search & Selection, Corporate Finance, Transaction Services, Business Performance Services, Business Performance Outsourcing and Forensic Services. The KPMG member firm in UAE and Oman, are part of the KPMG Lower Gulf cluster.

Deloitte's professionals are unified by a collaborative culture that fosters integrity, outstanding value to markets and clients, commitment to each other, and strength from cultural diversity. They enjoy an environment of continuous learning, challenging experiences, and enriching career opportunities. Deloitte's professionals are dedicated to strengthening corporate responsibility, building public trust, and making a positive impact in their communities.

On its 14/2/2013 meeting, the Board had recommended to appoint KPMG as independent auditors and had recommended total fees of AED 455,000/-. The Annual General Meeting is yet to approve the same.

Deloitte was not requested for furthermore services. On the other hand PKF is assisting as an independent authority to assess goodwill and intangible assets.

### **5.Audit Committee:**

This committee was formed in accordance with the rules and regulations governing corporate governance and is composed of three members:

Sheikh Mohammad Al Thani	Chairman
Mr. Abdulwahab Mohammed Al Roomi	Member
Mr. Taryam Matar Taryam	Member

The committee submits its reports and recommendations to the Board of Directors.

#### **The general duties of the committee are as follows:**

- a) Adopt a policy for appointing and contracting with the external auditor;
- b) Reviewing and auditing the financial statements.
- c) Articulate the control and audit measures.
- d) Articulate fiscal and audit policies.
- e) Issue general audit reports
- f) Follow whistle blowing policies.
- g) Consider assignments from the board of directors.

The corporate governance manual dictates the detailed duties and responsibilities of the committee.

#### **b. Table with meeting dates and attendees:**

Furthermore, appendix 2 contains the committees meetings and attendance in 2012.



## **6. Nominations and Remuneration committee:**

This committee was formed in accordance with the rules and regulations governing corporate governance and is composed of three members:

Dr. Ghanem Mohammed Al Hajri	Chairman
Mr. Abdulwahab Mohammed Al Roomi	Member
Mr. Arif Naqvi	Member

**The committee report to the board of directors its views and recommendations, and is responsible for the following tasks:**

- A) Ensure that independent directors continue to be independent for the duration of their terms of office.
- B) Review and approve salaries and bonuses, allowances and salary policies and review these policies annually in view of market and economic conditions.
- C) Identify the company's needs of senior executive management, and other members of the management team and defining the criteria of selection.
- D) To annually review the human resources policies, and adopt the human resource policies and training, and ensure proper implementation.
- E) Articulate a policy governing board members remuneration, staff bonuses, benefits, incentives and salaries; this is to be reviewed on an annual basis.  
The committee shall ensure that the rewards and benefits granted to the executive management of the company's senior directors are reasonable and are directly proportional to the company's performance.
- F) Organizing, implementing and following up the procedures for board nominations and elections, in accordance with the laws, and regulations.

The corporate governance manual contains details of the functions, duties and responsibilities of the committee. Appendix No. 3 contains a schedule of meetings with dates and attendance in 2011.

## **7. The internal control system**

The internal control system is an integrated system that imposes procedures, conditions and administrative laws, and monitors their practical implementation throughout the company's operations. This system is not a hindrance and an obstacle to the effectiveness of the work and speed of delivery and performance, but on the contrary, it ensures the company's development of effective performance and the effectiveness of risk management and internal control system.

The system measures the compliance with policies and procedures, protection of property, economic and effective use of resources. The Board has acknowledged its responsibility for internal control system in the company and the periodic review effectiveness.

Air Arabia has set up an “Internal Control Department” which is headed by Mr. Mohammed Al Basha, who is a chartered accountant and a certified internal auditor, with over 25 years of experience in the field of internal and external audit.

Mr. Al Basha joined Air Arabia at the start of 2013, carrying lengthy and valuable experience having served at international financial institutions.

### **Objectives of Internal Control department:**

The overall Objective of the Internal Audit is to evaluate and improve the effectiveness of control, governance process and risk management within AIR ARABIA.

Internal Audit assists all members of the Management of the Company and the Board of Directors in the effective execution of their responsibilities. To this end, the department provides independent examinations, consultancy, investigations, evaluations, recommendations and comments on areas and activities reviewed. Furthermore it works in partnership with management and adds value to the organization through advices, guidance and recommendations. The scope of activity extends to group / associate companies also.

**Key Accountabilities:**

Develop company-wide audit programs to assure protection of corporate assets and be responsible for ensuring the integrity of information; compliances with company policies, procedures and regulations; evaluation of organizational performance; optimization of opportunity / risk; best utilization of resources and formulation of internal control system.

**Major duties include:**

1. Develop and maintain Company-wide audit policies and practices.
2. Develop Company-wide internal audit plans and programs and Participate in and monitor execution of internal audits programs / assignments.
3. Ensure consistent application of corporate financial and accounting policies and practices.
4. Reviewing the reliability and integrity of the financial, operating and other management information systems and means used to identify measure, classify and report such information.
5. Reviewing the means of safeguarding assets and as appropriate verifying the existence of such assets.
6. Appraising the economy and efficiency with which company's resources are employed and identifying opportunities for improving operating performance.
7. Observe and review the proceedings/functions of various committees as required by Audit Committee so as to express an independent view.
8. Co-ordinate with External/statutory auditors.
9. Review and approve all significant changes in financial and accounting systems, practices and procedures to ensure that internal control.
10. Carry out investigations and audits as suggested by the Senior Management or by the CEO / Board of Directors, in order to determine the facts and causes of suspected irregularities.
11. Ensure that improvement to existing policies, practices and procedures are developed in order to improve the controls and to safeguard the assets of company.

12. Report to the Board, about the adequacy and effectiveness of the company's system of internal administrative, accounting and financial controls and the quality of operating performance when compared with established standards.
13. Follow-up the status of audit reports and recommendations and submit follow-up Report to the Board and the Audit Committee.
14. Design and schedule the Department's annual audit plans and implement them after Board approval.
15. Make presentation on audit activities and studies on company and subsidiary organizations as required by Audit Committee, Board of Directors / Management.
16. Prepare the Department's annual plans and capital and operating budgets and, once approved, control expenditure and staffing against these plans and budgets.
17. Exercise effective management of the Department's staff in terms of selecting, training, motivating, evaluating and disciplining in appropriate liaison with HR function.
18. To ensure that the resources of the departments are effectively utilized.
19. Fully responsible for co-source / outsource of audit assignments.

## **8. Details of violations committed**

None.

## **9. Air Arabia's commitment and contribution towards the society and environment:**

Air Arabia places the community very high on its priority and importance list. The company strongly believes that working with the surrounding community and paying back to it, is one of the most important pillars it relies on towards its success.

From this standpoint, the company established the "Charity Cloud" initiative, which considers such community investments, and this project has produced to date fully equipped medical clinic in Sudan, two schools in Sri Lanka, a school in Nepal, a school in India, a medical clinic in Yemen, vaccination campaign for children in Sudan, a campaign in Yemen for the treatment of children with weak hearts, and another campaign in Sri Lanka for the treatment of blind children.

On the other hand, Air Arabia participates continuously and effectively in the community by sponsoring activities and local events such as festivals, programs, and others.

Finally, as an effort towards contributing to and preserving the environment, Air Arabia adopts a policy of adding only brand new aircraft to the fleet to avoid unwanted emissions and reduce it to the minimum. The company also follows a policy of minimizing printed paper and heavily depend on recycled in order to preserve forests.

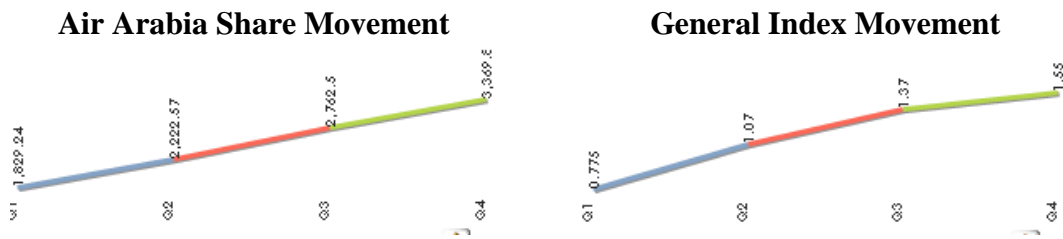
## 10. General Information:

### a) Air Arabia Share price details every month in 2013:

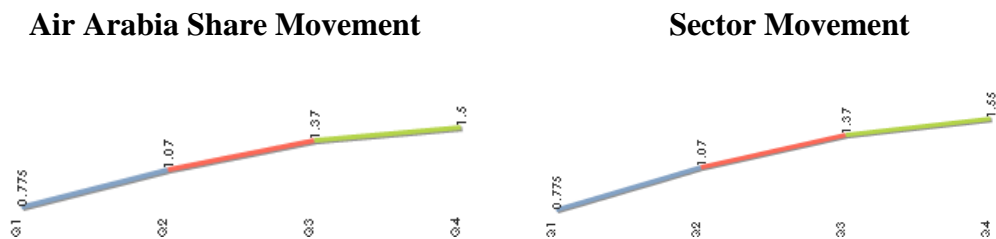
Lowest Price	Highest Price	Last closing price	Month
0.835	0.910	0.870	Jan 2013 يناير
0.872	0.945	0.881	Feb 2013 فبراير
0.775	0.932	0.720	Mar 2013 مارس
0.751	1.01	0.760	Apr 2013 أبريل
0.950	1.15	0.971	May 2013 مايو
1.06	1.19	1.16	Jun 2013 يونيو
1.07	1.39	1.09	Jul 2013 يوليو
1.21	1.47	1.40	Aug 2013 أغسطس
1.15	1.39	1.38	Sep 2013 سبتمبر
1.35	1.52	1.36	Oct 2013 أكتوبر
1.34	1.5	1.46	Nov 2013 نوفمبر

### b) Air Arabia Share price performance vs. market and sector:

Air Arabia Share movement VS Index:



Air Arabia Share movement VS sector:



c) **Air Arabia Ownership breakdown as of end 2013:**

الجنسية	التصنيف	الملكية
Arab	Banks	0.24%
GCC	Banks	0.18%
Others	Banks	0.15%
UAE	Banks	1.83%
Arab	Corporates	0.14%
GCC	Corporates	19.63%
Others	Corporates	3.42%
UAE	Corporates	42.81%
الإمارات	Governments	0.66%
Arab	Individuals	3.77%
GCC	Individuals	2.61%
Others	Individuals	1.80%
UAE	Individuals	21.70%
Others	Sole proprietorship	0.00%
UAE	Sole proprietorship	0.66%

• Source: DFM

d) **Air Arabia shareholders owning 5% of above:**

Shareholder	Ownership Percentage
Sharjah Asset Management	17.4%
Al Maha Holding Company	9.21%
IGCF SPV 4 Limited	6.43%

e) **Major events in 2012:**

1. **Arab Aviation & Media Summit:** Conceptualized and launched by Air Arabia in 2011, the summit is emerged as a flagship event in the Middle East aviation and tourism industry. Aimed at providing a platform for insightful discussions on the current trends and challenges faced by the aviation sector.

The year 2013 has witnessed the 3<sup>rd</sup> edition, which was took place in June in Salala, Oman; the summit again puts the spotlight on travel and tourism in the wider Arab region through discussions and debates by industry thought leaders and regulators. It was attended by over 200 participants comprising industry participants, academia and pan-Arab media and a white-paper summarizing the discussions and recommendations is distributed to various regulatory bodies in the region.

2. **7 New Aircraft:** 7 new aircraft joined Air Arabia fleet in 2013
3. **Engineering Accomplishment:**
  - One of our engines, CFM manufactured, achieved over 1,000,000 hours of flying.
  - Our engineering team achieved upgrading the entire fleet with Sharklet technology.
  - Got it approved and implemented the electronic pilots bag.
  - Approved T3CAS moder technology to avoid air collision.
  - Renovated the Line Maintenance facility.
4. **Information Technology Accomplishment:** Air Arabia IT departments and IT systems have been ISO certified, being the second Airline in the region to achieve this recognition (ISO 20000).
5. **XBRL Financial Filing:** Air Arabia was one of the first companies in UAE that complied with and successfully filed the full year audited statements through XBRL system.
6. **IOSA:** Air Arabia successfully passed IOSA (IATA Operations Safety Audit).

**Sheikh Mohammed Al Thani**  
**Chairman of the Board**

- **Appendix 1**

**Meetings Dates & Attendees of Air Arabia Board Of Directors in 2013:  
“Y”, “N”**

Board Meeting number	Date	Shk. Abdullah	Dr. Ghanem	Adel Ali	Shk. Mohammed	Abdulwahab AlRoomi	Taryam Mattar	Arif Naqvi
1	14.2.2013	Y	Y	Y	Y	Y	N	Y
2	1.4.2013	Y	Y	Y	Y	Y	Y	Y
3	13.5.2013	Y	Y	Y	Y	Y	Y	Y
4	31.7.2013	Y	Y	Y	Y	Y	Y	Y
5	5.8.2013	Y	Y	Y	Y	Y	Y	Y
6	11.11.2013	Y	Y	Y	Y	Y	Y	Y
7	14.2.2013	Y	Y	Y	Y	Y	N	Y

- **Appendix 2**

**Meetings Dates & Attendees of the Audit Committee and attendance:  
“Y”, “N”**

Audit Committee Meeting	Date	Shk. Mohammed	Abdulwahab	Taryam
1	14.2.2013	Y	Y	N
2	13.5.2013	Y	Y	Y
3	29.7.2013	Y	Y	Y
4	5.8.2013	Y	Y	Y
5	11.11.2013	Y	Y	Y

- **Appendix3**

**Meetings Dates & Attendees of the Committee on Nominations and Remuneration:  
“Y”, “N”**

Remuneration Committee Meeting	Date	Dr. Ghanem	Abdulwahab	Arif
1	11.11.2013	Y	Y	N