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# ANNUAL REPORT 2016





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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“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

Dear Shareholders,

It gives us great pride to say that 2016 was another year of success and has seen Air Arabia achieving new accomplishments across all businesses within the Group. In accordance with the vision of His Highness Sheikh Dr. Sultan Bin Mohammad Al Qasimi, 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 business growth, customer service and bringing solid and sustainable returns on investment to you, our shareholders.

Economic challenges and political troubles that we talked about in last year's AGM continued throughout 2016. Trading conditions remained challenging for the global aviation market as the economic and political uncertainty continued to impact the industry. We have seen vigilant fiscal markets, weakening currencies and political instability impacting airlines performance. Despite all challenges, Air Arabia recorded solid full year results driven by growth, efficient operations and tight cost controls.

The most notable trend that 2016 has seen is the deteriorating yield margins that the aviation industry in general and the Middle East region in particular have witnessed. It is no secret that political and economic uncertainty does impact the global air travel. We have seen the industry continues to be pressured as a result of a slow growth economic environment across key markets. The Eurozone, Eastern Europe and parts of the Middle East have seen their currencies devalue. The Egyptian pound has lost double its value in one year impacting the economy and foreign trade as well as our operation in Egypt. Major economies across the globe are now on a tough austerity measures as a result of deteriorating fiscal position. The impact of lower oil price continued to pressure the Middle East regional economy. In GCC, lower subsidies and a sizeable reduction in government expenditures took their toll on non-oil activities. Economic dynamics in Levant region (Lebanon, Jordan & Turkey) continued

to be limited by spillovers from regional wars. We always say that all the markets that we have seen stop due to political wars will come back one day and we are confident that when they do, we will see tremendous growth from these markets.

The Middle East region remains the fastest growing aviation market in the world and we are confident of its long term prospects. While we have seen the Middle East passenger traffic growth score the highest in the world as a result of more people traveling, the overall industry yield margins continued to drop dramatically in 2016. Another major contributor to the drop in yield margins is the regional overcapacity that has been deployed by all airlines. Aircraft orders and current capacity are exceeding growth projections and as a result driving yield margins lower. Another concern we always highlight is the rise in airport taxes and charges across the region. This is making the industry more expensive because eventually, airlines end up absorbing these extra charges. While all these challenges continue to impose pressure to our daily operation, we have managed to record another strong year of growth and profitability.

2016 saw Air Arabia adding 9 new routes to its global network from its five operating hubs in the UAE, Morocco, Egypt and Jordan. We took delivery of 7 new aircraft and ended the year with a fleet of 46 Airbus A320 aircraft operating to 124 routes across the Middle East, Africa, Asia and Europe. We have launched new flights to Sarajevo (Bosnia and Herzegovina) and to Batumi (Georgia) from our main base in Sharjah, UAE. Our second base in Morocco continued to witness solid organic growth and we have managed to launch new flights from Fez to Toulouse and Bordeaux in France; Tangier to Malaga in Spain and Paris in France; and from Marrakesh to Pau in France. Air Arabia Maroc currently serves a growing network in Europe from five Moroccan Airports. Our newly established hub in Jordan has seen us also adding a new route between Amman and Riyadh in Kingdom of Saudi Arabia signaling positive prospects for growth from Jordan. Among the many

recognitions that we received in 2016 was being ranked the 3rd among top 50 airlines in the world by Airfinance Journal. We are proud of such recognitions as it cements our position on the global scene as well as the Arab's world preferred airline of choice. Air Arabia's growth in 2016 was supported by a strong 12% increase in passenger traffic carrying over 8.4 million customers. We are proud to say that Air Arabia can now fly you to over 124 destinations across the globe. 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 7 brand new Airbus A320 aircraft as well as confirmed options for five Airbus A320s. In addition, our supporting businesses continue to increase their contribution to the Group's bottom-line. We are proud to say that all our group companies are profitable providing positive financial contribution as well as the needed support and quality to our growing operations. We foresee continued growth in return on investment from those businesses along with the ongoing growth of the parent company.

During last year's Annual General Meeting, the Board proposition of a 9% 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 recorded a net profit of AED 509 million for 2016 while

revenues reached AED3.8 billion, demonstrating the continued profitability and the efficiency of Air Arabia's business model. Despite a strong full year financial record, we have seen the fourth quarter 2016 reporting a net loss of AED 33 million even though we have seen Air Arabia maintaining average seat load factor of 80% during the last quarter and an increase of 6% in passenger traffic. The solid operating metrics and high seat load factor that Air Arabia achieved in the fourth quarter were impacted by continuous drop in yield margins as a result of the overcapacity deployed in the market and the slow growth environment in major economic hubs. We believe that the current market conditions are temporarily and we expect the market to correct itself in the near future. We remain highly confident of the long term prospects of the regional aviation market and we will continue to drive our business by a clear strategy for organic growth and supported by strong measures to continue driving operating expenses lower.

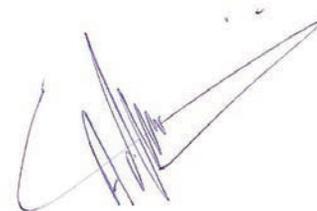
Finally, we would like to close by expressing gratitude to all our employees for their continuous dedication and hard work and to the 65 million customers who chose to fly Air Arabia since our first flight; and as always to shareholders for your continued support.

Yours Sincerely,



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**Abdullah Bin Mohammed Al Thani**  
Chairman



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

## 3 THE YEAR 2016 IN REVIEW

A circular icon representing the first quarter (Q1) of the year. It is a light gray circle with a red wedge-shaped slice on the top-left side. The letters 'Q1' are written in white inside the red slice.

- Air Arabia selects TRU Simulation + Training to produce A320 full flight simulator
- Air Arabia extends Lufthansa Systems flight planning software agreement at Bahrain International Air Show
- Air Arabia announces 2015 net profit of AED 531 million
- Air Arabia takes off to Sarajevo
- Air Arabia approves 9% per cent cash dividend at its Annual General Meeting
- Air Arabia Maroc launches direct flights from Fez to Toulouse, France

A circular icon representing the second quarter (Q2) of the year. It is a light gray circle with a red wedge-shaped slice on the top-right side. The letters 'Q2' are written in white inside the red slice.

- Air Arabia Maroc launches direct flights from Marrakesh to Pau, France
- Air Arabia's second Sharjah City Check-in opens to passengers
- Air Arabia Jordan's new Riyadh flight touches down
- Air Arabia named 'Best Low-cost Airline Serving the Middle East' at Business Traveler Middle East Awards 2016
- Air Arabia reports strong first quarter net profit of AED114 million, up 34%



## Q3

- Air Arabia Maroc introduces online check-in for passengers traveling from Casablanca
- Air Arabia expands its European route network with the launch of new seasonal services to Batumi from Sharjah
- Air Arabia launches EMI payment options for Indian travelers
- Air Arabia reports net profit of AED 245 million in first half of 2016, an increase of 3.5 per cent
- Air Arabia Group Chief Executive Officer named 'Airline CEO of the Year'
- Air Arabia Maroc launches flights from Casablanca to Catania in Italy



## Q4

- Air Arabia wins 'Best Value Leisure Product Award' at Travel Trade Fair Pune
- Air Arabia ranked 3rd among top 50 airlines in the world by Airfinance Journal
- Air Arabia Maroc launches a new sales shop in Fez, marking the 5th shop in Morocco
- Air Arabia expands its route network by announcing new services to Baku to start in 2017
- Air Arabia named 'Low Cost Airline of the Year' at Aviation Business Awards 2016
- Air Arabia's 'Charity Cloud' Program Wins 'Corporate Social Responsibility Initiative of the Year' Award
- Air Arabia posts strong third quarter net profit of AED 297 million, up 26%
- Air Arabia confirms options for five Airbus A320s
- Air Arabia Maroc welcomes new aircraft to its fleet based in Tangier
- Air Arabia Maroc launches direct flights from Fez and Tangier to Bordeaux and Paris in France as well as Malaga in Spain



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 at 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 various countries across Air Arabia's network.

In 2016, Air Arabia continued to encourage staff to get involved in CSR activities and initiated projects to this effect. In a bid to improve existing services and assist those in need, Charity Cloud undertook a number of projects in 2016. In a bid to raise awareness about the 5757 children's cancer hospital in Egypt; a group of Air Arabia Egypt employees participated in a marathon. In addition to that volunteers from various departments at Air Arabia Maroc visited the SOS

children's village in Morocco. The visit was aimed to assist in providing new clothing and necessities.

Apart from the health and educational projects across the region, Charity Cloud has also partnered with other social initiatives such as the Sharjah City for Humanitarian Services with the aim of making the lives of people with disability easier. Air Arabia is keen to ensure that special needs - assistance is always provided at airports and during travel.

Finally, as an effort towards contributing to and preserving the environment, Air Arabia has adopted a policy of adding only brand new aircraft to its 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 green environment.



## Projects completed in 2016 include:

Staff visit and donation by Air Arabia Maroc staff to the SOS Children village	Morocco
New charity cloud children's clinic	Bangladesh
New charity cloud rehabilitation centre for woman	Srilanka
New charity cloud dialysis center	Egypt
Educational training Center	Bangladesh
Children's Garden renovation project in Sarajevo	Bosnia and Herzegovina
Buying new fishing boats	Sudan
Assisting widowed women by distributing necessities in Nador	Morocco
New charity cloud children's school in Sohag	Egypt
Staff participation in an awareness marathon for the 57357 children cancer hospital.	Egypt
Water system renovation	Bosnia and Herzegovina
Medical awareness campaign	Sudan
School bags distribution	Sultanate of Oman



Air Arabia continues to be recognized, locally and internationally, for its strong performance and community efforts.

### Awards in 2016



Air Arabia named 'Best Low-cost Airline Serving the Middle East' at Business Traveler Middle East Awards 2016



Air Arabia Group Chief Executive Officer named 'Airline CEO of the Year' at the 10th CEO Middle East Awards 2016



Air Arabia wins 'Best Value Leisure Product Award' at Travel Trade Fair Pune

TOP 3

Air Arabia ranked 3rd among top 50 airlines in the world



Air Arabia's 'Charity Cloud' Program Wins 'Corporate Social Responsibility Initiative of the Year' Award



Air Arabia awarded best low cost airline in the Middle East

## STATISTICAL HIGHLIGHTS

6

**AED 12 billion**

is what Air Arabia's total assets are today!

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**124 routes**

is Air Arabia's global reach in just a decade!

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**5 hubs**

is Air Arabia's growing foot print based in the UAE, Morocco, Egypt and Jordan!

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**AED 509 million**

is Air Arabia's net profit for the year 2016!

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**65 million**

passengers carried to date..and still counting!

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**46 aircraft**

is what Air Arabia's fleet currently consists of!

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**AED 3 billion**

is the total dividend distributed to our shareholders to date!

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# AIR ARABIA GROUP

Air Arabia (PJSC), listed on the Dubai Financial Market and traded under ticker symbol (DFM:AIRARABIA) is a holding company with assets worth over AED 12 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 operates from five international hubs in Sharjah International Airport, UAE; Ras Al Khaimah International Airport, UAE; Mohamed V International Airport in Morocco; Burj Al Arab International Airport in Alexandria, Egypt; and Queen Alia International Airport in Jordan, Amman.



## Airlines

- Air Arabia (UAE)
- Air Arabia (Maroc)
- Air Arabia (Egypt)
- Air Arabia (Jordan)



## Ground Handling & MRO

- Air Arabia Engineering
- Sharjah Aviation Services (SAS)



## Flight Operations

- Air Arabia Simulator
- Alpha Aviation Academy



## Hospitality

- Centro Sharjah Hotel
- Radisson Blu - Dubai Marina
- Alpha Flight Services
- Action Hospitality



## Tourism

- Cozmo Travel



## Information Technology

- Information Systems Associates - (ISA)



Air Arabia operates one of the youngest fleets in the world comprised entirely of Airbus A320 aircraft. The carrier has ended the year by receiving 7 new aircraft in 2016, and thus has a total of 46 aircraft in its fleet. This means that Air Arabia has taken delivery of 42 out of the 44 A320 aircraft ordered back in 2007.

The delivery of the entire order will be completed by 2017. We have also confirmed options for five Airbus A320s to plan our fleet growth needed for 2017 and beyond. Air Arabia's fleet growth will exceed 50 aircraft next year which is in line with the fleet growth strategy that Air Arabia has put in place 10 years ago.



# BRINGING THE WORLD CLOSER

Air Arabia's ambitious network expansion strategy was central to the significant growth in the passenger numbers witnessed in 2016.

Air Arabia added two new routes from its main hub at Sharjah International Airport to Sarajevo, in Bosnia and Herzegovina; and to Batumi in Georgia.

Air Arabia Maroc added six new routes from Fez, Tangier and Marrakesh. From Fez to: Toulouse, Paris and Bordeaux in France. From Tangier to: Malaga, in Spain; and Paris, in France. From Marrakesh to: Pau, in France.

Air Arabia Jordan added one new route from its hub in Amman to Riyadh, in the Kingdom of Saudi Arabia.





In line with its efforts to take lead on industry challenges and educate all aviation stakeholders on the opportunities that exist, Air Arabia supported the 6th edition of the Arab Aviation Summit (AAS), bringing together aviation professionals and enthusiasts from all over the Arab world.

Described as the 'voice of the industry,' the summit is an industry initiative launched in 2011 and is organized on an annual basis in collaboration with aviation and tourism leaders, government entities, media heavyweights and other well-entrenched organizations, to lead the discussion on a variety of topics relevant to key stakeholders and aviation commentators.

Held under the patronage and presence of H.E Minister of Tourism and Antiquities of Jordan, Lina Annab, the 2016 edition took place at the Dead Sea Jordan on 5th and 6th of December. Under the

theme of 'Linking Cultures, Driving Economies,' the Summit drew attention to the interdependent roles the Aviation and Tourism sectors play in contributing to the greater economic development of the region.

Last year, the event was held in Manama, the capital of the Kingdom of Bahrain under the patronage and presence of His Excellency Kamal bin Ahmed Mohamed, Minister of Transportation and Telecommunications, Kingdom of Bahrain, drawing more than 200 participants from 15 countries.

It is noteworthy to point out that the key findings and outcomes from the summit are compiled and developed into a white paper report, which is later presented to regulators and decision makers from both public and private sectors, and followed up by a course of action.



## 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. This includes the Federal Law number 2 of 2015 over commercial companies. The company is also committed to the strict application of Ministerial Decree No. (518) for the year 2009 followed by the resolution number 7 for the year 2016 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.



### 3. Board of Directors

#### a. Composition of the board:

Air Arabia board of directors consists of 7 board members. The current board was appointed by the AGM early 2014. Nomination for the membership of Air Arabia's board was opened on the 22nd of January 2014 for 30 days as per the governing rules

and regulations (at the time). 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 16th of March 2014, and appointed the 7 nominees to the 7 board seats. 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
Sheikh Mohammed Bin Abdullah Al Thani	Independent member
Sheikh Khalid Bin Issam Al Qassimi	Independent member
Ali Salim Al Midfa	Independent member
Aref Naqvi	Non-Executive member

## Summary of biography of the members



### 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.



### Adel Abdullah Al Ali

Chief Executive Officer & Air Arabia Board Member since 2003

Mr. Adel Al 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 recognised. 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. The pioneering aviator drove Air Arabia's growth in the next decade into the largest low cost carrier in the MENA region, as well as the first publicly owned airline in the Arab World and it's largest by market value. Drawing on his multiple years of experience with industry leaders such as Gulf Air and British Airways, Adel has also been able to guide Air Arabia to become amongst the world's best run Low Cost Carriers, delivering a profit for every year in succession.



### 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 & Arab 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.



### Arif Naqvi

Air Arabia Board Member since 2007, Founder and Chief Executive Officer of Abraaj Capital

Arif Naqvi established The Abraaj Group in 2002 and has served as its Group Chief Executive since inception, building it into one of the leading private equity firms in the world. Abraaj is widely recognized as a pioneer of global growth markets private equity with 25 country offices including 6 regional hubs in Dubai, Istanbul, Mexico City, Mumbai, Nairobi and Singapore. Mr. Naqvi has over three decades of experience of investing in public and private companies and has led the Group's investment strategy, resulting in some of the most notable private equity transactions across global growth markets over the last decade.



### **Sheikh Mohammed Bin Abdullah Al Thani**

Air Arabia Board Member since March 2011, Chairman of 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 and Shooting Club.



### **Sheikh Khalid Bin Issam Al Qassimi**

Air Arabia Board Member since 2014, Chairman of Department of Civil Aviation of Sharjah.

H.E. Sheikh Khalid Bin Issam Al Qassimi is the Chairman of the Department of Civil Aviation in Sharjah. He also is a member of the Executive Council of Sharjah Government, which is Chaired by H.H. Crown Prince of Sharjah. Through his career, Sheikh Khalid has served in various posts in both Sharjah Airport Authority, and Department of Civil Aviation. In 2012 he was appointed as Director General of Sharjah Civil aviation, and in early 2014 Sheikh Khalid was elected as Chairman of Sharjah Civil Aviation. Besides the above stated responsibilities, Mr. Al Qassimi is a board member of the General Civil Aviation Authority of in UAE, and a board member of Sharjah Aviation Services LLC. Sheikh Khalid holds a bachelors Degree in Commerce, and a Masters Degree in International Business.



### **Ali Salim Al Midfa**

Air Arabia Board Member since 2014, Chairman of Sharjah International Airport Authority.

H.E. Ali Salim Al Midfa is the Chairman of Sharjah Airport Authority. He is considered to be part of the dynamic and active young leaders of the Emirate of Sharjah, having joined Sharjah Airport back in 1996, and gradually developed through the ranks, holding posts such as Commercial Director, Airport Director, and then Director General of Sharjah Airport Authority. He assumed the post of SAA Chairman early 2014. Mr. Al Midfa enjoys over 20 years of extensive aviation experience, and besides his responsibilities at Sharjah Airport, Mr. Al Midfa is a member of Sharjah Executive Council of Sharjah, and also is the Chairman of Sharjah Aviation Services, the Ground Handling Company in Sharjah Airport. H.E. is also Member of the civil law committee and Chairman of Sharjah international marine sport club, and a board member of Sharjah Sports Council. Mr. Al Midfa Holds a Bachelors degree in International Business from Higher Colleges of Technology.

## 4. 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.

### b. Female representation in the board:

Since the last elections (early 2014) Air Arabia board of directors has not seen any changes in its memberships. Even though none of the board members are females, females are present in the senior management team. In the upcoming elections early 2017, the company will continue to encourage female nominations.

### c. Reasons for not having females on board:

Air Arabia takes all kind of inclusion and equal opportunity very seriously, and refutes any kind of possible discrimination. Everyone is given a fair chance, and admission is purely on merit.

Air Arabia opened the nominations to the board membership twice, in 2011 and in 2014. Public announcements and invitations were made in newspapers, SCA's web page, DFM's webpage and Air Arabia's webpage. In both events, all nominees were males, which resulted in a full male board.

### d. Board Remuneration:

1. In 2016 the AGM approved AED 3.85 M as remuneration for the year 2015.
2. The board of directors recommended AED 3.85/- as remuneration for the year 2016.
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.

### e. Board meetings and attendees:

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

### f. Boards Duties & Responsibilities delegated to the management:

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.

The board did not delegate a specific task to the management; however, the executive management is given the freedom and responsibility to run the day to day operations, and revert to the board for major decision or investments.

### g. Transactions with related parties:

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

### h. Senior Staff Pay details:

Group CEO: AED 3.6M per year plus accommodation and transportation.

Senior Management team: which is formed of 8 members, and their total remuneration is AED 11.16M which includes, Salaries, Allowances, and children's education. On top of that, a bonus of AED 544,000/- was distributed for the year 2015.

The corporate structure is presented in appendix 4.

## 5. External Accounts Auditor:

### KPMG:

**KPMG was appointed as external auditors for the year 2016 and they were not engaged for any other services.**

KPMG is a global network of professional firms providing Audit, Tax and Advisory services. KPMG operates 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.

The Board had recommended appointing KPMG as independent auditors and had recommended total fees of AED 500,000/-. The Annual General Meeting is yet to approve the same.

## 6. 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
Sheikh Khalid Al Qassimi	Member
Ali Salim Al Midfa	Member

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

### a. The general duties of the committee are as follows:

- Adopt a policy for appointing and contracting with the external auditor;
- Reviewing and auditing the financial statements.
- Articulate the control and audit measures.
- Articulate fiscal and audit policies.
- Issue general audit reports
- Follow whistle blowing policies.
- Oversee insider trading.
- 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 committee meetings and attendance during the year.

## 7. 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
Sheikh Khalid Al Qassimi	Member
Ali Salim Al Midfa	Member

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

Set the board's nominations policy, one that supports a mixed gender board.

Manage the process of board nomination, in line with the rules and regulations governing it including SCA's Chairman's resolution number 7/2016.

Ensure that independent directors continue to be independent for the duration of their terms of office.

Articulate a policy governing board members remuneration, staff bonuses, benefits, incentives and salaries; this is to be reviewed on an annual basis.

Review the board structure, and raise recommendations.

Identify the company's needs of senior executive management, and other members of the management team and defining the criteria of selection.

To annually review the human resources policies, and adopt the human resource policies and training, and ensure proper implementation.

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 during the year

## 8. Internal trading Supervision Committee:

The corporate governance manual covers the rules and regulations of insiders trading. It stipulates the windows allowed for their trade, and that any trade should not be based on information that is not yet available to the general public. It also states the necessity to identify the traders' insider status to the broker in order to take the necessary approvals from the authorities.

The role of supervising insider trading is assigned to the audit committee.

## 9. 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.

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## 10. Details of violations committed

None.

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

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.

Air Arabia continued to encourage staff to get involved in CSR activities and initiated projects to this effect. In a bid to improve existing services and assist those in need, Charity Cloud undertook a number of projects this year. One such initiative was to visit 2 orphanages in Kathmandu, Nepal. Volunteers from various departments at Air Arabia visited the institutions and assisted in providing basic daily necessities.

In addition to that, in a bid to raise awareness about environmental issues and the innovative ways in which to tackle them, Air Arabia partnered with Bee'ah at its annual myBee'ah Walkathon, which was held on Earth Day.

Apart from the health and education projects across the region, Charity Cloud has also partnered with other social initiatives. It works in partnership with the Sharjah City for Humanitarian Services with the aim of making the lives of people with disability easier. The airline is sensitive to individuals with special needs assistance is always provided at airports and during travel.

Some projects completed in 2016 include:

Staff visit and donation by Air Arabia Maroc staff to the SOS Children village	Morocco
New charity cloud children's clinic	Bangladesh
New charity cloud rehabilitation centre for woman	Srilanka
New charity cloud dialysis center	Egypt
Educational training Center	Bangladesh
Children's Garden renovation project in Sarajevo	Bosnia and Herzegovina
Buying new fishing boats	Sudan
Assisting widowed women by distributing necessities in Nador	Morocco
New charity cloud children's school in Sohag	Egypt
Staff participation in an awareness marathon for the 57, 357 children cancer hospital.	Egypt
Water system renovation	Bosnia and Herzegovina
Medical awareness campaign	Sudan
School bags distribution	Sultanate of Oman

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.

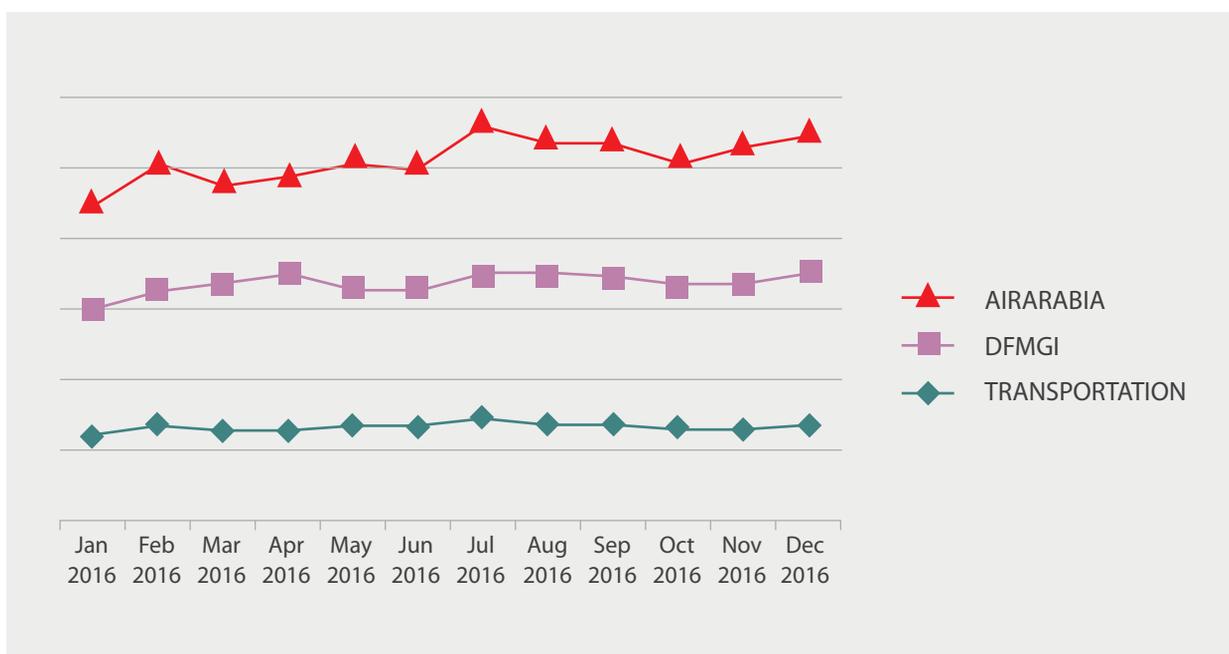
The company also follows a policy of minimizing printed paper and heavily depend on recycled in order to preserve forests.

## 12. General Information:

a. Air Arabia Share price details every month in 2016:

Lowest Price	Highest Price	Last closing price	Month
1.09	1.37		Jan 2016
1.17	1.34		Feb 2016
1.2	1.38		Mar 2016
1.21	1.28		Apr 2016
1.18	1.34		May 2016
1.24	1.35		Jun 2016
1.3	1.46		Jul 2016
1.34	1.49		Aug 2016
1.35	1.4		Sep 2016
1.25	1.37		Oct 2016
1.24	1.31		Nov 2016
1.27	1.37		Dec 2016

b. Air Arabia Share price performance vs. market and sector during 2016:



c. Air Arabia Ownership breakdown as of end 2016:

Description	Citizenship	Quantity	Percentage
BANK	ARAB	867,476	0.0186
	GCC	6,697,594	0.1435
	OTHERS	3,080,692	0.0660
	UAE	340,092,385	7.2876
Company	ARAB	6,135,138	0.1315
	GCC	339,881,845	7.2831
	OTHERS	721,081,791	15.4516
	UAE	1,783,482,173	38.2172
Government	OTHERS	621,513	0.0133
	UAE	8,370,676	0.1794
Individual	ARAB	148,363,772	3.1792
	GCC	82,890,218	1.7762
	OTHERS	91,267,498	1.9557
	UAE	1,103,302,943	23.6420
Sole property	ARAB	50,000	0.0011
	GCC	200,000	0.0043
	OTHERS	4,600	0.0001
	UAE	30,309,686	0.6495

**d. Air Arabia shareholders owning 5% or above:**

Investor Name	QTY	%
Sharjah Asset Management	838,469,040	17.57%
AL MAHA HOLDING COMPANY (FZE)	429,613,509	9.21%
Mashreq Bank	276,590,887	5.90%

**e. Shareholders Distribution by ownership:**

Tranche by number of shares owned	Number of Shareholders	Total shares owned to the tranche	Percentage to the Capital
Less than 50,000	12,761	170,927,113	3.55 %
50,000 to 500,000	2,121	280,631,228	6.01 %
500K to 5M	537	746,460,660	15.99%
More than 5M	124	3,468,680,999	74.33%
<b>Total</b>	<b>15,543</b>	<b>4,666,700,000</b>	<b>100 %</b>

**f. Step taken towards “Investors Relations”**

Air Arabia has long established a division for investor relations. Mr. Abdelrahman Bin Taliah currently heads it, and both the group CEO and Group CFO play a very vital role in the divisions activities.

Since its establishment as a publicly listed company, Air Arabia has placed great attention on the investor relations department. The department’s responsibility is split into 2 major areas: first is looking after and servicing retail and small investors through answering their queries, assisting in receiving their past dividends, explaining the investment process and updating their details with the market. The department has set a dedicated email for their service (investorrelations@airarabia.com) and hotline: 06 5088977, besides having all necessary details available on the IR page:

<http://www.airarabia.com/en/corporate-investor-relations>

On the other hand, the department also looks after high end, sophisticated investors such as fund manager, analysts, and financial institutions. This sector is addressed in formal IR conferences usually attended by the Group CEO, Group CFO and Head of IR; during 2016 Air Arabia participated in one conference in New York, another in London, and 2 in UAE.

Moreover, Air Arabia holds a database of analysts, fund manager, investors and interested segment that is invited on a quarterly basis to a conference call where the Group CEO and Group CFO address them with the quarter update, followed by question and answer session.

**g. Extra Ordinary resolutions:**

None.

## h. Major events in 2016:

Q1

- Air Arabia selects TRU Simulation + Training to produce A320 full flight simulator
- Air Arabia extends Lufthansa Systems flight planning software agreement at Bahrain International Air Show
- Air Arabia announces 2015 net profit of AED 531 million
- Air Arabia takes off to Sarajevo
- Air Arabia approves 9% per cent cash dividend at the Annual General Meeting
- Air Arabia Maroc launches direct flights from Fez to Toulouse, France

Q2

- Air Arabia Maroc launches direct flights from Marrakesh to Pau, France
- Air Arabia's second Sharjah City Check-in opens to passengers
- Air Arabia Jordan's new Riyadh flight touches down
- Air Arabia named 'Best Low-cost Airline Serving the Middle East' at Business Traveler Middle East Awards 2016
- Air Arabia reports strong first quarter net profit of AED114 million, up 34%

Q3

- Air Arabia Maroc introduces online check-in for passengers traveling from Casablanca
- Air Arabia expands its European route network with the launch of new seasonal services to Batumi from Sharjah
- Air Arabia launches EMI payment options for Indian travelers
- Air Arabia reports net profit of AED 245 million in first half of 2016, an increase of 3.5 per cent
- Air Arabia Group Chief Executive Officer named 'Airline CEO of the Year'
- Air Arabia Maroc launches flights from Casablanca to Catania in Italy

Q4

- Air Arabia wins 'Best Value Leisure Product Award' at Travel Trade Fair Pune
- Air Arabia ranked 3rd among top 50 airlines in the world by Airfinance Journal
- Air Arabia Maroc launches a new sales shop in Fez, marking the 5th shop in Morocco
- Air Arabia expands its route network by announcing new services to Baku to start in 2017
- Air Arabia named 'Low Cost Airline of the Year' at Aviation Business Awards 2016
- Air Arabia's 'Charity Cloud' Program Wins 'Corporate Social Responsibility Initiative of the Year' Award
- Air Arabia posts strong third quarter net profit of AED 297 million, up 26%
- Air Arabia confirms options for five Airbus A320s
- Air Arabia Maroc welcomes new aircraft to its fleet based in Tangier
- Air Arabia Maroc launches direct flights from Fez and Tangier to Bordeaux and Paris in France as well as Malaga in Spain

### **Abdullah Bin Mohammed Al Thani**

Chairman of the Board

### Appendix 1

Meetings Dates & Attendees of Air Arabia Board Of Directors in 2015:

"Y", "N"

Board Meeting number	Date	Shk. Abdullah	Dr. Ghanem	Adel Ali	Shk. Mohammed	Shk Khalid	Ali Midfa	Arif Naqvi
1	18 - 01 - 2016	Y	Y	Y	Y	Y	Y	Y
2	07 - 02 - 2016	Y	Y	Y	Y	Y	N	Y
3	08 - 05 - 2016	Y	Y	Y	N	Y	Y	Y
4	11 - 08 - 2016	Y	Y	Y	Y	Y	Y	Y
5	13 - 11 - 2016	Y	Y	Y	Y	Y	Y	Y
6	25 - 12 - 2016	Y	Y	Y	Y	Y	Y	N

### Appendix 2

Meetings Dates & Attendees of the Audit Committee and attendance:

"Y", "N"

Audit Committee Meeting	Date	Shk. Mohammed	Shk Khalid	Ali
1	07 - 02 - 2016	Y	Y	N
2	06 - 05 - 2016	Y	Y	Y
3	11 - 08 - 2016	Y	Y	Y
4	13 - 11 - 2016	Y	Y	Y

### Appendix 3

Meetings Dates & Attendees of the Committee on Nominations and Remuneration:

"Y", "N"

Remuneration Committee Meeting	Date	Dr. Ghanem	Shk Khalid	Ali
1	12 - 12 - 2016	Y	Y	Y

### Appendix 4

