

# ANNUAL REPORT 2012





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

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Since our start of operations less than a decade ago; we have always known that financial discipline is essential to solid and sustainable growth. 2012 has been a testament to this with Air Arabia managing its unit costs and driving profitability to new heights; whilst, giving millions of people more than what they pay for.

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## 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



## Air Arabia message

Dear Shareholders,

2012 has been a rewarding year for Air Arabia. The airline continued its growth across all areas of the business, driving commercial and operational strategies that brought great returns to its bottom-line.

Through this annual report we invite you to share our successful journey by understanding the business philosophy we follow and review our yearly performance. We will also shed some light on Air Arabia's future plans and longer term growth projections.

It gives us great pride to say that 2012 was another successful and rewarding year for Air Arabia. 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, bringing solid and sustainable returns on investment to you, our shareholders.

### One year on

The Middle East region continues to prove that it is one that can combine all the odds evenly. While the political uprisings that followed the 2008 economic crunch continued into its third year, we saw 2012 demonstrate a positive economic outlook with the Middle East leading the world's emerging market growth. The formula of 'learning to live in volatility' can best apply to our region, where great investment opportunities exist in a climate of continuous risk. We have seen financial markets, mainly in the Gulf, perform better in 2012, companies from various sectors of the economy returning to profitability and movement of people and goods accelerated.

The transportation sector, more than any other, is directly influenced by its surrounding political climate. It is no surprise that the drastic turn of events across some Arab states continues to impact the region's mobility. In 2012, almost all airlines were forced to suspend flights to Syria due to the political uprisings in the country, while the enormous pressure from the global economic downturn has continued.

None-the-less, travel is a necessity now-a-days and people still need to connect no matter the consequences. This is what makes our industry such an exciting one whilst remaining so challenging. While Global air passenger traffic grew 5.3% year on year in 2012, the Middle East market outperformed the rest of the world in terms of growth by registering a 15.4% increase followed by Latin America at 8.4%. The Middle East airlines also contributed to almost a third of total expansion in international passenger markets {source: IATA}.

Air Arabia was no stranger to this increase in passenger traffic, with the airline reporting a strong 13% growth in its passenger numbers, carrying over 5.3 million customers in 2012.

The fuel price, which is always impacted by political and economic factors, has maintained its high price and seen an average year-on-year increase of 2% {source: BP & Arab Gulf Jet Kerosine}. We at Air Arabia have managed over the past 2 years in adopting a successful fuel hedging strategy that has helped the airline save on fuel costs and manage fuel price fluctuations in best ways possible.

We have also weathered 2012 with further expansion, especially from our main base in the UAE and our secondary base in Morocco – while dealing with the changing circumstances on a daily basis, taking our operational safety as a first priority and capitalizing on growth opportunities in every possible way. We have forged ahead with an extensive 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 six brand new Airbus A320 aircraft in 2012 as well as increasing our investment in the MRO and training through our hangar facility and our own flight simulator.



Now in its second year, we strongly believe that both facilities will give great savings as the fleet expands allowing Air Arabia a competitive edge to control the quality and efficiency of its operations. 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 business model that Air Arabia created, the efficiency of our operations and our compelling value-for-money customer proposition will remain the key factors in our business's success.

In 2012, we have 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 has gone through in 2012. Air Arabia Maroc has also strengthened its position in Europe by introducing a set of new routes between various airports in Morocco and Europe. We have also maintained growth from our base at Sharjah International Airport by adding nine new routes and increasing frequencies to many existing ones. We are proud to say that Air Arabia can now fly you to over 82 destinations across the globe.

#### **Solid Financial Performance**

In 2012, we have also entered into new partnerships, and introduced new products and services to further add value to our customers. Air Arabia subsidiaries have also continued to develop in 2012; profitably contributing to the bottom line of the Group. We are proud to see that our subsidiaries and joint venture companies are following the same path of profitability as Air Arabia.

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Abdulla Bin Mohammed Al Thani  
Chairman

During last year's Annual General Meeting, the Board proposition of 6% 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 425 Million for 2012, a 55% increase compared to the year 2011 while revenue increased by 21% to AED 2.9 billion, demonstrating the continued profitability and the efficiency of Air Arabia's business model. Moreover, we have been repeatedly rewarded for our customer orientation, value added services and operational excellence.

#### **Bright Outlook**

Air Arabia has now completed 9 years of continuous success, growth and profitability. Each year, we have faced many challenges and opportunities; we work hard to benefit and learn from them. Air Arabia through its people will remain the leading low cost air travel provider in the region providing its customers with the most competitive fares, greatest number of destinations and highest-quality services – and we are confident that this will be reflected in the return on investment provided to our shareholders.

Finally, we would like to thank each of the 32 million customers who chose to fly Air Arabia over the past 9 years. We stress on our promise of making air travel more affordable by the day, and look forward to the challenges and ongoing successes that lie ahead.

Yours Sincerely,

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Adel Abdullah Ali  
Board Member and Group CEO

# Statement on risk management

A Risk management framework is embedded in the Air Arabia's management structure under which risks are identified, evaluated and mitigated as part of an integrated-decision-making process. Air Arabia believes that preventive measures are the best course of action to overcome potential risks. Assessing, prioritizing and mitigating as appropriate. These risk management activities are deeply imbedded within the Group's management culture and form a fundamental part of our decision making process.



## Fuel Prices

With all the political happenings in the region, it is no surprise to see fuel prices continue with their historically high levels. We have seen the average market fuel bill in 2012 increased by 2% compared to 2011. This fuel price has put airlines bottom-lines across the globe at a serious risk. Fuel represents (on average) over 40% of airlines costs and as a result, every dollar increase in fuel cost has a solid impact on the overall operating costs.

Air Arabia has a fuel hedging committee that regularly meets to review and decide on fuel buying and hedging policies. The airlines hedged around 25% of its fuel consumption for 2012 at a fixed price that provided the airline a stable fuel cost base which helped in managing the un-expected changes in fuel prices.

## Barriers to Growth

While most of the Arab states have signed the open sky treaty in 2004, the full adoption of sky liberalization is yet to be implemented. The growth in demand for air travel in the Middle East region is the highest in the world, which reflects the great opportunities that exist for airlines to capitalize on. The Arab states have come a long way in opening their skies; however, the pace of growth could double if the open sky agreement is fully adopted.

In addition, a huge potential for air travel exists in many parts of Asia and Africa where skies are still regulated. Bilateral rights between the states of the Middle East and others in Asia have been fully utilized while the potential for more flights is still high. This is holding the growth opportunities that airlines and customers of both regions can benefit from. Monopoly rights over the African skies remain a strong barrier to entry for private airlines.

During 2012, the Annual Risk Review was carried out for the entire Air Arabia Group and through Risk Management Committees that constantly review and improve measurements taken to deal with existing and potential risks.

## Major Events that impacted the Aviation sector in 2012

### Political Instability

What became known as the 'Arab Spring' has now lasted over 2 years affecting many Arab states in the Middle East & North Africa. Throughout this time Air Arabia continued operations from its hubs in UAE, Morocco and Egypt; while reviewing its operations on an ongoing basis to avoid any situation that may have put its passengers, staff and aircraft at risk. The airline abided by all decisions made by the Civil Aviation and on a daily basis took tactical decisions to cancel or re-schedule flights - taking safety and interest of customers and its business as priority. The carrier suspended its operations to Syria (Aleppo, Damascus and Latakia) while resuming flights to Sanaa in Yemen which had previously been suspended in 2011.



# Corporate governance report 2012

## 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, 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:

- Shareholder Communication Statement
- Code of Ethic and Conduct
- Share Dealing Policy
- Whistle Blowing Policy
- Corporate Social & Environmental Responsibility
- 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 has 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 2012, only Sheikh Mohammed Al Thani had trades on Air Arabia Shares, and were done according to the procedures put forward by the regulator, and are as follows:

Sheikh Mohammed bought 3,672,542 shares of Air Arabia between 19th Nov to 16th Dec 2012.

## 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 22nd 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 21st 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:

Sheikh Abdullah Bin Mohammed Al Thani	Chairman of the Board
Adel Abdullah Ali	Executive member
Dr. Ghanem Mohammed Al Hajri	Independent member
Taryam Mattar Taryam	Independent member
Abdulwahab Al Romi	Independent member
Aref Naqvi	Non-Executive member
Sheikh Mohammed Bin Abdullah Al Thani	Independent member

## Summary Biographies of the members



**Sheikh Abdullah Bin Mohammad Al Thani**  
Air Arabia Chairman since 2003, & Sharjah Civil Aviation Chairman

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



**Adel Abdullah Ali**  
Group Chief Executive Officer & Air Arabia Board Member since 2003

Mr. Adel A. Ali is well known for being at the forefront of the development of modern aviation. His innovative achievements and contribution to air transport and tourism sector in the wider Arab world are globally recognized. He managed to transform Arab aviation in October 2003 when he set up Air Arabia, the Middle East and North Africa's first low-cost carrier (LCC), opening up a market niche in the region whose existence few had suspected.

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.

**Dr. Ghanem Al Hajiri**  
Air Arabia Board Member since 2003 & the Chairman of Sharjah Airport Authority

Dr. Ghanem Al Hajiri serves 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.



**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.



**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. Mr. Al Roomi 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. He is a member of Air Arabia since inception in 2003.



**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.



**Sheikh Mohammed Bin Abdullah Al Thani**  
Air Arabia Board Member since March 2011, Director General - 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 of 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.

The remaining members do not have any other memberships in public companies.

#### c. Board Remuneration:

1. In 2012 the AGM approved AED 1.925M as remuneration for the year 2011.
2. The board of directors recommended AED 3.850/- as remuneration for the year 2012.
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.

#### d. Board meetings and attendees:

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

#### e. Board 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.

#### f. Transactions with related parties:

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

#### 4. External Accounts Auditor

##### About Deloitte (the external auditor in 2012)

Deloitte & Touche (M.E.) is a member firm of Deloitte Touche Tohmatsu Limited (DTTL) and is the first Arab professional services firm established in the Middle East region with uninterrupted presence for over 85 years. Deloitte is among the region's leading professional services firms, providing audit, tax, consulting, and financial advisory services through 26 offices in 15 countries with over 2,500 partners, directors and staff. It is a Tier 1 Tax advisor in the GCC region (International Tax Review) and was recognized as the 2010 Best Consulting Firm of the Year in the Complinet GCC Compliance Awards.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte's approximately 182,000 professionals are committed to becoming the standard of excellence.

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:

<b>Sheikh Mohammad Al Thani</b>	<b>Chairman</b>
<b>Mr. Abdulwahab Mohammed Al Roomi</b>	<b>Member</b>
<b>Mr. Taryam Matar Taryam</b>	<b>Member</b>

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. Review and audit 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.

##### 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:

<b>Dr. Ghanem Mohammed Al Hajri</b>	<b>Chairman</b>
<b>Mr. Abdulwahab Mohammed Al Roomi</b>	<b>Member</b>
<b>Mr. Arif Naqvi</b>	<b>Member</b>

The committee reports 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 2012.

#### 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 nor an obstacle to the effectiveness of the work, speed of delivery and performance; 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 and economic & effective use of resources. The Board has acknowledged its responsibility for internal control system in the company and the periodic review effectiveness.

#### 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. This project has produced to date a 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 paper in order to preserve forests.

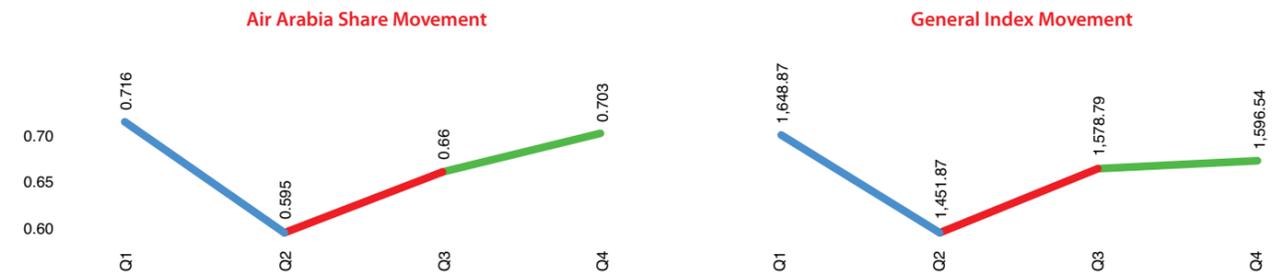
## 10. General information

### a. Air Arabia share price details every month in 2012:

Lowest price	Highest Price	Last closing price	Month
0.564	0.657	0.65	Jan 2012
0.635	0.769	0.750	Feb 2012
0.700	0.778	0.720	Mar 2012
0.591	0.745	0.590	Apr 2012
0.568	0.609	0.580	May 2012
0.549	0.610	0.60	June 2012
0.590	0.640	0.640	July 2012
0.631	0.669	0.660	Aug 2012
0.640	0.668	0.660	Sep 2012
0.674	0.723	0.720	Nov 2012
0.720	0.835	0.835	Dec 2012

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

Air Arabia Share movement VS Index:



**c. Air Arabia ownership breakdown as of end 2012:**

UAE nationals	GCC citizens	Arabs	Foreigners	Total
67.83%	4.77%	5.15%	22.25%	100%

**d. Air Arabia shareholders owning 5% of the above:**

- Department of Civil Aviation 17.4%
- Al Maha Holding Company 8.7%
- ICGF 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. This summit is aimed at providing a platform for insightful discussions on the current trends and challenges faced by the aviation sector. In 2012, a second edition of the summit was organized, the summit again put 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. Six New Aircraft: Six new aircraft joined Air Arabia fleet in 2012
3. Engineering Accomplishment: Air Arabia completed the first C check in Jan 2012 – this is a milestone for the hangar and engineering team.
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 2012:  
“Y”, “N”

Board Meeting no.	Date	Sheikh Abdullah	Dr. Ghanem	Adel Ali	Sheikh Mohammed	Abdulwahab Al Romi	Teryam Mattar	Arif Naqvi
1	2.2.2012	Y	Y	Y	Y	N	Y	Y
2	23.2.2012	Y	Y	Y	Y	Y	Y	Y
3	25.2.2012	Y	Y	Y	Y	Y	Y	Y
4	6.5.2012	Y	N	Y	Y	Y	Y	Y
5	6.8.2012	Y	Y	Y	Y	Y	Y	Y
6	12.11.2012	Y	Y	Y	Y	Y	Y	Y
7	19.12.2012	Y	Y	Y	Y	Y	Y	N

**• Appendix 2**

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

Audit Committee Meeting	Date	Sheikh Mohammed	Abdulwahab	Teryam
1	2.2.2012	Y	Y	Y
2	6.5.2012	Y	Y	Y
3	6.8.2012	Y	Y	Y
4	9.10.2012	Y	Y	Y
5	12.11.2012	Y	Y	Y

**• Appendix3**

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

Remuneration Committee meeting	Date	Dr. Ghanem	Abdul Wahab	Arif
1	30.10.2012	Y	N	Y



# The year in review

## January

- Air Arabia completes first in-house maintenance of an A320 aircraft
- Air Arabia reports that it carried 4.7 million passengers in 2011
- Air Arabia increases Moscow flights to five per week

## February

- Air Arabia reports its fourth quarter net profit of 2011 increases seven per cent to AED 78.7 million
- Air Arabia strengthens service to GCC markets with additional daily Kuwait flights

## March

- Air Arabia takes delivery of first aircraft in 2012, bringing total fleet to 30
- Air Arabia receives first batch of MPL pilots from its Alpha Aviation Academy
- Air Arabia increases Dammam flights to triple daily

## April

- Air Arabia approves 6 per cent cash dividend at Annual General Meeting
- Air Arabia hosts its second Arab Aviation and Media Summit – flagship event that takes lead on creating a constructive dialogue between today's business leaders and the region's media community
- Air Arabia Maroc launches flights from Nador to Palma de Majorca in Spain

## May

- Air Arabia announces first quarter 2012 net profit of AED 49.2 Million
- Air Arabia ranked first for on-time performance of its flights arriving Moscow – Domodedovo Airport
- Air Arabia increases flights to Nagpur, India
- Air Arabia Maroc launches flights from Nador to Basel in Switzerland
- Air Arabia Maroc launches flights from Casablanca to Alexandria in Egypt
- Air Arabia Maroc launches flights from Casablanca to Bologna in Italy

## June

- Air Arabia inaugurates new travel shop in Trichy, India
- Air Arabia introduces new low cost pre-booked baggage policy
- Air Arabia launches flights to Taif in the Kingdom of Saudi Arabia
- Air Arabia launches flights to Salalah in Oman

## July

- Air Arabia named world's second best performing airline by Aviation Week
- Air Arabia receives its third new aircraft ordered from Airbus for 2012
- Air Arabia reveals its new safety video featuring children

## August

- Air Arabia announces second quarter 2012 net profit of AED 66 Million
- Air Arabia sets new passenger traffic record in July
- Air Arabia increases Delhi flights to double daily

## September

- Air Arabia's Group Chief Executive Officer named "CEO of the Year – Aviation" at the CEO Middle East Awards
- First Air Arabia 'City Terminal Check-in' opens in Dubai
- Air Arabia completes eight years of operations in Saudi Arabia

## October

- Air Arabia marks ninth anniversary with delivery of two new Airbus 320 aircrafts
- Air Arabia moves to next-generation schedule analysis system - with OAG Analyser
- Air Arabia launches flights to Ufa in Russia
- Air Arabia launches flights to Kazan in Russia
- Air Arabia launches flights to Odessa in Ukraine
- Air Arabia launches flights to Erbil in Iraq
- Air Arabia Maroc launches flights from Marrakech to Milan in Italy
- Air Arabia Maroc launches flights from Casablanca and Tangier to London in England
- Air Arabia Maroc launches flights from Tangier to Madrid in Spain

## November

- Air Arabia's Charity Cloud receives "2012 Corporate Social Responsibility Award" by Aviation Business
- Air Arabia extends online payment method through debit cards in Kuwait
- Air Arabia reports third quarter 2012 net profit of AED 226 million, up 126 per cent
- Air Arabia leads technology innovation, and goes mobile
- Air Arabia increases Karachi flights to daily
- Air Arabia launches flights to Rostov in Russia
- Air Arabia Maroc launches flights from Rabat to Milan in Italy
- Air Arabia Maroc launches flights from Marrakech to Montpellier in France
- Air Arabia Maroc launches flights from Casablanca to Toulouse in France

## December

- Air Arabia increases Karachi flights to daily
- Air Arabia is awarded ISO certification in Information Technology Service Management
- Sharjah Aviation Services launches Go Green initiatives in partnership with Air Arabia and Sharjah Airport
- Air Arabia ends year on a high with fleet expansion
- Air Arabia launches flights to Basra in Iraq
- Air Arabia receives its sixth new aircraft from Airbus

# World's best performing airline

The year 2012 has seen Air Arabia being ranked as the world's second best performing airline in a study by Aviation Week, the leading global aviation magazine. The Top-Performing Airlines (TPA) Study ranks the top 10 performing airlines worldwide, based on five different performance categories, including financial and operational performance.

Air Arabia, the only Middle East airline to claim a spot in the Aviation Week TPA Study, demonstrated sustained profitability and solid growth margins in 2011, placing it at number two among all airlines worldwide. In each of the past years, the airline has advanced its ranking in the TPA rankings.

The Aviation Week TPA Study, now in its sixth year, is a leading annual rankings and competitive analysis for the global airline industry.



# Investing in operational excellence

## MRO

Beginning of 2012, the Air Arabia engineering team has completed the first in-house maintenance of an Airbus A320 aircraft. The "C check" was carried out at the airline's new state-of-the-art hangar at Sharjah International Airport, which has been designed to meet all the maintenance, repair and overhaul (MRO) requirements and regulations for the airline's ever growing fleet of Airbus A320 aircraft.

The "C check" is a periodic aircraft maintenance and inspection service which is required to be carried out every 14 months to ensure the safety, performance and reliability of commercial aircrafts.

Inaugurated in October 2011 by H.H Ruler of Sharjah, the new facility enables Air Arabia to provide appropriate level of engineering support as well as aircraft maintenance inspections from A checks up to C3. Built on a land area of 1502 sq meters, the new hangar also allows Air Arabia to offer maintenance services to other aircrafts across the globe.

Air Arabia hangar can accommodate an aircraft up to the size of an Airbus A321 and it is fully equipped to handle batteries, painting, sanding, composite materials and sheet metal, brakes, wheels, appearance and non-destructive testing. The new hangar supplements the line maintenance support already provided in Sharjah and

multiple destinations. This enhancement has also created employment benefits for the area along with all of the associated support given by sub-contracted companies, for the supply of equipment and materials. Currently staffed by 165 skilled professionals, the Air Arabia hangar is anticipated to employ 500 staff by 2017.





# Leadership by Practice

Air Arabia decided to take industry lead in 2011 and introduce a new initiative that addresses today's economy and challenges impacting the face of the aviation industry in the MENA region. To that front, the carrier launched the first of its kind 'Arab Aviation and Media Summit 2011'. This one day summit created a constructive dialogue between today's business leaders and the region's media community by providing a platform for insightful discussion on the current trends and challenges faced by the aviation sector in the (MENA) region.

Running in its second edition, the summit became a flagship aviation event featuring aviation, economic and academic speakers openly debating the Middle East aviation sector. Air Arabia introduced the second edition of the summit in May 2012 under the theme 'Mobility in the Middle East' and was organized in collaboration with CNBC Arabiya and The American University of Sharjah. The Summit brought together industry experts and regional media to discuss the growth of the Arab aviation sector and how it led to increased mobility in the wider MENA region.

## Training

Last year, Air Arabia launched its state-of-the-art flight simulator facility in Sharjah. This US\$10 million flight simulator was inaugurated by HH Ruler of Sharjah in October 2011, and is used to provide world-class flight training for up to 400 pilots per year – including from Air Arabia and other regional and international carriers. Providing significant cost savings for the airline, the flight simulator also represents an investment in the long-term knowledge transfer capacities of Air Arabia and, more generally, the emirate of Sharjah.

The simulator complements Air Arabia's Alpha Flight Academy, a joint venture accomplished in November 2007 with Alpha Aviation Group, a specialist global aviation training provider, to launch a new multi-million dollar International Aviation Training Academy based in Sharjah. This joint venture helps Air Arabia meet its own internal needs for pilots and to man its expanding aviation fleet. In 2012, the first batch of MPL pilots joined the Air Arabia operations team.

## On-Time Performance

Flights punctuality lies in the heart of our operational excellence. Besides offering our customers best fares possible, our promise for on-time flights have again seen a new excellent record. In May 2012, Air Arabia has been ranked first for the punctuality of its outbound flights from Domodedovo International Airport, Moscow. Figures released by the airport show that 100 per cent of Air Arabia flights in April 2012 departed on-time, earning it the accolade of "Most Punctual Airline" at Domodedovo International Airport. The competition included all international airlines.

## ISO Certification in Information Technology Service Management

Another testimony to the excellence of its technology practices and usage of most advanced systems and technologies, Air Arabia has been awarded the ISO/IEC 20000-1: 2011 certificate in IT Service Management System in recognition of high standards the company has achieved in implementing world class information technology services.

The ISO/IEC 20000-1 certification further demonstrates the company's high levels of efficiency in service provision and the ability to continuously improve the delivery of IT services in accordance with the development in the IT industry and the company requirements.

The ISO/IEC 20000-1 certification has been awarded following a rigorous auditing process carried out by British Standards Institution (BSI), ensuring that Air Arabia's IT service management systems operate to the highest possible standards. This is a reflection of Air Arabia's commitment to establish a culture of continual improvement and learning within its IT department.



Speakers at the Summit include H.E. Omar Bin Ghaleb, Deputy Director General, Department of Civil Aviation Authority, UAE; Dr. Peter Heath, Chancellor, American University of Sharjah; Mr. Abdul Wahab Tefaha, Secretary General, Arab Air Carriers Organization (AACO); Mr. Fouad Attar, President, Airbus Middle East; Mr. Chris Taylor, VP at Spectrum Capital UK and Mr. Adel Ali, Group Chief Executive Officer, Air Arabia and many others.

Following the conclusion of the Summit, the organizers issued a white paper summarizing the out-come of the summit and 'call to action' measurement to face the multitude of challenges facing the industry such as oil prices, the lack of unified open-skies policies, the current trend of opening up to competition and incentivising private-sector participation in the industry, Arab Airports expansion and pressure from more planes and passengers, as well as foreign investment and deregulation laws.

The white paper, which has been shared with public and private sectors, called upon Governments and Private Sectors to work together and learn from experiences of other parts of the world. The paper also considered opening up the industry to increased private investment as a step in the right direction. Great opportunities exist, the only difficulty, according to participants in the Arab Aviation and Media Summit is finding the impetus to make it happen.

# 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.



As a further testimony to its sustainability and community upliftment efforts, Air Arabia was awarded the "Corporate Social Responsibility Award" at the 2012 Aviation Business Awards in Dubai.

Aid against natural flood	India, Bangladesh
Renovation of four orphanage homes	Yemen
Warm winter project campaign	Sudan, Bangladesh, India, Yemen
Building 9 fully loaded class rooms with full year salary for Orphans and needy children	Bangladesh
Eid Dresses and donations for Orphans	Egypt, India, Yemen, Bangladesh, Bahrain, Oman, Sri Lanka
Breast Cancer Treatment with 6 surgeries	Sudan
Open of medical center with capacity to treat up to 4,000 people a year	Sri Lanka

## Unique partnership with Sharjah Humanitarian City

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.

Through its flexible and comprehensive plans and its unyielding strategy, SCHS aims at providing education, care, training and rehabilitation to children and adults with disabilities regardless of the level of disability yet within the limits that are allowed. It also aims at providing job opportunities for people with special needs. Considering the fact that their family is the ideal environment for them, SCHS also provides families with guidance and counseling.

In line with the carrier's commitment towards providing the best for communities in need, a medical centre with 4,000 patients a year was founded.



In 2012, four orphanage homes in Yemen were renovated and new furniture was bought for these homes across the Air Arabia network. In addition to that, nine fully equipped classrooms in Bangladesh were built including full year salaries for orphans and children in need. Also, impoverished people in India and Bangladesh were aided with food and basic daily necessities.

The year 2012 also witnessed the commencement of several initiatives such as 'Campaign Warm Winter Project' which helped distribute blankets during the cold winter for families in need in Sudan, Bangladesh, Yemen and India. Another initiative made sure that Orphans were gifted with new clothes and monetary support for Eid which helped draw smiles across the children's faces.

In line with the carrier's commitment towards providing the best for communities in need, a medical center with the capacity to treat 4,000 patients a year was founded in Sri Lanka. Moreover, Charity Cloud also funded 6 surgeries for Breast Cancer across Sudan giving new hope to families that need it most.



# Awards

Air Arabia continues to be recognized, locally and internationally, for its strong performance and community efforts. In May 2012, Air Arabia was ranked first for the punctuality of its outbound flights from Domodedovo International Airport, Moscow. Figures released by the airport showcase that a 100 per cent of Air Arabia flights in April 2012 departed on-time, earning it the accolade of "Most Punctual Airline" at Domodedovo International Airport. The competition included all international airlines.

In July 2012, Air Arabia was ranked as the world's second best performing airline in a study by Aviation Week, the leading global aviation magazine. The Top-Performing Airlines (TPA) Study ranks the top 10 performing airlines worldwide, based on five different performance categories, including financial and operational performance. Air Arabia, the only Middle East airline to claim a spot in the Aviation Week TPA Study, demonstrated sustained profitability and solid growth margins in 2011, placing it at number two among all airlines worldwide. In each of the past years, the airline has advanced its ranking in the TPA rankings.

Aviation Week's Top-Performing Airlines 2012		
Rank	Company	Total Score
1	AirAsia	81
2	Air Arabia	78
3	Ryanair Holdings	78
4	Hainan Airlines	77
5	Allegiant	77
6	TransAsia Airways	72
7	Vueling Airlines	72
8	Copa	71
9	Singapore Airlines	70
10	WestJet Airlines	69

Note: Performance category results will not sum to total score. See the TPA Methodology (p. 49) for further explanation. Source: TPA Study

May, 2012	Ranked first for punctuality at Moscow Domodedovo Intl. Airport
July, 2012	World's second best performing airline
September, 2012	'CEO of the Year – Aviation'
November, 2012	'Corporate Social Responsibility Award'



In September 2012, Adel Ali, Group Chief Executive Officer of Air Arabia, was named "CEO of the Year – Aviation" at the third edition of CEO Middle East Awards. Hosted by CEO Middle East, an ITP group publication, "CEO Middle East Awards" recognise and reward outstanding success, innovation and ethics. The awards honor CEOs from across sectors through appreciation of innovative business, business excellence and overall business success, plus acknowledge the vital contribution made by individuals and their companies to the vibrancy of business across the region. Mr. Ali was also recognised for being at the forefront of the development of modern aviation through his contributions to the Arab aviation sector.

In November, Air Arabia was awarded the "Corporate Social Responsibility Award" at the 2012 Aviation Business Awards as a testimony to its sustainability and community upliftment efforts. Air Arabia won the award in the CSR category for its meaningful contribution to the creation of sustainable livelihoods under the 'Charity Cloud initiative' in rural communities. Under the program, Charity Cloud schools, Clinics and initiatives have been established in various countries.

# 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 4 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. Air Arabia currently 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.

## Air Arabia (UAE)

Air Arabia took off to the skies in October 2003 as the Middle East and North Africa's first low cost carrier (LCC). Since establishment, Air Arabia revolutionized the way aviation was perceived in the Middle East and North Africa by introducing a successful low cost business model that accommodates the local preferences of the region. The airline was able to re-define the concept of air travel in this part of the world through offering superb value for money travel along with comfortable and reliable operations. Air Arabia's main achievements were making air travel more convenient through Internet bookings and offering the lowest fares in the market along with the highest levels of quality and service standards. With its value proposition "Pay Less. Fly More." Air Arabia's business model has cleared the way for a greater number of business and leisure customers to travel more often, to more places.

## Air Arabia (Moroc)

In November 2007, Air Arabia announced the establishment of its second hub in Casablanca, Morocco. Preparatory work on the establishment of the new hub was on full stream through 2008 and operations of the new airline took off in May 2009. 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.

## Air Arabia (Egypt)

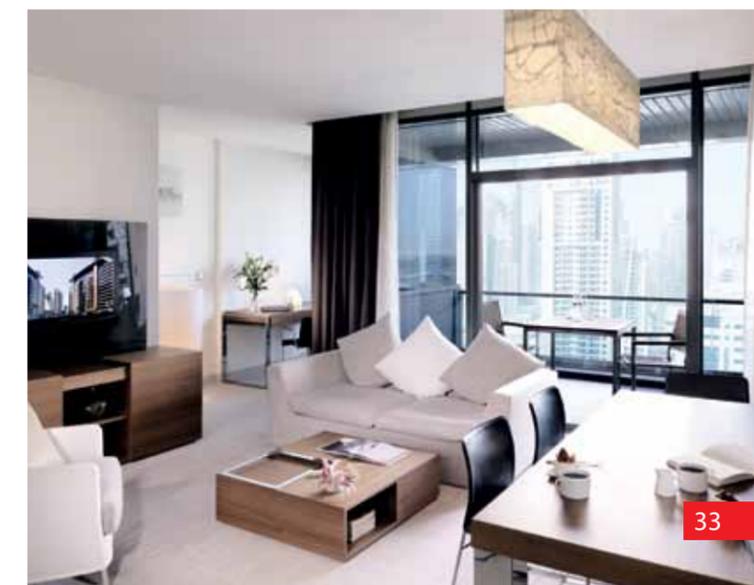
In September 2009, Air Arabia announced the signing of a joint venture agreement to launch a new low cost carrier based in Egypt. The new carrier took off the skies in June 1, 2010 in the aim to serve Europe, Middle East and Africa (EMEA) markets representing Air Arabia third hub after UAE and Morocco. Building upon Air Arabia's existing services across Europe, the Middle East, Africa and Asia, the new airline, from its base in Alexandria will contribute to the on-going development of the Egyptian travel and tourism sector as well as offer a larger base of customer best value for money air travel.

## Centro Sharjah Hotel

In October 2011, HH Ruler of Sharjah inaugurated Air Arabia's 306-room budget hotel 'Centro Sharjah'. Already operational, the hotel has received an encouraging number of guests by far, either transiting via Sharjah Airport or those looking for a value-for-money option with close proximity to both Sharjah and Dubai. This new project complements the low cost air travel services Air Arabia offers to its customers. The property, which includes both standard rooms and suites, also offers comfort and convenience for travellers passing through one of the region's fastest-growing airports as well as for visitors to the emirate.

## 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. Offering fully-serviced stylish Italian designed apartments, the residence is just minutes away from Marina Walk, Marina Mall, Metro Station, JBR Walk and the Beach. Radisson Blu Residence, Dubai Marina offers 152 luxury apartments comprising of studios, one bedroom and two bedroom categories. All apartments feature a fully equipped kitchen, balcony, covered parking and fabulous views of Dubai Marina.



### Air Arabia Studio Apartments

Providing our staff with class A accommodation is something we always kept in our plans. In 2008, we broke ground on constructing a studio apartments project to offer our increasing number of employee's appropriate accommodation. The project was completed in first quarter of 2010 and currently offers Air Arabia staff a total of 152 apartments.

### Information System Associates (ISA)

ISA Aviation or Information System Associates is a joint venture between Air Arabia and John Keells Holdings (JKH), Sri Lanka's largest conglomerate. The company was established in September 2003 and provides leading IT solutions in the aviation industry. ISA unique creation is the state of the art reservation system 'AccelAero' that is now used by many low cost airlines across the world. The company's impressive performance allowed it to develop additional innovative products such as AccelAero.RM, AccelAero.HM BRS and Cesar.

### Sharjah Aviation Services (SAS)

SAS or Sharjah Aviation Services is a joint venture between Air Arabia and the Sharjah Department of Civil Aviation. The company was launched in January 2007, in order to support the ongoing expansion of Sharjah Airport and became profitable after first year of operations. Sharjah Aviation Services delivers a comprehensive range of passenger, ramp and cargo handling services for airline operators and their customers at the airport.

### Alpha Flight Services

Alpha Flight Services is a joint venture company between Air Arabia and UK based Alpha Catering Group. The company was established in May 2007 to support and enhance the quality of on board catering needs. Alpha Catering Sharjah is now a profitable company that contributes to Air Arabia Group profits.



### Alpha Flight Academy

Another joint venture was accomplished in November 2007 with Alpha Aviation Group, a specialist global aviation training provider to launch a new multi-million dollar International Aviation Training Academy based in Sharjah. This agreement is helping Air Arabia meet its own internal needs for pilots to man its expanding aviation fleet.



### Cozmo Travel

Cozmo Travel, a UAE-based travel agency providing a wide range of innovative individual and corporate travel solutions. Cozmo Travel, a one-stop solutions provider, offers a comprehensive range of travel options, including VIP services such as access to its VIP service lounges, valet parking and other exclusive benefits. The company also provides flight bookings, car rental, ocean cruises, corporate solutions and visa processing services for UAE Nationals and residents.



### Air Arabia Maintenance Hangar

Inaugurated in October 2011 by HH Ruler of Sharjah, this state-of-the-art aircraft Hangar is located at Sharjah International Airport and has been designed to meet all the maintenance, repair and overhaul requirements of the entire Air Arabia fleet, while also servicing other airlines and aircrafts travelling through Sharjah International Airport. Currently staffed by 165 skilled professionals, the Air Arabia hangar is anticipated to employ 500 staff by 2017.

### Flight Simulator

This US\$10 million flight simulator was inaugurated by HH Ruler of Sharjah in October 2011, and is used to provide world-class flight training for up to 400 pilots per year – including Air Arabia and other regional and international carriers. Providing significant cost savings for the airline, the flight simulator also represents an investment in the long-term knowledge transfer capacities of Air Arabia and, more generally, the emirate of Sharjah.

# Strong growth

**Profitability** Air Arabia has generated strong profits for the year 2012 supported by an overall growth in the business reach. The carrier has been profitable since its first operational year. The consistency in maintaining solid profitability year-after-year is what makes Air Arabia such an appealing business. The increase in profitability always boosts the return on shareholders' investment.

**Cash Position** Air Arabia currently enjoys a strong balance sheet with over AED 1.33 Billion in cash. With the business growth and new aircrafts purchased every year, the total asset value of the airline is equally increasing. Access to cash and strong asset value makes Air Arabia financial status not only healthy but a solid one.

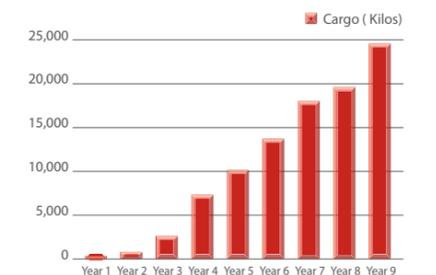
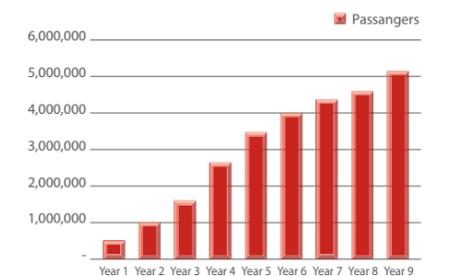
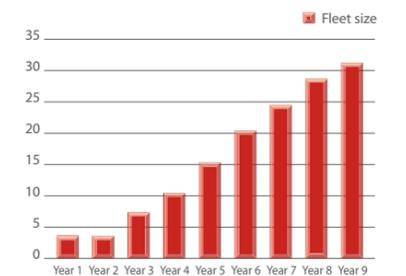
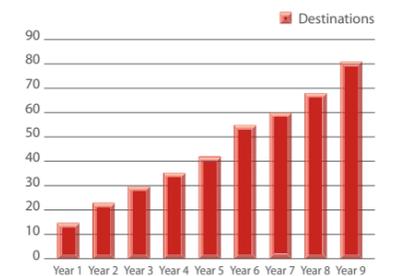
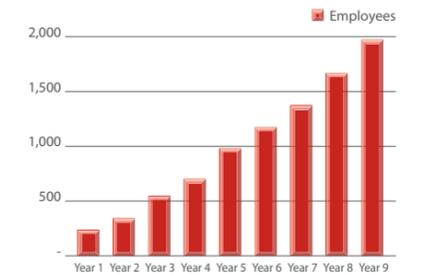
**Employee Strength** During 2012, Air Arabia's average employee strength increased by 20%, reaching close to 2000 employees from its operating bases in the UAE, Morocco and Egypt. Air Arabia's strongest asset remains its people.

**Network Growth** The year 2012 witnessed Air Arabia expand its global network to reach 82 destinations, entering over 9 new destinations while increasing frequency to many others. The route expansion will only continue as the airline receives more aircrafts in 2013.

**Fleet** Air Arabia received six new aircraft in 2012. Those yearly deliveries are part of the 44 aircraft order that the airline placed in 2007. Once completed in 2016, the overall fleet size is expected to double.

**Passenger Growth** Coupled with an impressive seat load factor of 82% registered for 2012, Air Arabia registered a 13% increase in its passenger traffic. The appeal for the value for money product remains very strong, especially with the ever growing network that the airline is introducing.

**Cargo** The cargo traffic has seen a major improvement in 2012 as the airline facilitated this part of the business with the needed distribution channels across its network. Air Arabia recorded an average increase of 25% in 2012 compared to the year before and carried over 24 thousand tonnes of cargo across its fleet.



# Value within reach

Air Arabia managed over the past nine years to create a unique business model that made it possible for a wide segment of the local and regional communities to use air travel more often. Through continuous market research and customer's feedback, the airline also managed to craft products that have, over the past years, added value to the overall travel journey which millions of passengers were able to benefit from. The airline has also managed to grow its ancillary revenues by 57% in 2012 compared to the year before.

In addition to the generous cabin seat configuration of 32 inches seat pitch that Air Arabia has equipped its entire fleet cabin with, the airline introduced 'Seat Selection' service that gives customers the choice to select their preferred seat at the time of booking and prior to their flight. The carrier also re-launched its Sky Café product in 2012 offering customers a coffee shop experience onboard its flights, with a new menu serving over 20 items as well as a dedicated online menu with more items for passengers who prefer to book their meals in advance. As a first for the aviation sector in the Arab world, an in-flight safety film developed by Air Arabia features a group of children briefing passengers about the on-board safety instructions. This unique movie has once again transformed what used to be a drone of instructions in the background to an attention-grabbing visual.

Air Arabia also introduced a new online pre-booked baggage policy in 2012, enabling passengers to pay for only the baggage weight they need. In addition, its 'Flexi-Fare' product continues to offer customers the chance to upgrade their booking to be more flexible when they book their tickets. The online check in that was only available from Sharjah airport has, in 2012, been extended to cover

the entire Air Arabia network, making traveling with Air Arabia not only efficient but also seamless and time saving. In addition to that, Air Arabia also revised the timings of its daily and regular bus service 'Air Arabia Express' with regular shuttle services between the City of Dubai and Sharjah Airport and has made this service available online to be booked along with the ticket.

Moreover, the year 2012 has also seen Air Arabia launch its first "City Terminal Check-in" in Dubai. The facility in the Lamcy Plaza shopping mall is Air Arabia's first check-in service outside of an airport and offers increased convenience for passengers travelling from Dubai.

Air Arabia's partnership with AIG fruitfully continued through with its unique Travel Insurance product that is offered to customers looking to enjoy peace of mind while traveling. Travel Secure has become a valuable product to thousands of customers who are looking to maximize the value of their journey.

Air Arabia also offers value for money options on land with its unique budget holidays product. Holiday packages are offered at extremely affordable prices and optionally include a large network of hotel and car rental selections that guarantee best deals to its customers, available with one click on Air Arabia's website.

Finding value in every dirham spent is what Air Arabia is all about. All ancillary products are optional to customers who choose to add more convenience to their journey at a minimal cost.

# 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 six new aircrafts in 2012. Thus, Air Arabia has taken delivery of 14 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.

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, while also servicing other airlines and aircrafts travelling through Sharjah International Airport. Currently staffed by 165 skilled professionals, the Air Arabia hangar is anticipated to employ many more in the near future.

Matching the solid investments made to support growth in fleet size, the carrier maintained its world breaking record for the sixth consecutive year in 2012 – by achieving the highest level of A320 family aircraft utilisation in the world, with 99.8 per cent operational reliability.



# More places to call home

Air Arabia's ambitious network expansion strategy was central to the significant growth in passenger numbers witnessed in 2012. Air Arabia added nine new routes from its main hub at Sharjah International Airport to Ufa, Kazan and Rostov in Russia; Odessa in Ukraine; Taif in KSA; Salalah in Oman; Erbil and Basra in Iraq; Astana in Kazakhstan. The growth pattern from the carrier's main hub has been expanded to over 59 airports with special focus to the Russian Federation and CIS region.

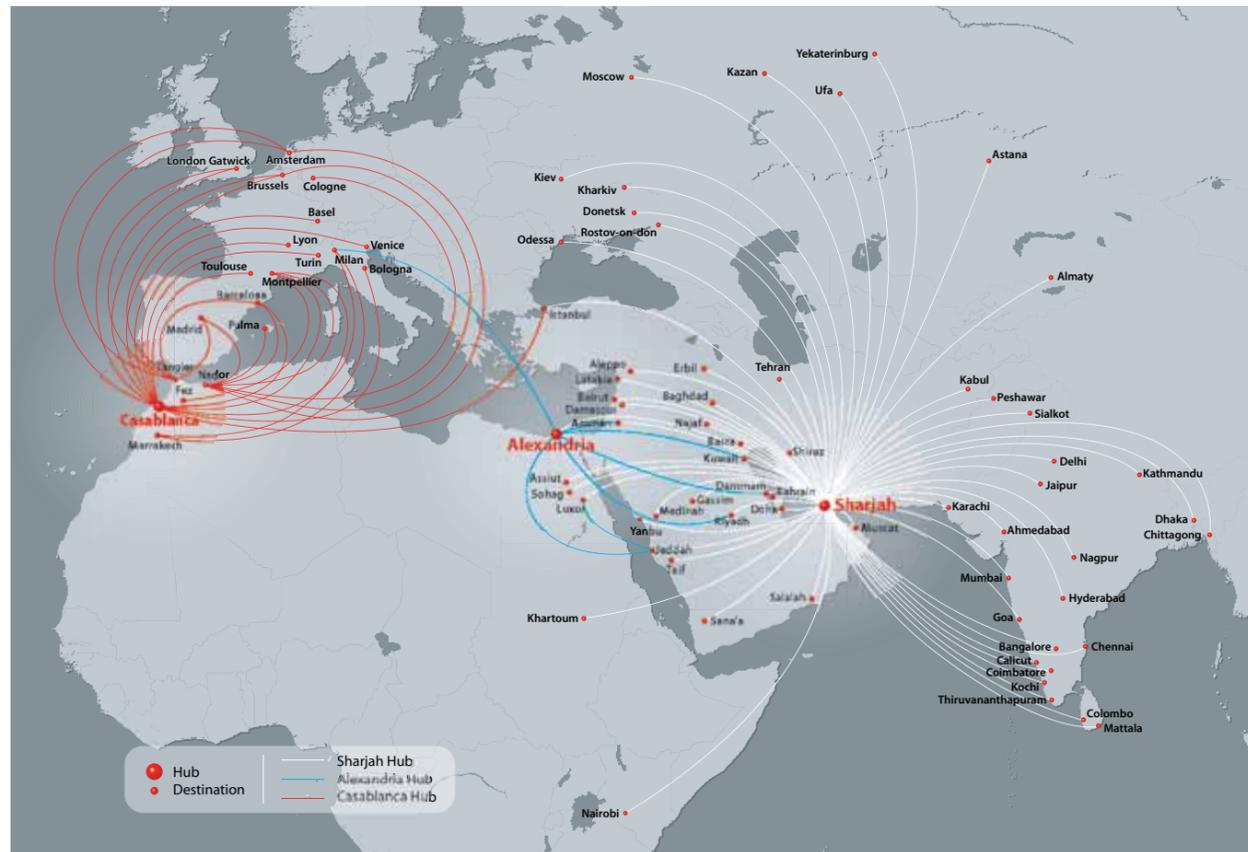
Air Arabia Maroc has also strengthened its position into Europe by introducing set of new routes that offer great connectivity between various Cities in Morocco and Europe. The carrier launched services between Montpellier and the

city of Marrakech; Toulouse and the city of Casablanca; Madrid and the cities of Tangier and Nador; London and the cities of Tangier and Casablanca; Milan and the cities of Marrakech and Rabat; Bologna and the city of Casablanca; Alexandria and the city of Casablanca; Basel and the city of Nador; Palma de Majorca and the city of Nador.

Air Arabia Egypt maintained its regular operations by serving five cities across Saudi, Kuwait, Jordan and Italy. The carrier will further invest in increasing its reach at the right time.

In 2012, Air Arabia's global network crossed the 82 destinations mark operating from three strategic hubs in UAE, Morocco and Egypt.

## Network Map



# Financial results



## Report of the independent auditor on the summary consolidated financial statements

### Board of Directors Air Arabia P.J.S.C. and Subsidiaries

The accompanying summarised consolidated financial statements, which comprise the summary consolidated statement of financial position as at 31 December 2012, the summary consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of **Air Arabia P.J.S.C. (Air Arabia) ("the Company") and Subsidiaries (together the "Group")**, Sharjah, United Arab Emirates for the year ended 31 December 2012. We expressed an unmodified audit opinion on those consolidated financial statements in our audit report dated 14 February 2013.

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of Air Arabia P.J.S.C. (Air Arabia) and Subsidiaries.

### Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of a summary of the audited consolidated financial statements.

### Auditor's Responsibility

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

### Opinion

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of Air Arabia P.J.S.C. (Air Arabia) and Subsidiaries, Sharjah, United Arab Emirates for the year ended 31 December 2012 are consistent, in all material respects, with those consolidated financial statements.

Deloitte & Touche (M.E.)

Samir Madbak  
Registration No. 386  
14 February 2013

## Summary consolidated statement of financial position At 31 December 2012

	2012 AED'000	2011 AED'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property and equipment	3,301,569	2,423,132
Advance for new aircraft	649,800	596,935
Investment properties	163,647	164,397
Intangible assets	1,092,347	1,092,347
Goodwill	189,474	189,474
Deferred charges	5,116	11,088
Aircraft lease deposits	15,809	28,733
Available-for-sale investments	738,779	733,021
Trade and other receivables	16,292	2,566
<b>Total non-current assets</b>	<b>6,172,833</b>	<b>5,241,693</b>
<b>Current assets</b>		
Inventories	11,571	9,092
Due from related parties	68,660	102,329
Trade and other receivables	462,129	416,200
Bank balances and cash	1,329,752	1,344,900
<b>Total current assets</b>	<b>1,872,112</b>	<b>1,872,521</b>
<b>Total assets</b>	<b>8,044,945</b>	<b>7,114,214</b>

## Summary consolidated statement of financial position At 31 December 2012 *(continued)*

	2012 AED'000	2011 AED'000
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Share capital	4,666,700	4,666,700
Statutory reserve	222,337	180,382
General reserve	165,560	180,382
Cumulative change in fair values	38,672	(9,834)
Retained earnings	335,669	223,255
Equity attributable to owners of the Company	5,428,938	5,240,885
Non-controlling interests	11,705	8,552
<b>Total equity</b>	<b>5,440,643</b>	<b>5,249,437</b>
<b>Non-current liabilities</b>		
Provision for employees' end of service indemnity	45,058	36,987
Trade and other payables	48,232	42,425
Finance lease liabilities	1,259,443	865,165
Murabaha payable	-	32,285
<b>Total non-current liabilities</b>	<b>1,352,733</b>	<b>976,862</b>
<b>Current liabilities</b>		
Due to a related party	1,074	22,576
Deferred income	188,560	157,300
Trade and other payables	951,640	606,858
Finance lease liabilities	110,295	68,896
Murabaha payable	-	32,285
<b>Total current liabilities</b>	<b>1,251,569</b>	<b>887,915</b>
<b>Total liabilities</b>	<b>2,604,302</b>	<b>1,864,777</b>
<b>Total equity and liabilities</b>	<b>8,044,945</b>	<b>7,114,214</b>

## Summary consolidated statement of income for the year ended 31 December 2012

	2012 AED'000	2011 AED'000
Revenue	2,942,428	2,434,660
Direct costs	(2,418,412)	(2,112,004)
<b>Gross profit</b>	<b>524,016</b>	<b>322,656</b>
Selling and marketing expenses	(45,413)	(32,889)
General and administrative expenses	(125,261)	(105,561)
Profit on deposits	57,616	71,553
Finance costs	(34,718)	(20,941)
Other income	48,570	39,035
<b>Profit for the year</b>	<b>424,810</b>	<b>273,853</b>
<b>Attributable to:</b>		
Owners of the Company	419,549	269,071
Non-controlling interests	5,261	4,782
	424,810	273,853
<b>Basic earnings per share</b>	<b>0.09</b>	<b>0.06</b>

## Summary consolidated statement of comprehensive income for the year ended 31 December 2012

	2012 AED'000	2011 AED'000
<b>Profit for the year</b>	<b>424,810</b>	<b>273,853</b>
<b>Other comprehensive income/(loss)</b>		
Gain/(loss) on revaluation of available-for-sale investments	49,407	(23,634)
Reclassification adjustment relating to available-for-sale investments impaired included in profit and loss	4,800	-
Transfer to consolidated statement of income on sale of available-for-sale investments	(5,701)	-
Board of Directors' remuneration	-	(1,925)
<b>Total other comprehensive income/(loss)</b>	<b>48,506</b>	<b>(25,559)</b>
<b>Total comprehensive income for the year</b>	<b>473,316</b>	<b>248,294</b>
<b>Attributable to:</b>		
Owners of the Company	468,055	243,512
Non-controlling interests	5,261	4,782
	473,316	248,294

## Summary consolidated statement of changes in equity for the year ended 31 December 2012

## Summary consolidated statement of changes in equity for the year ended 31 December 2012

	Share capital AED'000	Statutory reserve AED'000	General reserve AED'000		Cumulative change in fair values AED'000	Retained earnings AED'000	Attributable to owners of the company AED'000	Non-controlling interests AED'000	Total AED'000
Balance at 31 December 2010	4,666,700	153,475	153,475		13,800	383,259	5,370,709	6,220	5,376,929
Profit for the year	-	-	-		-	269,071	269,071	4,782	273,853
Other comprehensive loss for the year	-	-	-		(23,634)	(1,925)	(25,559)	-	(25,559)
Total comprehensive income for the year	-	-	-		(23,634)	267,146	243,512	4,782	248,294
Transfer to reserves	-	26,907	26,907		-	(53,814)	-	-	-
Dividend paid	-	-	-		-	(373,336)	(373,336)	(2,450)	(375,786)
Balance at 31 December 2011	4,666,700	180,382	180,382		(9,834)	223,255	5,240,885	8,552	5,249,437
Profit for the year	-	-	-		-	419,549	419,549	5,261	424,810
Other comprehensive income for the year	-	-	-		48,506	-	48,506	-	48,506
Total comprehensive income for the year	-	-	-		48,506	419,549	468,055	5,261	473,316
Transfer to retained earnings	-	-	(56,777)		-	56,777	-	-	-
Transfer to reserves	-	41,955	41,955		-	(83,910)	-	-	-
Increase in non-controlling interests	-	-	-		-	-	-	342	342
Dividend paid	-	-	-		-	(280,002)	(280,002)	(2,450)	(282,452)
<b>Balance at 31 December 2012</b>	<b>4,666,700</b>	<b>222,337</b>	<b>165,560</b>		<b>38,672</b>	<b>335,669</b>	<b>5,428,938</b>	<b>11,705</b>	<b>5,440,643</b>

## Summary consolidated statement of cash flows for the year ended 31 December 2012

	2012 AED'000	2011 AED'000
<b>Cash flows from operating activities</b>		
Profit for the year	424,810	273,853
Adjustment for:		
Depreciation of property and equipment	166,118	104,316
Depreciation of investment property	750	750
Amortisation of deferred charges	6,314	7,575
Provision for employees' end of service indemnity	11,325	11,275
Impairment losses on available-for-sale investments	4,800	-
Unrealised (gain)/loss on derivative financial instruments	(13,785)	6,621
Share of net losses from associates	26,684	5,801
Allowance made during the year	406	1,078
Amounts recovered during the year	(149)	(170)
Profit on deposits	(57,616)	(71,553)
Dividend income	(34,894)	-
Rental income	(7,118)	(5,826)
Gain on disposal of available-for-sale investments	(5,701)	-
Finance costs	34,718	20,941
<b>Operating cash flow before changes in operating assets &amp; liabilities</b>	<b>556,662</b>	<b>354,661</b>
Increase in margin deposits	(175)	(855)
Increase in trade and other receivables	(41,180)	(109,993)
Increase in inventories	(2,479)	(2,655)
Decrease/(increase) in due from related parties	33,669	(73,894)
Decrease in aircraft lease deposits	12,924	5,483
Increase in trade and other payables	345,021	32,070
Increase in deferred income	31,260	8,740
(Decrease)/increase in due to a related party	(21,502)	9,228
<b>Cash generated by operating activities</b>	<b>914,200</b>	<b>222,785</b>
Employees' end of service indemnity paid	(3,254)	(3,561)
Interest paid	(28,350)	(17,297)
<b>Net cash from operating activities</b>	<b>882,596</b>	<b>201,927</b>

## Summary consolidated statement of cash flows for the year ended 31 December 2012 *(continued)*

	2012 AED'000	2011 AED'000
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(288,367)	(92,470)
Proceeds from disposal of property and equipment	491	139
Proceeds from disposal of available-for-sale-investments	43,649	-
Increase in advance for new aircraft	(295,664)	(186,761)
Increase in deferred charges	(342)	(621)
Payments for investment in associates	(26,684)	(5,801)
Purchase of available-for-sale investments	-	(260)
Increase in fixed deposits	(40,554)	(166,849)
Dividend received	34,894	-
Rental income	7,118	5,826
Profit on deposits received	52,669	52,694
<b>Net cash used in investing activities</b>	<b>(512,790)</b>	<b>(394,103)</b>
<b>Cash flows from financing activities</b>		
Decrease in other payables	(800)	(518)
Increase in non-controlling interests	342	-
Dividend paid	(280,002)	(373,336)
Dividend paid to non-controlling interests	(2,450)	(2,450)
Board of Directors' remuneration	-	(1,925)
Repayment of finance lease obligations	(78,203)	(32,906)
Repayment of murabaha payable	(64,570)	(64,056)
<b>Net cash used in financing activities</b>	<b>(425,683)</b>	<b>(475,191)</b>
Net decrease in cash and cash equivalents	(55,877)	(667,367)
Cash and cash equivalents at the beginning of the year	171,162	838,529
<b>Cash and cash equivalents at the end of the year</b>	<b>115,285</b>	<b>171,162</b>

The following transactions are not reflected in the summary consolidated statement of cash flows as these are non-cash transactions.

- Advance paid for purchase of aircraft amounting to AED 242,799 thousand (2011: AED 183,039 thousand) has been adjusted with the purchase of six aircraft.
- Obligations under finance lease against four (2011: six) aircraft obtained during the year.

## Notes to the summary consolidated financial statements for the year ended 31 December 2012

### 1. General information

Air Arabia P.J.S.C. (Air Arabia) - Sharjah (the "Company") was incorporated on June 19, 2007 as a Public Joint Stock Company in accordance with UAE Federal Law No. 8 of 1984 (as amended). The Company operates in the United Arab Emirates under a trade license issued by the Economic Development Department of the Government of Sharjah and Air Operator's Certificate Number AC 2 issued by the General Civil Aviation Authority, United Arab Emirates. The "Group" comprises Air Arabia P.J.S.C. (Air Arabia) and its Subsidiaries.

The Company's ordinary shares are listed on the Dubai Financial Market, United Arab Emirates.

The Company is domiciled in the United Arab Emirates and the registered office address is P.O. Box 8, Sharjah, United Arab Emirates.

The licensed activities of the Company and its subsidiaries (together referred to as the "Group") are international commercial air transportation, aircraft trading, aircraft rental, aircraft rent, aircraft spare parts trading, travel and tourist agencies, hotels, hotel apartment rentals, airlines companies representative office, passengers transport, cargo services, air cargo agents, documents transfer services, telecommunications devices trading, aviation training and aircraft repairs and maintenance.

### 2. Accounting policies

The accounting policies followed by the Group are included in the consolidated financial statements in Note 3. These summary consolidated financial statements should be read in conjunction with the Group's audited consolidated financial statements for year ended 31 December 2012.

### 3. Intangible assets

Intangible assets arising out of acquisition of Air Arabia L.L.C. (Air Arabia), determined by independent valuer is as follows:

	2012 AED'000	2011 AED'000
Trade name	395,410	395,410
Landing rights	468,273	468,273
Price benefit from related parties	180,281	180,281
Handling licence - Sharjah Aviation Services	48,383	48,383
	<b>1,092,347</b>	<b>1,092,347</b>

## Notes to the summary consolidated financial statements for the year ended 31 December 2012 *(continued)*

### 3. Intangible assets *(continued)*

The useful lives of intangible assets have been estimated to be indefinite by the independent valuer.

During the year intangible assets were subject to impairment test similar to goodwill and management has concluded based on the independent valuer's report that intangible assets are unlikely to be impaired for the reporting period.

### 4. Goodwill

Goodwill arising out of acquisition of Air Arabia L.L.C. (Air Arabia), determined by an independent valuer is as follows:

	2012 AED'000	2011 AED'000
Total fair value of Air Arabia Company L.L.C. (Air Arabia)	1,400,000	1,400,000
Fair value of intangible assets	(1,092,347)	(1,092,347)
Fair value of tangible assets (net)	(118,179)	(118,179)
	<b>189,474</b>	<b>189,474</b>

During the year, the Group has performed the impairment test on goodwill through an independent valuer. The recoverable amount of cash-generating unit for impairment test has been determined using value in use calculation. For calculation purpose management approved cash flow projections for 5 year period from 2013-2017 and a discount rate between 9.8% to 10.3% per annum has been considered.

Cash flow projections during the budget period are based on the same expected gross margins throughout the budget period. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit. Based on the results of impairment test performed it is unlikely that underlying goodwill will be impaired.

### 5. Available-for-sale investments

	2011 AED'000	2010 AED'000
Quoted	7,312	6,254
Unquoted	731,467	726,767
	<b>738,779</b>	<b>733,021</b>
In U.A.E.	371,464	365,706
In other G.C.C. countries	367,315	367,315
	<b>738,779</b>	<b>733,021</b>

## Notes to the summary consolidated financial statements for the year ended 31 December 2012 *(continued)*

### 5. Available-for-sale investments *(continued)*

Movement during the year were as follows:

	2012 AED'000	2011 AED'000
Fair value, at the beginning of the year	733,021	756,395
Purchases during the year	-	260
Disposed during the year	(43,649)	-
Change in fair value	49,407	(23,634)
<b>Fair value, at the end of the year</b>	<b>738,779</b>	<b>733,021</b>

The market rate as at 31 December 2012 is considered for the calculation of the fair value of the available-for-sale investments that are quoted in the stock exchange.

### 6. Bank balances and cash

	2012 AED'000	2011 AED'000
Bank balances:		
Current accounts	97,210	144,516
Call deposits	16,515	25,294
Fixed deposits	1,212,037	1,171,483
Margin deposits	2,430	2,255
<b>Total bank balances</b>	<b>1,328,192</b>	<b>1,343,548</b>
<b>Cash on hand</b>	<b>1,560</b>	<b>1,352</b>
Total bank balances and cash	1,329,752	1,344,900
Less: Fixed deposits with maturity over 3 months	(1,212,037)	(1,171,483)
Margin deposits	(2,430)	(2,255)
<b>Total cash and cash equivalents</b>	<b>115,285</b>	<b>171,162</b>
Bank balances:		
In U.A.E.	1,309,061	1,300,090
In other countries	19,131	43,458
<b>Total bank balances</b>	<b>1,328,192</b>	<b>1,343,548</b>

Margin deposits are held by a bank against letter of guarantee.

## Notes to the summary consolidated financial statements for the year ended 31 December 2012 *(continued)*

### 7. Finance lease liabilities

The Group has entered into a leasing arrangement with a leasing company to finance the purchase of twelve aircrafts (2011: eight). The terms of the leases are 12 years and payments due under lease agreement are as follows:

	Minimum lease payment		Present value of minimum lease payment	
	2012 AED'000	2011 AED'000	2012 AED'000	2011 AED'000
Not later than one year	147,904	96,451	110,295	68,896
Later than one year but not later than five year	586,286	385,810	467,701	297,729
Later than five years	862,562	627,070	791,742	567,436
	1,596,752	1,109,331	1,369,738	934,061
Less : Future finance costs	(227,014)	(175,270)	-	-
<b>Present value of minimum lease payments</b>	<b>1,369,738</b>	<b>934,061</b>	<b>1,369,738</b>	<b>934,061</b>

The finance charges will be calculated based on 2.6% (2011: 3.2%).

Included in the summary consolidated financial statements as:

Current portion of finance lease liabilities	110,295	68,896
Non-current portion of finance lease liabilities	1,259,443	865,165
	<b>1,369,738</b>	<b>934,061</b>

The finance lease liabilities are secured by the twelve (2011: eight) aircraft leased.

The lease agreements are subject to certain financial and operational covenants including compliance to various regulations, restrictions on subleasing, insurance coverage and maintenance of total debt to equity ratio.

## Notes to the summary consolidated financial statements for the year ended 31 December 2012 *(continued)*

### 8. Revenue

	2012 AED'000	2011 AED'000
Passenger revenue	2,561,037	2,192,788
Baggage revenue	39,658	33,607
Cargo revenue	62,435	53,251
Service revenue	31,634	21,669
Catering revenue	33,079	32,366
Flight handling revenue	33,146	34,211
Cargo handling revenue	32,368	31,833
Passenger services	10,801	10,605
Other operating income	119,191	32,078
Revenue from hotel operations	57,371	23,435
Sales commission and expenses	(38,292)	(31,183)
	<b>2,942,428</b>	<b>2,434,660</b>

### 9. Basic earnings per share

	2012	2011
Profit for the year (in AED '000)	419,549	269,071
Number of shares (in thousand)	4,666,700	4,666,700
Basic earnings per share (AED)	<b>0.09</b>	<b>0.06</b>

Basic earnings per share have been calculated by dividing the profit for the year by the number of shares outstanding as at the reporting date.

### 10. Operating lease arrangements

The fixed lease commitments against 15 (2011: 18) delivered aircraft were as follows:

	2012 AED'000	2011 AED'000
Within one year	179,022	248,465
In the second to fifth years inclusive	175,066	354,087
	<b>354,088</b>	<b>602,552</b>

## Notes to the summary consolidated financial statements for the year ended 31 December 2012 *(continued)*

### 11. Contingent liabilities

	2012 AED'000	2011 AED'000
Letters of credit	70,984	64,147
Letters of guarantee	18,042	13,944

Letters of credit mainly comprise letters of credit issued to lessors of aircraft in lieu of placing deposits against leased aircraft.

### 12. Capital commitments

12.1 The Group has entered into the following capital commitments:

	2011 AED'000	2010 AED'000
<b>12.1.1 Authorised and contracted:</b>		
Aircraft fleet (Note 12.2)	7,162,794	10,373,714
Others	2,105	23,638
	<b>7,164,899</b>	<b>10,397,352</b>
<b>12.1.2 Authorised but not contracted:</b>		
Aircraft fleet (Note 12.2)	1,422,807	1,422,807

### 12.2 Aircraft fleet

The Group has entered into a contract with Airbus S.A.S. for the purchase of 34 Airbus A320 aircraft and there was an option in the contract to purchase 15 aircraft from Airbus, out of which, the Group has exercised the option of purchasing 10 aircraft. The total value of the 30 aircraft order was approximately USD 2.1 billion (AED: 7.8 billion) (31 December 2011: 36 aircrafts, USD 2.9 billion (AED 11 billion)) at list prices subject to adjustment in accordance with the Airbus price revision formula. As per the contract, 20% of the purchase price of 30 (2011: 36) aircraft is payable over the next four years, with the balance being due on delivery.

### 13. Dividend

During 2012, a dividend of AED 6 fils per share (2011: AED 8 fils) was paid to the Shareholders.

The Directors propose that a dividend of AED 326,669,000, AED 7 fils per share (2011: AED 280,002,000, AED 6 fils per share) will be paid to the Shareholders in 2013. This dividend is subject to approval by the Shareholders at the Annual General Meeting and has not been included as a liability in these summary consolidated financial statements.