



# 2014

## ANNUAL REPORT

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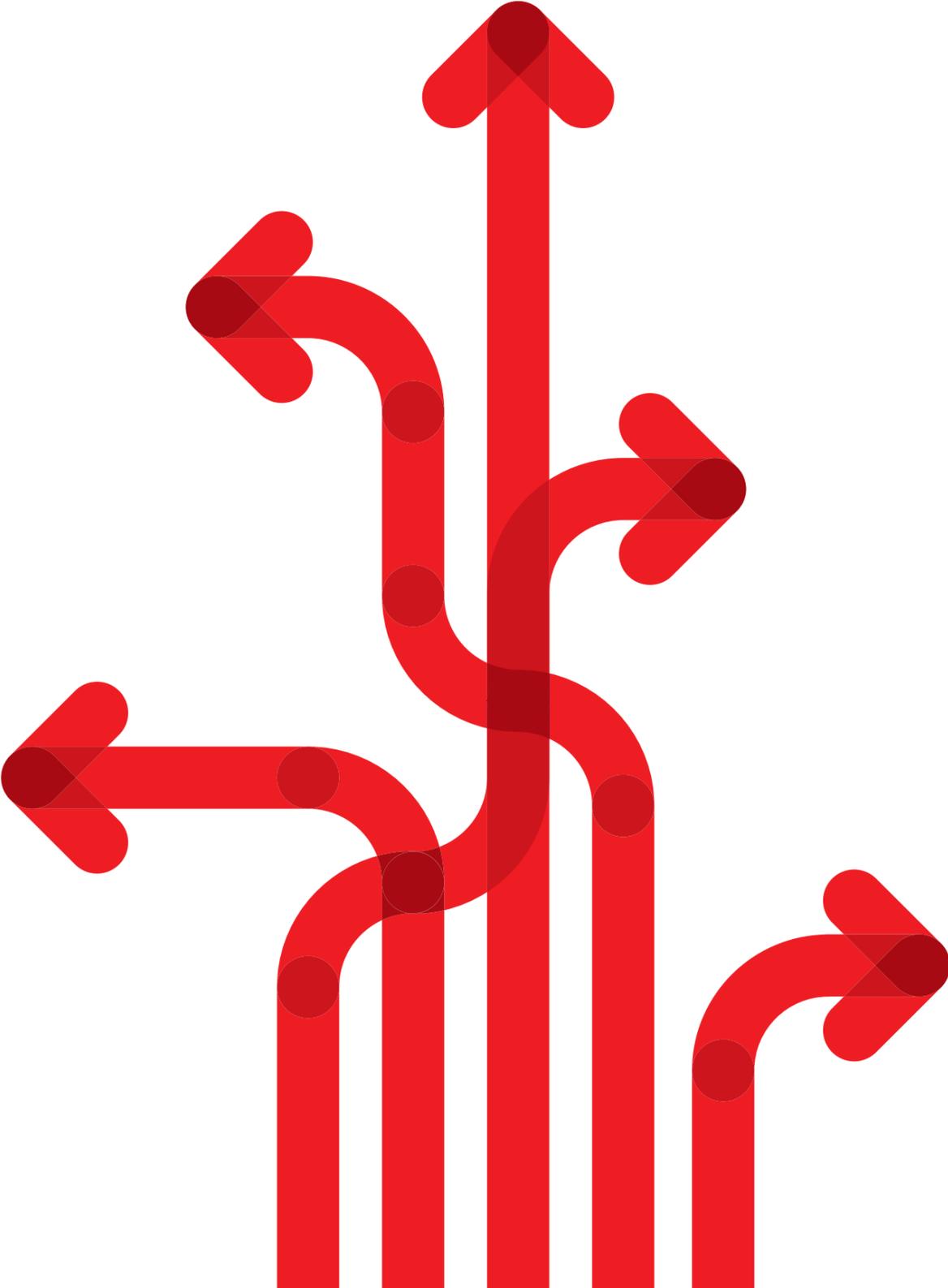
His Highness Sheikh  
**KHALIFA BIN ZAYED AL NAHYAN**  
President of the United Arab Emirates



His Highness Sheikh Dr.  
**SULTAN BIN MOHAMMAD AL QASIMI**  
Member of the Supreme Council Ruler of Sharjah

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## 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

## OUR **VISSION**

“To be one of the world’s leading budget airlines”

### In terms of:

- Profit Margin
- Innovation
- Reputation
- Operational Excellence

# CHAIRMAN & GROUP CEO LETTER

Dear Shareholders,

Anything that happens around the world can affect aviation. Economic challenges, political troubles, and even natural or man-made disasters – can impact our business in a significant way. 2014 was no different. Our region has seen the most challenging geo-political scenarios possible and yet, we stand proud to see that our business remained as resilient and strong as ever, with constant determination to chart our own path towards success. Rather than focusing on all the challenges that are beyond our control, we will focus in this year's address to you, our shareholder, on Air Arabia's longer-term vision and how are we progress year after year towards achieving this vision.

It gives us great pride to say that 2014 has seen Air Arabia achieving new accomplishments across various businesses within the Group. In accordance with the vision of His Highness Dr. Sheikh Sultan Bin Mohammad Al Qassimi, Member of the Supreme Council and Ruler of Sharjah, The Board of Directors and the Management of the airline have continued to drive Air Arabia's performance to new heights, investing in business growth, customer service and bringing solid and sustainable returns on investment to you, our shareholders.

2014 has seen further escalation in the surrounding political problems, putting further pressure on our operation across several regions; the global economy has gone into a period of uncertainty. The Russian currency dilution had a strong impact on the travel industry as a result of increase in the cost of foreign travel, and causing a slowdown in traffic from the Russian and CIS region; in addition to a weakening Euro across the Eurozone which has put additional burden on the already challenged European economy; and of course the fuel price fluctuation towards the end of the year where it recorded its lowest price since 2008 adding more pressure on the region's oil based economy.

While all these challenges that are out of our control continue to impose pressure to our daily operation, we have managed to record one of the best performing years in the history of the airline, and most importantly bringing us one step closer to achieving our long-term vision.

We have always said the Air Arabia's name reflects the carrier's ambitions in becoming the preferred Arab carrier linking the whole range of the Arab world together with it surrounding regions. We are now a step closer to achieving this. The year 2014 not only saw Air Arabia entering new markets and increasing frequency on others as well as increasing its market share from its existing hubs, the year has seen the launch of our second base in the United Arab Emirates by launching our flights from Ras Al Khaimah International Airport. We are proud to cement our position as the Northern Emirates airline of choice providing our customers with various options to travel from two Airports within the UAE.

We have also seen Air Arabia hubs in Morocco and Egypt taking solid measures in further streamlining their operations and maintaining a healthy bottom line and therefore positively contributing the Group's financial status. Air Arabia's growth in 2014 was supported by strong increase in passenger traffic; with the airline reporting a 12% increase carrying over 6.8 million customers in 2014. In addition to increasing the network footprint from all the operating hubs by offering more intra-Arab and regional connectivity. We are proud to say that Air Arabia can now fly you to over 100 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 nine brand new Airbus A320 aircraft in 2014. We have also secured the 2015 aircraft finance with another local bank by signing a \$230 million aircraft financing deal with Dubai Islamic Bank. 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 a good growth and return on investment from those businesses along with the ongoing growth of Air Arabia.

We started this year by launching operations to Urumqi in China, which gives you a very good idea about the expansion strategy that we are following. We have also announced our fifth global hub in Jordan that is due to start operations by end of first quarter of this year providing more intra-Arab connectivity and at the same time a gateway to central Europe. This strategy of expansion, that is very unique to Air Arabia, will provide our customers with more options to travel affordably from and into various airports within the Arab world. This has always been the key focus for our existence and we will continue to grow our operation in a way that allows our customers to travel more for less.

During last year's Annual General Meeting, the Board proposition of 7.25% 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 an all time record net profit of AED 566 million for 2014 while revenues touched AED3.7 billion, demonstrating the continued profitability and the efficiency of Air Arabia's business model.

Finally, we would like to close by expressing gratitude to all our employees for their continuous dedication and hard work and to the 47 million customers who chose to fly Air Arabia over the past 11 years; and as always to shareholders for your continued support. Operating conditions remain challenging; however the state of the Air Arabia Group remains stronger.

Yours Sincerely,



Abdulla Bin Mohammed Al Thani  
Chairman



Adel Abdullah Ali  
Board Member and Group CEO





## THE YEAR IN **REVIEW**

### January

- Air Arabia participates at the Bahrain International Airshow (BIAS)

### February

- Air Arabia announces 2013 annual net profits of AED 435 million
- Air Arabia touches down in Cairo, its 5th destination in Egypt
- Air Arabia staff visit Kathmandu, Nepal, for a 'Charity Cloud' initiative, the carrier's corporate social responsibility program

### March

- Air Arabia receives the 6000th Airbus A320 as part of its fleet
- Air Arabia opens new sales office in Bahrain
- Air Arabia approves 7.25% per cent cash dividend at the Annual General Meeting

### April

- Air Arabia extends availability of mobile application to Android

### May

- Air Arabia starts operations from Ras Al Khaimah International Airport, its second hub in the UAE
- Air Arabia launches 7 new routes from Ras Al Khaimah: Cairo in Egypt; Lahore, Islamabad and Peshawar in Pakistan; Jeddah in KSA; Muscat in Oman; and Dhaka in Bangladesh.
- Air Arabia's first quarter 2014 net profit soars to AED 75 million, up 27 per cent

### June

- Air Arabia touches down in Antalya, Turkey, the carrier's second destination in the country

### July

- Air Arabia's Group Chief Executive wins Airline Business Award in London, United Kingdom

### August

- Air Arabia's second quarter 2014 net profit rises 128% to AED 173 million

### September

- Air Arabia launches flights to Chittagong, Bangladesh from Ras Al Khaimah
- The 2014 Arab Aviation and Media Summit takes place in Ras Al Khaima under the patronage of His Highness Sheikh Mohammed Bin Saud Bin Saqr Al Qasimi, Crown Prince of Ras Al Khaimah

### October

- Air Arabia named 'Global Growth Companies' 2014 by the World Economic Forum
- Air Arabia launches its 11th route in Saudi Arabia to Al Jouf
- Tbilisi, Georgia marks Air Arabia's 100th destination
- Air Arabia launches its 5th route in Iran to Abadan
- Air Arabia launches flights to Samara, Russia

### November

- Air Arabia posts record nine months net profit of AED 498 million, up 46%
- Double win for Air Arabia at Aviation Business Awards 2014: 'Low Cost Airline of the Year' Award and Adel Ali, Group CEO of Air Arabia, took home the 'Personal Achievement Award'
- Air Arabia and Dubai Islamic Bank signs US\$230 million aircraft financing deal

### December

- Air Arabia ends the year by receiving the 9th aircraft for the year 2014

# CORPORATE SOCIAL RESPONSIBILITY

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

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

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



In 2014, 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 2014. 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 2014 include:

Staff visit to 2 orphanages in Kathmandu	Nepal
myBee'ah Walkathon	UAE
Stationary for 400 students	Sri Lanka
Water services	Egypt
Equipment for schools	Bangladesh
Equipment for mosques	Egypt
Productive Hand Initiative	Qatar
Building a children's park	Sri Lanka
Operating Dispensary	Sri Lanka
Completing KLY Center Equipment	Egypt
Providing school uniforms and classroom equipment	Lebanon
Fuel for Ramadan	Yemen
Providing Eid Clothing	Egypt / Sudan / India / Sri Lanka / Yemen / Bangladesh





## AWARDS

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

The airline won numerous awards in 2014 that acknowledge the appealing business and excellent product. Air Arabia was named the "Middle East's Leading Low-Cost Airline" at the World Travel Awards. Furthermore, the airline won "Airline Business Award" at the esteemed Airline Strategy Awards". Also, Air Arabia was named among the World Economic Forum's prestigious Global Growth Companies (GGCs) for 2014, during the World Economic Forum Special Meeting on Unlocking Resources for Regional Development held in Istanbul, Turkey. Finally, at the 2014 Aviation Business Awards, the carrier won the "Low Cost Carrier of the Year" while Adel A. Ali, Air Arabia Group Chief Executive Officer, won the "Personal Achievement of the Year".

### AWARDS IN 2014

"Middle East's Leading Low-Cost Airline" at the World Travel Awards

Airline Business Award" at the esteemed Airline Strategy Awards

Named among the World Economic Forum's prestigious Global Growth Companies (GGCs)

"Low Cost Carrier of the Year" at the Aviation Business Awards

"Personal Achievement of the Year" – Adel A. Ali, Air Arabia Group CEO – at the Aviation Business Awards

## STATISTICAL HIGHLIGHTS

**AED 10.6 BILLION**  
is what Air Arabia's total assets are today!

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

**47 MILLION**  
passengers carried to date!

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

**40 AIRCRAFT**  
is what Air Arabia's fleet currently consists of!

**AED 566 MILLION**  
is Air Arabia's net profits for the year 2014!

**AED 2.671 BILLION**  
is the total dividend distributed to our shareholders to date!



## AIR ARABIA **GROUP**

Air Arabia (PJSC), listed on the Dubai Financial Market and traded under ticker symbol: (DFM: AIRARABIA) is now a holding company with assets worth over AED 10 billion. Established with a modest capital back in October 2003 as the regions 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 four hubs in Sharjah International Airport, UAE; Ras Al Khaimah 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) based at Sharjah International Airport. 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. 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.

In 2014, Air Arabia and the Ras Al Khaimah Department of Civil Aviation entered into a long-term strategic partnership allowing Air Arabia to become the Emirate national carrier based in Ras Al Khaimah International Airport. This second hub in the UAE was launched in May 2014 and also marks the airline's fourth international base.

### 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 completed during 2008 and operations of the new airline began in May 2009.

Air Arabia's second hub in Casablanca provides the airline with a platform from which to reach over 20 cities in Europe. Air Arabia Maroc today is the Morocco's leading low cost carrier offering best connectivity between four airport in Morocco and Europe.

### 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 is contributing to the on-going development of the Egyptian travel and tourism sector as well as offering all customers the best possible 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'. This unique hotel provides five stars service to wide range of guests every year, either transiting via Sharjah Airport or those looking for a value-for-money option with close proximity to both Sharjah and Dubai.

This 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 the 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, and one bedroom and two bedroom units. All apartments feature a fully equipped kitchen, balcony, covered parking and fabulous views of Dubai Marina

### Action Hospitality

Action is Air Arabia's business expansion into hospitality. The newly established company already operates several hotels, restaurants and coffee shops in Sharjah and Dubai as well as provides our staff with class A accommodation through our employee's residential accommodation compound adjacent to Sharjah Airport.



### Information System Associates (ISA)

ISA or Information System Associates, which started as a joint venture company back in 2003 has become fully owned by Air Arabia in 2014. The company provides leading IT solutions in the aviation industry. ISA has developed Air Arabia's reservation system 'AccelAero', a unique state of the art reservation system that is now also 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 Alpha Catering Group. The company was established in May 2007 to support and enhance the quality of on board catering needs.

### 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. Alpha Flight Academy has already seen many graduates of second officers join the Air Arabia team.



### Cozmo Travel

Cozmo Travel, is UAE's fastest growing 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 aircraft travelling through Sharjah International Airport. Currently staffed by 165 skilled professionals, the Air Arabia hangar is anticipated to double the number of employees 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.

## FLEET MANAGEMENT

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 9 new aircraft in 2014, and thus has a total of 40 Aircraft in its fleet. This means that Air Arabia has taken delivery of 30 out of the 44 A320 aircrafts ordered back in 2007. The delivery of the entire order will be completed by 2016, and will more than double the size of Air Arabia's fleet which is in line with the carrier's aim to increase its total operating fleet to more than 50 aircraft.

In 2014, Air Arabia and Dubai Islamic Bank (DIB) signed an aircraft financing deal to facilitate the delivery of six new Airbus A320 aircraft in 2015. The US\$230 million Ijara facility will finance the delivery of a new aircraft every two months starting January 2015, the program culminating with the final unit being handed over by the end of the year.

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.



# BRINGING THE WORLD CLOSER TOGETHER

Air Arabia's ambitious network expansion strategy was central to the significant growth in the passenger numbers witnessed in 2014. Air Arabia added six new routes from its main hub at Sharjah International Airport to Cairo, in Egypt; Antalya, in Turkey; Abadan, in Iran; Samara, in Russia; Al Jouf, in Saudi Arabia; and Tbilisi, in Georgia. Also, the carrier added eight new routes from its new hub at Ras Al Khaimah International Airport to Cairo, in Egypt; Lahore, Islamabad and Peshawar in Pakistan; Jeddah in Saudi Arabia; Muscat in Oman; and Dhaka & Chittagong in Bangladesh.

Air Arabia Maroc and Air Arabia Egypt maintained their regular operations by serving five cities from Egypt and twenty cities from Morocco. Both carriers will further invest in increasing their reach in 2015.

Operating from its second base in the UAE, Ras Al Khaimah, Air Arabia offered direct services to eight routes from RAK International Airport in 2014, giving an immediate boost to the emirate's rapidly growing tourism sector.

The long-term strategic partnership between Air Arabia and the Ras Al Khaimah Department of Civil Aviation significantly increased the number of destinations accessible to the residents of Ras Al Khaimah and is bringing more visitors within reach of the emirate.

In addition to having increased the accessibility of Ras Al Khaimah to international passengers, this partnership has provided a direct boost to the local economy through the increase in tourism flow as well as the job opportunities for Air Arabia employees who are permanently based at RAK International Airport.

In 2014, Air Arabia's global network reached the 100th destinations mark operating from four strategic hubs in the UAE, Morocco and Egypt.



# TAKING **INDUSTRY LEAD**

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 4th edition of the Arab Aviation and Media Summit (AAMS), bringing together aviation professionals and enthusiasts from all over the Arab world.

Held in Ras Al Khaimah, the 2014 edition brought Arab media together with top executives from the aviation and tourism industry, providing a platform for insightful discussions on the current trends and challenges faced by

the avia-tourism sector in the Arab world and its impact on social and economic growth.

Held under the patronage of His Highness Sheikh Mohammed Bin Saud Bin Saqr Al Qasimi, Crown Prince and in partnership with Ras Al Khaimah Tourism Development Authority (RAK TDA), the event was backed by leading organizations such as Air Arabia, Airbus Group, CFM, and The Sultanate of Oman Ministry of Tourism in addition to many supporting partners.



# A **SERVICE** CULTURE

We bring the world together in many different ways! Thanks to our multi-national cabin-crew, Air Arabia's fun onboard program has brought joy and created many lasting memories over the years. It has become a subject of interest for many. Families or groups that frequently travel with Air Arabia look forward for the fun that awaits them and their little ones during travel. Whether its face

painting, singing, dancing, question and answer sessions, everybody gets a share of the fun! Cabin Crew members help in documenting these memories by taking pictures of the interactive fun on-board activities.

Our culture is diverse! As we grow bigger, we will continue to work hard to maintain a close and warm service culture.

# AIR ARABIA

## GOVERNANCE REPORT 2014

### 1. Practices of corporate governance

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

Therefore, Air Arabia, and all its subsidiaries and group companies are committed to all laws and regulations imposed upon them as a global aviation and as a public joint stock company. This covers the Commercial Companies Law (Federal Law No. (8) Of 1984 concerning Commercial Companies and subsequent resolutions and amendments or interpretations or clarifications issued by the Securities & Commodities authority and any other official authorities later till date, covering all activities and dealings. The company is also committed to the strict

application of Ministerial Decree No. (518) for the year 2009 issued by the Minister of Economy and Chairman of the Securities and Commodities Authority regarding corporate governance and corporate discipline, and any decisions that may be issued or amended in future. This cultivates confidence of those major investment bodies around the globe to occupy a position within the owners of Air Arabia. To reflect the above, Air Arabia had issued the corporate governance manual, which besides many other details, covers the following:

- 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 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.

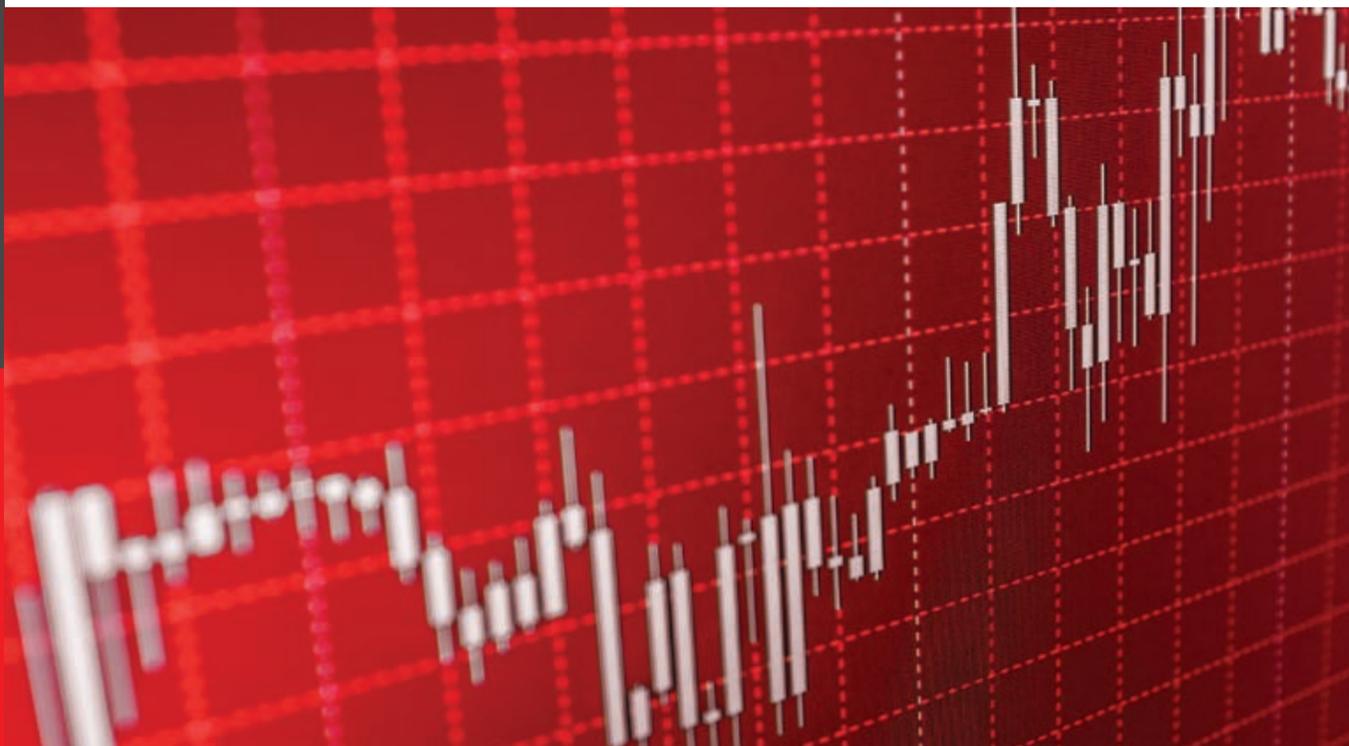
The company aspires through these actions being taken to protect the rights of all parties concerned, as well as maintaining the company's reputation and enhancing the confidence of shareholders and investors of the company. In 2014, the board members did not personally trade in Air Arabia shares.

### 3. Board of Directors:

#### a. Composition of the board

Air Arabia board of directors consists of 7 board members. 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. 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
Aref Naqvi	Non-Executive member
Sheikh Mohammed Bin Abdullah Al Thani	Independent member
Sheikh Khalid Bin Issam Al Qassimi	Independent member
Ali Salim Al Midfa	Independent member



## SUMMARY **BIOGRAPHIES** 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 Ali** // Chief Executive Officer & Air Arabia Board Member since 2003

Mr. Adel Ali received award for the best CEO of a low-cost carrier for five years in a row in recognition of his efforts in founding the first low-cost carrier in the Middle East and North Africa. He has also selected for the hall of fame award for the year 2014. Ali has more than 28 years in aviation world & strategic planning, His deep knowledge in tourism and commercial operations are well reflected in Air Arabia's performance since 2003. Before Air Arabia, Mr. Ali served in various aviation positions; he served as vice president of the commercial & customer services in Gulf Air where he played a key role in restructuring the company. He also served for more than 20 years in different management positions with British Airways last of which was General Manager of the Middle east and Africa.



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

Dr. Ghanem Al Hajiri last served as the Chairman of Sharjah International Airport; Dr. Al Hajiri assumed various posts in the aviation sector locally and internationally. He served as Director General of Sharjah International Airport for over 15 years and he also serves as Secretary General of the Gulf Airports Services Association & Arabs Airports Council. Besides that Dr. Ghanem Al Hajiri is a board member of the Airports Council International (ACI) since 1991 & served in numerous management positions there till he was elected as deputy chairman, before assuming the position of Airports Council International Chairman. Dr. Ghanem is one of the first UAE Nationals holding a PhD in Air Transport; he was awarded the degree in United Kingdom. He also has a master's degree in Airport Planning, and a bachelor's degree in management.



**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, 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 & Shooting Club.



**Sheikh Khalid Bin Issam Al Qassimi** // Air Arabia Board Member since 2014, Chairman 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 Shk. 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 18 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. Mr. Al Midfa Holds a Bachelors degree in International Business from Higher Colleges of Technology.

## 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.

## b. Board Remuneration:

1. In 2014 the AGM approved AED 3.85 M as remuneration for the year 2013.
2. The board of directors recommended AED 3.850/- as remuneration for the year 2014.
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.

## c. Board meetings and attendees:

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

## d. 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.

## e. Transactions with related parties:

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

## f. Senior Staff Pay details:

Group CEO: AED3.6M per year which includes accommodation and transportation. Senior Management team: which is formed of 9 members, and their total remuneration is AED 9.66M which includes, Salaries, 2013 Bonus, Allowances, and children's education.

## 4. External Accounts Auditor

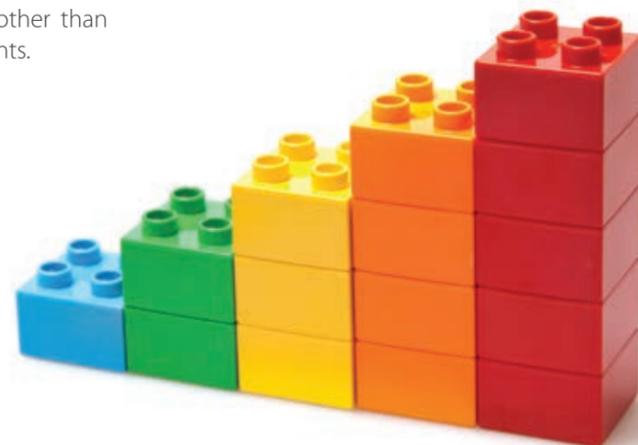
### KPMG:

KPMG was appointed as external auditors in 2014 for a Total remuneration of AED 455,000/- and they were not appointed for any other services.

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

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

The Board had recommended appointing KPMG as independent auditors and had recommended total fees of AED 455,000/-. The Annual General Meeting is yet to approve the same.



## 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>Sheikh Khalid Al Qasimi</b>	<b>Member</b>
<b>Ali Salim Al Midfa</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 2014.

## 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>Sheikh Khalid Al Qasimi</b>	<b>Member</b>
<b>Ali Salim Al Midfa</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 2014.

## 7. The internal control system

The internal control system is an integrated system that imposes procedures, conditions and administrative laws, and monitors their practical implementation throughout the company's operations. This system is not a hindrance and an obstacle to the effectiveness of the work and speed of delivery and performance, but on the contrary, it ensures the company's development of effective performance and the effectiveness of risk management and internal control system. The system measures the compliance with policies and procedures, protection of property, economic and effective use of resources. The Board has acknowledged its responsibility for internal control system in the company and the periodic review effectiveness.

Air Arabia has set up an "Internal Control Department" which is headed by Mr. Mohammed Al Basha, who is a chartered accountant and a certified internal auditor, with over 25 years of experience in the field of internal and external audit. Mr. Al Basha joined Air Arabia at the start of 2013, carrying lengthy and valuable experience having served at international financial institutions.

### Objectives of Internal Control department:

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

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

### Key Accountabilities:

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

### Major duties include:

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

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

### 8. Details of violations committed

None.



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

Air Arabia is not only committed to providing affordable air travel but is also dedicated to uplifting the lives of the less fortunate. Taking responsibility of the social needs of local and international communities and aiding them has played a part in the carrier's success.

To this end, Air Arabia has implemented a Corporate Social Responsibility program for sustainable development with an emphasis on providing better education and healthcare for underprivileged communities.

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

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

In 2014, 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.

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



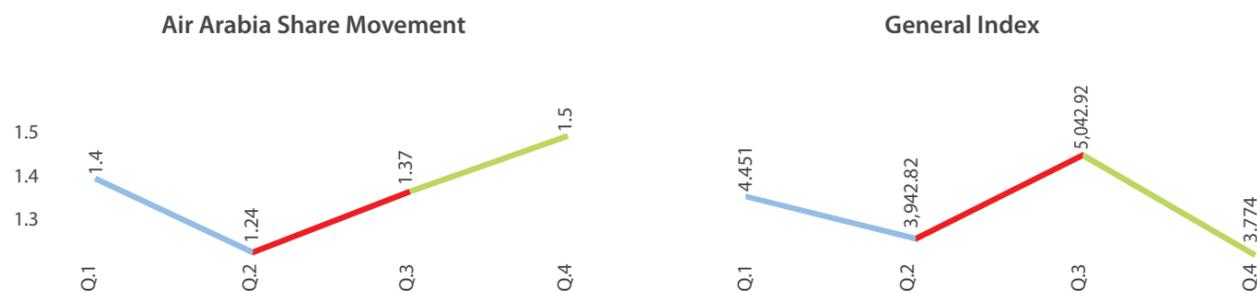
**10. General information**

**a. Air Arabia share price details every month in 2014:**

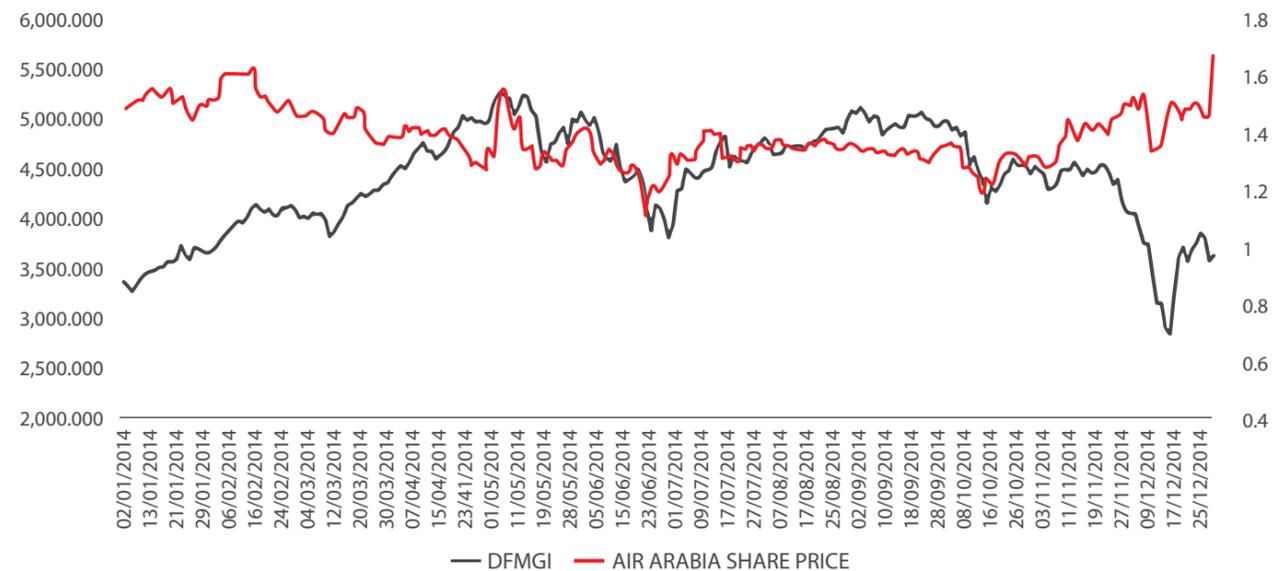
Lowest price	Highest Price	Last closing price	Month
1.42	1.63	1.54	Jan 2014
1.50	1.68	1.55	Feb 2014
1.39	1.55	1.52	Mar 2014
1.28	1.65	1.31	Apr 2014
1.28	1.65	1.31	May 2014
1.13	1.52	1.40	June 2014
1.17	1.46	1.27	July 2014
1.36	1.44	1.37	Aug 2014
1.33	1.41	1.39	Sep 2014
1.22	1.42	1.39	Oct 2014
1.29	1.49	1.35	Nov 2014
1.27	1.61	1.50	Dec 2014

**b. Air Arabia Share price performance vs. market and sector during 2014:**

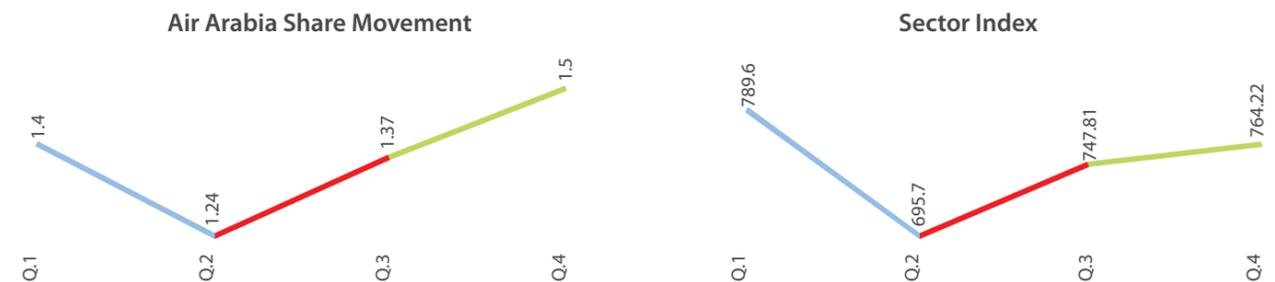
Air Arabia Share movement VS Index:



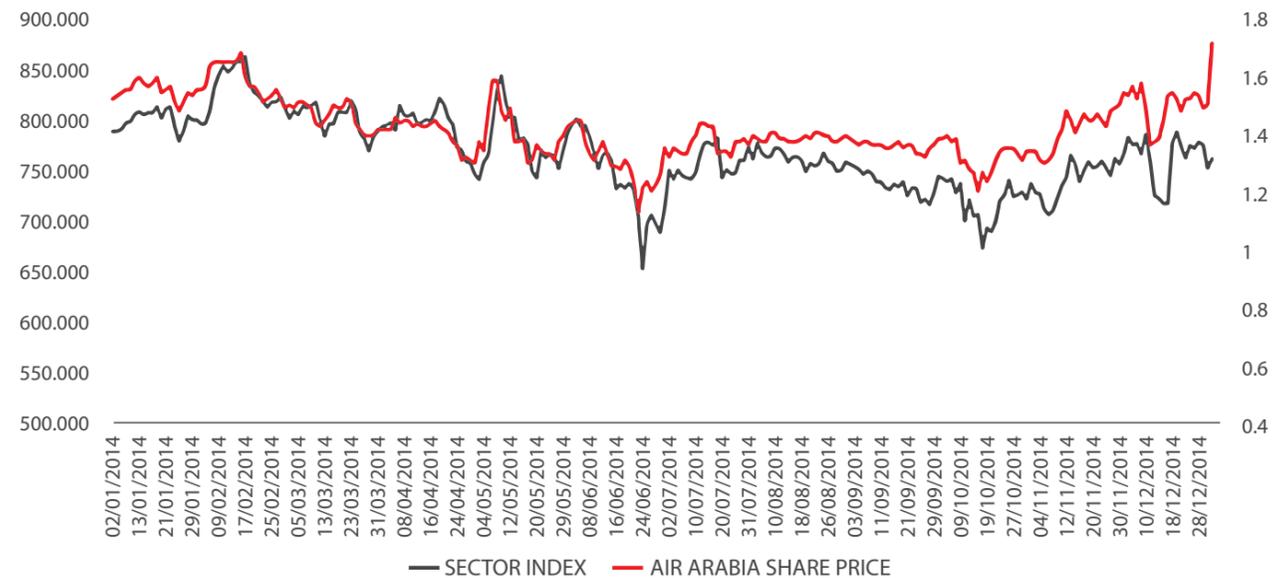
**AIR ARABIA SHARE PRICE MOVEMENT VS. DFM GENERAL INDEX**



Air Arabia Share movement VS Index:



**AIR ARABIA SHARE PRICE MOVEMENT VS. SECTOR INDEX**



**c. Air Arabia ownership breakdown as of end 2014:**

Investor Classification	Investor_Type_Desc	By Nationality Grouping	Holdings ('Mn)	% Share
	Bank		119,101,941	2.55%
		ARB	2,707,327	0.06%
		FGN	1,094,440,256	23.45%
		GCC	242,310,143	5.19%
		UAE	1,845,848,026	39.55%
	Company		<b>3,185,305,752</b>	<b>68.26%</b>
		FGN	2,891,985	0.06%
		UAE	79,676,922	1.71%
	Government		<b>82,568,907</b>	<b>1.77%</b>
		ARB	50,000	0.00%
		FGN	4,600	0.00%
		UAE	30,309,686	0.65%
	Institution (Sole Property)		<b>30,364,286</b>	<b>0.65%</b>
Institution		<b>Total outstanding</b>	<b>3,417,340,886</b>	<b>73.23%</b>
		ARB	117,250,334	2.51%
		FGN	79,851,843	1.71%
		GCC	81,872,025	1.75%
		UAE	970,384,912	20.79%
	Individual		<b>1,249,359,114</b>	<b>26.77%</b>
Retail		<b>Total outstanding</b>	<b>1,249,359,114</b>	<b>26.77%</b>
<b>Total outstanding</b>	<b>Total outstanding</b>		<b>4,666,700,000</b>	<b>100.00%</b>

Source: DFM

**d. Air Arabia shareholders owinging 5% of above:**

Investor Name	Holdings	% Share
Sharjah Asset Management	812000000	17.40%
Al Maha Holding Company (FZE)	429613509	9.21%
IGCF SPV 4 Limited	250000000	5.36%



**e. Major events in 2014:**

**1. Air Arabia participates at the Bahrain International Airshow (BIAS)**

Air Arabia participated at the Bahrain International Airshow (BIAS) where it displayed its new generation Sharklet equipped aircraft and showcased latest technology and cabin configuration.

**2. Air Arabia receives the 6000th Airbus A320 as part of its fleet**

Air Arabia took delivery of its 37th aircraft, the 6000th Airbus A320 made to date. The aircraft, which has been adorned with a commemorative 6000th logo, was unveiled at a ceremony in Hamburg, Germany, attended by senior officials from Air Arabia, Airbus and CFM as well as the entire Airbus technical team.

**3. Air Arabia extends availability of mobile application to Android**

Air Arabia extended its mobile reach with the launch of its smartphone application on Android. The Air Arabia app, which was already available on Apple iOS since, will now also be available to download on all android smartphones through Google Play. The free to download mobile application allows passengers to purchase tickets, review and amend bookings, as well as select seats using their smartphone. The app also provides customers with connectivity to the airline's website and call centers, as well as offering an abundance of travel information.

**4. Air Arabia starts operations from RAK International Airport**

Air Arabia started operations from Ras Al Khaimah, with an official ceremony attended by His Highness Sheikh Mohamed Bin Saud Al Qasimi, Crown Prince of Ras Al Khaimah, His Excellency Engr. Sheikh Salem Bin Sultan Al Qasimi, Chairman, Department of Civil Aviation (DCA), Ras Al Khaimah, and His Excellency Sheikh Abdullah Bin Mohammad Al Thani, Chairman of Air Arabia.



#### 5. Air Arabia's Group Chief Executive wins Airline Business Award

Adel Ali, Group Chief Executive of Air Arabia won the "Airline Business Award" at the esteemed Airline Strategy Awards 2014. Ali received the Award in recognition of Air Arabia's commitment to offer high-quality, low-cost travel solutions to passengers in the Arab world and beyond.

#### 6. Air Arabia named 'Global Growth Companies' 2014 by the World Economic Forum

Air Arabia was named among the World Economic Forum's prestigious Global Growth Companies (GGCs) for 2014. Air Arabia joins 27 other GGCs across Europe, Eurasia and the Middle East, representing a broad cross section of industry sectors.

#### 7. Double win for Air Arabia at Aviation Business Awards 2014: 'Low Cost Airline of the Year' Award and Adel Ali, Group CEO of Air Arabia, took home the 'Personal Achievement Award'

Air Arabia won two awards at the esteemed Aviation Business Awards 2014. For the second consecutive year, Air Arabia was awarded 'Low-Cost Airline of the Year' title in the category which distinguished the top performing low-cost airline in the region, based on financial and operational indicators. In addition, Adel Ali, Air Arabia's Group CEO, won the 'Personal Achievement Award'. The title honoured the achievements of Mr Ali, a respected figurehead within the Middle East's aviation industry, for his efforts leading Air Arabia to success over the past 11 years. He was also recognised for his contribution to the overall airline industry's growth, while raising the benchmark for regional and global excellence in the sector.

#### 8. Dubai Islamic Bank signs US\$230 million aircraft financing deal with Air Arabia

Air Arabia and Dubai Islamic Bank (DIB) announced the signing of an aircraft financing deal to facilitate the delivery of six new Airbus A320 aircrafts in 2015. The US\$230 million Ijara facility will finance the delivery of a new aircraft every two months starting January 2015, the program culminating with the final unit being handed over by the end of the year.

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

#### • Appendix 1

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

Board Meeting no.	Date	Sheikh Abdullah	Dr. Ghanem	Adel Ali	Sheikh Mohammed	Abdulwahab Al Romi	Teryam Mattar	Arif Naqvi
1	20.1.2014	Y	Y	Y	Y	Y	Y	Y
2	17.2.2014	Y	Y	Y	Y	Y	Y	Y
Board Meeting no.	Date	Sheikh Abdullah	Dr. Ghanem	Adel Ali	Sheikh Mohammed	Sheikh Khalid	Ali Midfa	Arif Naqvi
3	14.4.2014	Y	Y	Y	Y	Y	Y	Y
4	12.5.2014	Y	Y	Y	Y	Y	Y	Y
5	15.7.2014	Y	Y	Y	Y	Y	Y	Y
6	9.8.2014	Y	Y	Y	Y	Y	Y	Y
7	10.11.2014	Y	Y	Y	Y	N	Y	Y

#### • Appendix 2

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

Audit Committee Meeting	Date	Sheikh Mohammed	Abdulwahab	Taryam
1	16.2.2014	Y	Y	Y
Audit Committee Meeting	Date	Sheikh Mohammed	Sheikh Khalid	Ali Midfa
2	5.8.2014	Y	Y	Y
3	7.8.2014	Y	Y	Y
4	9.11.2014	Y	Y	Y

#### • Appendix3

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

Remuneration Committee meeting	Date	Dr. Ghanem	Skh. Khalid	Ali
1	11.12.2014	Y	Y	Y

