



ANNUAL
REPORT
2017

العربية للطيران
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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 VISION

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

- Profit Margin
- Innovation
- Reputation
- Operational Excellence



OUR MISSION

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

To achieve this we will:

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



CHAIRMAN & GROUP CEO LETTER

Dear Shareholders,

It gives us great pride to say that 2017 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 Dr. Sheikh 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.

Many global and regional, political and economic events continue to make the trading conditions more challenging for the aviation market. Airlines in the region remain faced with geo-political challenges that make the operating environment costly and unpredictable. We have experienced such events in 2017 and we expect this to continue. None the less, 2017 have seen the global economic growth picking up in an accelerating pace; notably in investment, trade and industrial production. Moreover, The IMF had raised its forecasts for global economic growth during 2018 by 0.2% to 3.9% up from 3.7% in 2017 and 3.6% in 2016. We have seen the Euro zone grow at a ten-year high and unemployment at a 9-year low. This was complemented by solid growth in China beating its targeted growth of 6.5 per cent. Even Russia, which has struggled for several years because of low oil prices and economic sanctions, has seen modest growth in 2017. The positive growth sentiment from the global markets has had its positive impact on the MENA economy. We have seen solid stability in the Egyptian economy, notable growth in the Moroccan economy and improved trading dynamics in the GCC markets. Combined with Air Arabia's management efficiency, aggressive expansion and rigid cost control measures; this positive improvement in global and regional markets has influenced the all-time record profit that Air Arabia registered in 2017.

2017 saw Air Arabia adding 21 new routes to its global network from its five operating hubs in the UAE, Morocco, Egypt and Jordan. We took delivery of 4 new aircraft and ended the year with a fleet of 50 Airbus A320 aircraft operating to 145 routes across the Middle East, Africa, Asia and Europe. Moreover, in 2017, Air Arabia signed a lease agreement for six Airbus A321neo Long Range aircraft. These additional aircraft will join Air Arabia's fleet starting 2019 and will help the airline better serve its existing network as well as enter longer range routes in the near future.

We have added five new routes from our main hub at Sharjah International Airport to Baku, in Azerbaijan; Trabzon in Turkey; Hargeisa, in Somalia; Sohar, in Oman; and Asmara in Eritrea. Our second base in Morocco continued to witness solid organic growth and we have managed to launch fifteen new routes between Morocco and Europe as follows: From Fez to London, in UK; Lyon and Strasbourg, in France; Brussels, in Belgium; Rome, in Italy; Barcelona, in Spain; and a domestic route to Marrakech in Morocco. The airline also opened a new base in Agadir and launched flights to: Munich and Cologne, in Germany; Manchester, in UK; Copenhagen, in Denmark; Toulouse, in France; Stockholm, in Sweden; and Dublin, in Ireland. Air Arabia Maroc also launched flights from Casablanca to Catania, in Italy. A lot of preparatory work to grow Egypt base went on full prod in 2017 and we expect to see notable growth coming from Egypt in 2018. Jordan hub on the other hand has been operating charter flights since November 2017. This decision was taken by the management of the airline until Air Arabia Jordan receives a commercially viable schedule that best serves its customer base.

Among the many recognitions that we received in 2017 was winning the "Outstanding Performance – Robust Performance and Community Initiatives" award by the Aviation Achievement Awards 2017 at its Aviation Annual Gala Evening. We are proud of such recognitions as it cements our position on the global scene as well as the Arab world preferred airline of choice.

Air Arabia's growth in 2017 was supported by a strong 8.5 million passenger and an addition of 21 new routes. We are proud to say that Air Arabia can now fly you to over 145 routes across the globe. We have also remained loyal to our low cost philosophy and continued to drive our operational costs lower and collective efforts in cost control resulted in a 6% decrease in our direct cost for the year. We have significantly increased our investment in our fleet growth and maintenance especially through the base maintenance hangar that we operate at Sharjah Airport. In addition to the strong operating results, 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.

The regional aviation long term outlook remains a solid one. Air transport in the region has become the only rapid transportation network for people and goods as well as a key dominant economic pillar for GDP growth. The MENA region continues to witness sustainable growth in aviation, driven by the underlying demand for air travel, major investments undertaken in aviation infrastructure in the region as well as the region's hub position that now ranks third in international passenger traffic worldwide. Among the notable trends we witnessed in 2017 was the improvement in yield margins in the fourth quarter 2017 which is a positive indicator for 2018 if such improvement continues. We believe that airlines, more than ever, are now driven to focus on cost control measures that are within hands to drive cost baseline lower coping

up external challenges such as rising airport charges, fuel price volatility, and currency fluctuations in some markets as well as geo-political challenges.

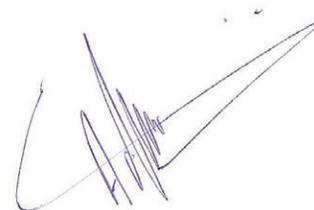
During last year's Annual General Meeting, the Board proposition of a 7% cash dividend was ratified. This is a testament to our promise of continuous return to our investors. Last year we have continued our legacy of being one of the world's most profitable airlines and registered a record net profit of AED 662 million for 2017 while revenues reached AED3.8 billion, demonstrating the strong management team and the efficiency of Air Arabia's business model. The strong full year financial record have seen the fourth quarter 2017 reporting a net profit of AED 26 million, an increase of 177 per cent compared to a net loss of AED 33 million registered in the last quarter of 2016. The solid operating metrics and high seat load factor that Air Arabia achieved in the fourth quarter were positively impacted by improvement in yield margins and capacity rationalisation that the market have seen in the last quarter. We believe that the improvement in the oil price that we have recently witnessed will continue to positively impact the regional economy. As we remain highly confident of the long term prospects of the regional aviation market, 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 75 million customers who chose to fly Air Arabia since our first flight; and as always to shareholders for your continued support.

Yours Sincerely,



Abdullah Bin Mohammed Al Thani
Chairman



Adel Abdullah Al Ali
Board Member and Group CEO

THE YEAR 2017 IN REVIEW



Air Arabia delivers strong 2016 net profit of **AED 509 million**

Air Arabia inaugural **Baku** flight takes off

Air Arabia Maroc reinforces its base in Fez by announcing the addition of **14 new international flights**, and a new **domestic flight**

Air Arabia shareholders approve **seven percent** cash dividend at Annual General Meeting

Air Arabia Maroc launches 6th destination to **Italy – Catania**

Air Arabia adds **Trabzon** to Turkey network





Air Arabia Maroc announces opening of new base in **Agadir**

Sheraa (The Sharjah Entrepreneurship Center) and Air Arabia collaborate to launch '**Travel and Tourism**' track

Air Arabia's award-winning 'Charity Cloud' program celebrates **10th anniversary**

Air Arabia reports strong first quarter 2017 net profit of **AED103 million**

Hargeisa joins Air Arabia's growing African network

Air Arabia Maroc celebrates **8th anniversary**

Air Arabia Maroc launches weekly flights to **Paris from Marrakesh**

Air Arabia Maroc launches direct flights between **Rome and Fez**

Through its Corporate Social Responsibility programs, Air Arabia collaborates with **57357** Children's Cancer Hospital in Egypt demonstrating the power of hope

Q3

Air Arabia posts strong second quarter net profit of **AED 158 million, up 21%**

Air Arabia touches down in **Trabzon, Turkey**



Air Arabia commences operations at **Sohar Airport in Oman**



Air Arabia receives '**Outstanding Achievement**' award

Air Arabia opens new **sales office** and city check-in services in Dubai

Air Arabia Maroc inaugurates **Paris and London** from Marrakesh

Air Arabia posts strong third quarter net profit of **AED 376 million, up 27%**

Air Arabia adds **Sheremetyevo** Airport to Russia network, boosts Moscow flights to two airports and double-daily service

Air Arabia expands in Africa, adds **Eritrea** to its network

Air Arabia to boost Turkish network with new summer route to **Bodrum**



Air Arabia Maroc
inaugurates
Agadir base

Air Arabia leases **six
new Airbus A321neo
LR' aircraft** to serve
longer range routes



Air Arabia selects
**AFI KLM E&M for
CFM56-5B** engine
support of growing
A320 fleet

CORPORATE SOCIAL RESPONSIBILITY

Air Arabia was among the first to introduce a sustainable Corporate Social Responsibility 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.

In 2017, 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. Multiple clinics were refurbished and a continuous supply of necessities provided.

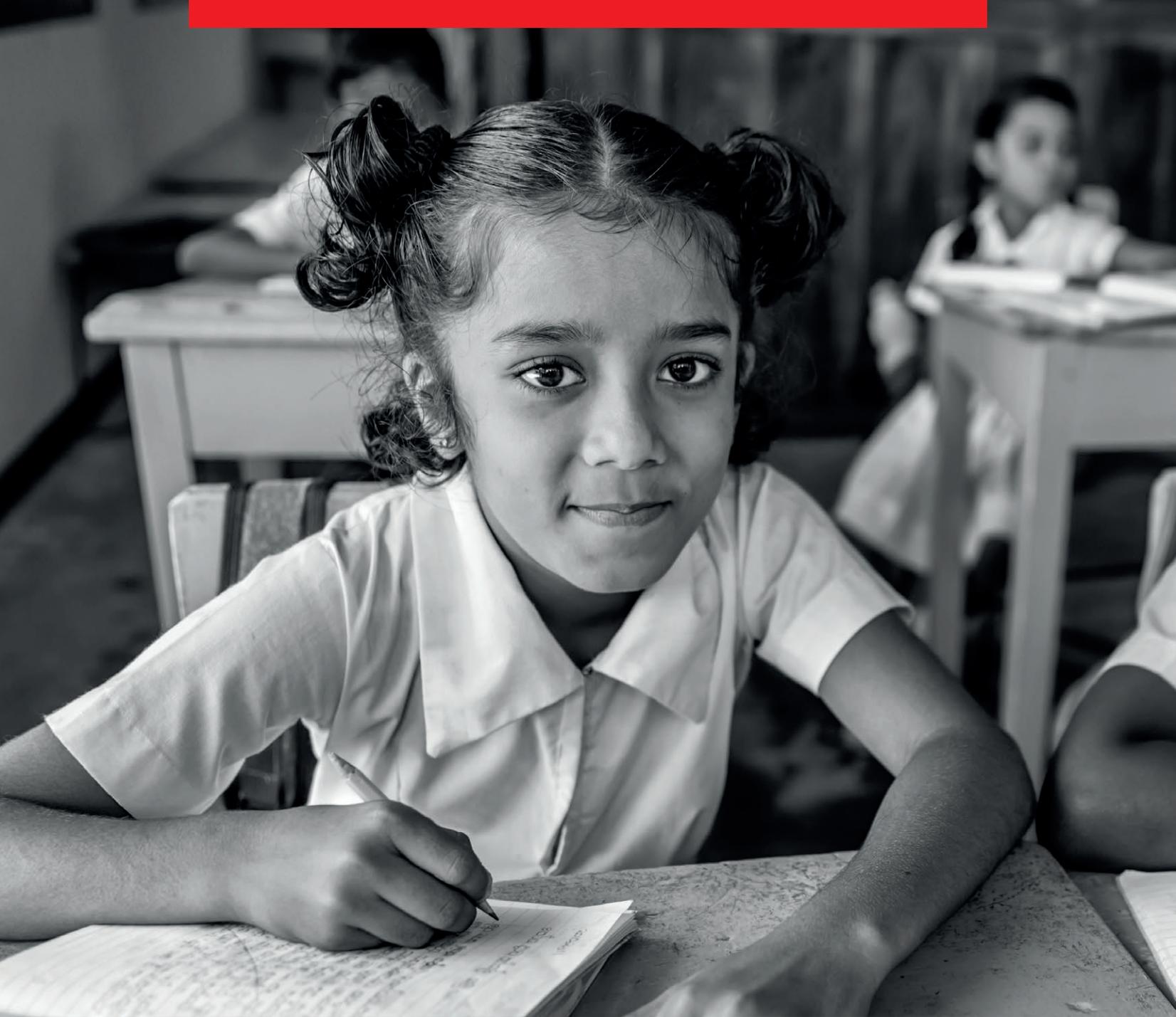
Also, paying special attention to educating the future generations, Charity Cloud set up several educational centers and schools across the Air Arabia network.

Apart from the health and educational projects across the region, Air Arabia has also worked on other social initiatives. With the facilitation of the children's cancer clinic in Egypt, 57357, and the staff at Air Arabia, the Airline realized the dreams of two young Egyptian children who dreamed of taking to the skies. The 'Hope is a waking dream' initiative, undertaken in the spirit of the holy month of Ramadan, and in line with the UAE's 2017 'Year of Giving' drive, saw Air Arabia staff flying two young dreamers to Sharjah, where they got the chance to live a day in the life of an Air Arabia Pilot and flight attendant.

Projects completed in 2017 include:



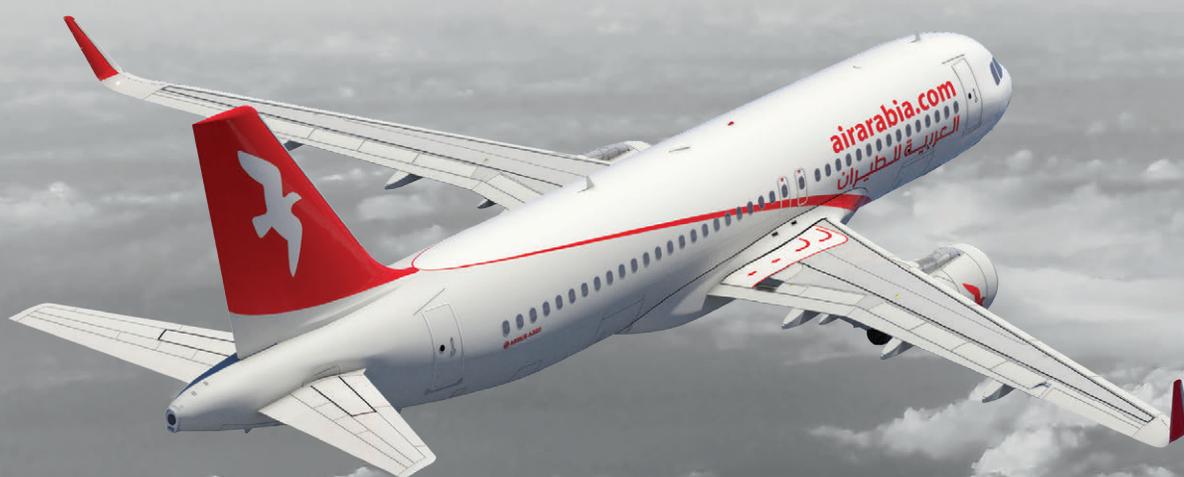
Initiated a school in Kenya that accepts around 350 students	Kenya
Charity Cloud Clinic in Sri Lanka	Sri Lanka
Distribute food packages to orphans	Jordan
Charity Cloud Clinic in Bangladesh	Bangladesh
Refurbishment of existing Charity Cloud Clinic	Sudan
Initiated the ER room in 57357 Children Cancer Hospital	Egypt
Hope is a waking Dream initiative at 57357 Children's Cancer Hospital	Egypt
Initiate the Charity cloud education center	Bangladesh



AWARDS

Air Arabia continues to be recognized, locally and internationally, for its strong performance and community efforts. In 2017, Air Arabia won “Outstanding Performance – Robust

Performance and Community Initiatives” by the Aviation Achievement Awards 2017 at the Aviation Annual Gala Evening 2017 that took place in Dubai, UAE.



STATISTICAL HIGHLIGHTS

**AED
3.41 billion**

Total dividend distributed to our shareholders to date!

**AED
13 billion**

Total assets today!

**145
routes**

Air Arabia's global reach in just 14 years!

**50
aircraft**

Air Arabia's current fleet

5 hubs

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

**75
million**

Passengers carried to date...and still counting!

**AED 662
million**

Air Arabia's net profits for the year 2017!

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 13 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 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)



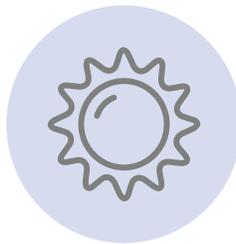
Flight Operations

- 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)



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 4 new aircraft in 2017, and thus has a total of 50 aircraft in its fleet.

This means that Air Arabia has taken delivery of all of the 50 A320 aircraft ordered back in 2007. The airline had later confirmed the order of 5 additional aircraft out of which 2 was received in 2017. The remaining 3 will be received in 2018.

Moreover, in 2017, Air Arabia signed a lease agreement for six Airbus (A321neo Long Range) aircraft. These additional aircraft will join Air Arabia's fleet starting 2019 and will help the airline better serve its existing network as well as enter longer range routes in the near future. The new aircraft will join Air Arabia's existing fleet of 50 A320 aircraft that serve over 145 routes from five hubs in the UAE (Sharjah and Ras Al Khaimah), Morocco, Egypt and Jordan.



BRINGING THE WORLD CLOSER TOGETHER

Air Arabia's ambitious network expansion strategy was central to the significant growth in the passenger numbers witnessed in 2017.

Air Arabia added five new routes from its main hub at Sharjah International Airport to Baku, in Azerbaijan; Trabzon in Turkey; Hargeisa, in Somalia; Sohar, in Oman; and Asmara, in Eritrea.

Air Arabia Maroc added fifteen new routes in 2017. From Fez to: London, in UK; Lyon and Strasbourg, in France; Brussels, in Belgium; Rome,

in Italy; Barcelona, in Spain; and an internal route to Marrakech in Morocco. The airline also opened a new base in Agadir and launched flights to: Munich and Cologne, in Germany; Manchester, in UK; Copenhagen, in Denmark; Toulouse, in France; Stockholm, in Sweden; and Dublin, in Ireland. Air Arabia Maroc also launched flights from Casablanca to Catania, in Italy.

Today, the Air Arabia brand can fly you to 145 routes across the Europe, Asia and Africa from 4 different countries.



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 7th edition of the Arab Aviation Summit (AAS), bringing together government personnel, regulators, aviation professionals and media 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 heavy-weights 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 His Highness Sheikh Ahmed bin Saeed Al Maktoum, President of the Dubai Civil Aviation Authority, Chairman and Chief Executive, Emirates Airline and Group, 2017 edition took place in Dubai, UAE. Themed "Time to Transform: Addressing sustainability challenges and opportunities for the regional aviation sector", the summit was attended by more than 200 industry participants from 15 Arab countries.

Last year, the event was held in Jordan, at the Dead Sea under the patronage of H.E Minister of Tourism and Antiquities, Lina Annab. 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.



CORPORATE GOVERNANCE REPORT

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.

In 2017, no board members traded 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 of 2017. Nomination for the membership of Air Arabia's board was opened on the 16th February 2017 for 10 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 required prior to the AGM. The AGM convened on the 5th of March 2017, and through cumulative secret voting the following board of directors was elected for a period of three years:

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
Waleed Ibrahim Al Sayegh	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

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. Ali has more than 30 years in aviation world & strategic planning, his deep knowledge in tourism and commercial operations are well reflected in Air Arabia's performance since 2003.



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 & 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 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.



H.E. Waleed Ibrahim Al Sayegh

Air Arabia Board Member since 2017, Director General Sharjah Central Finance Department

With an extensive experience in the fields of Investments and Finance, H.E. Mr. Waleed Al Sayegh is the Director General of Sharjah's Central Finance Department, and a member of UAE's Federal Finance policies committee.

He is also the Chief Executive Officer of Sharjah Asset Management, Sharjah's sovereign investments vehicle, Chairman of Sharjah Holding, and Board member of Tilal Real-estate.

Mr. Al Sayegh's expertise extends in areas of governmental accounting, budgets, management and administration, strategic management, and crisis management. Within the span of 25 years, HE has worked for several private and public entities in the United Arab Emirates.

Membership in other Public Companies in UAE:

1. Shk Abdullah Bin Mohammed Al Thani: Besides chairing Air Arabia board of directors, H.E. is the Deputy Chairman of Al Buhairah Insurance Company.

b. Female representation in the board:

The current board was elected during 2017's AGM. Even though none of the board members are females, females are present in the senior management team.

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 last in 2017, and all nominees were males.

d. Board Remuneration:

1. 2017's AGM approved AED 3.85 M as remuneration for the year 2016.

2. The board of directors recommended AED 5.875M /- as remuneration for the year 2017.

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 presented 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 4.35M per year plus accommodation and transportation.

Senior Management team: which is formed of 5 members, and their total remuneration is AED 6.8M which includes, Salaries, Allowances, and children's education.

The corporate structure is presented in appendix 4.

4. 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 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 500,000/-. 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:

Mr. Waleed Al Sayegh	Chairman
Sheikh Khalid Al Qassimi	Member
Dr. Ghanem Al Hajiri,	Member

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

The general duties of the committee are as follows:

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

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

b. Table with meeting dates and attendees:

Furthermore, appendix 2 contains the committees meetings and attendance during the year.

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:

Shk Mohammed Al Thani	Chairman
Sheikh Khalid Al Qassimi	Member
Mr. Waleed Al Sayeg	Member

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

- A) Set the board's nominations policy, one that supports a mixed gender board.
- B) Manage the process of board nomination, in line with the rules and regulations governing it including SCA's Chairman's resolution number 7/2016.
- C) Ensure that independent directors continue to be independent for the duration of their terms of office.
- D) Articulate a policy governing board members remuneration, staff bonuses, benefits, incentives and salaries; this is to be reviewed on an annual basis.
- E) Review the board structure, and raise recommendations.
- F) Identify the company's needs of senior executive management, and other members of the management team and defining the criteria of selection.
- G) 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.

10. Details of violations committed

None.

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

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.

In 2017, 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. Multiple clinics were refurbished and a continuous supply of necessities provided. Gifts were distributed during Eid for those in need. Also, paying special attention to educating the future generations, Charity Cloud set up several educational centers and schools.

Apart from the health and educational projects across the region, Air Arabia has also worked on other social initiatives. With the facilitation of the children's cancer clinic in Egypt, 57357, and the staff at Air Arabia, the Airline realized the dreams of two young Egyptian children who dreamed of taking to the skies. The 'Hope is a waking dream' initiative, undertaken in the spirit of the holy month of Ramadan, and in line with the UAE's 'Year of Giving' drive, saw Air Arabia staff flying in the two young dreamers to Sharjah, where they got the chance to live a day in the life of an Air Arabia Pilot and flight attendant.

The airline is sensitive to individuals with special needs and assistance is always provided at airports and during travel, and accordingly has set aside special services to cater to their needs, and considered them in all infrastructure plans.

During the year, Air Arabia has made contribution in local events and sponsorships of approximately 5.6 Million AED.

Some projects completed in 2017 include:

Initiated a school in Kenya that accepts around 350 students.	Kenya
Charity Cloud Clinic in Sri Lanka	Sri Lanka
Distribute food packages to orphans	Jordan
Charity Cloud Clinic in Bangladesh	Bangladesh
Distributed gifts to orphans	Egypt
Built a room next to the Charity Cloud Clinic	Sudan
Initiated the ER room in Cancer Hospital	Egypt
Distribute gifts to Abu el Rayyes hospital	Egypt
Hope is a waking Dream initiative at 57357 Children's Cancer Hospital	Egypt
Initiate the Charity cloud education center	Bangladesh
Charity Cloud Clinic in Sri Lanka	Sri Lanka

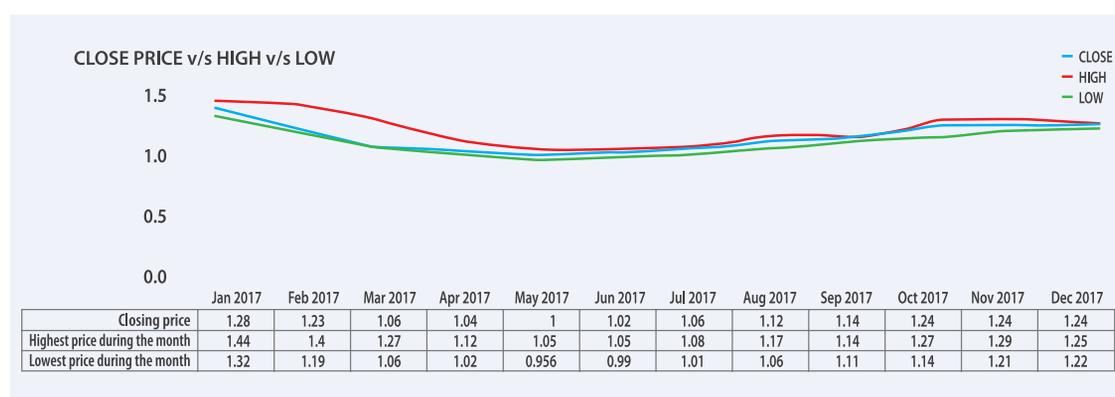
Finally, as an effort towards contributing to and preserving the environment, Air Arabia adopts a policy of adding only brand new aircraft to the fleet to avoid unwanted emissions and reduce

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 by month end:

Lowest Price	Highest Price	Closing price	Month
1.320	1.440	1.380	Jan 2017
1.190	1.400	1.230	Feb 2017
1.060	1.270	1.060	Mar 2017
1.020	1.120	1.040	Apr 2017
0.956	1.050	1.000	May 2017
0.990	1.050	1.020	Jun 2017
1.010	1.080	1.060	Jul 2017
1.060	1.170	1.120	Aug 2017
1.110	1.140	1.140	Sep 2017
1.140	1.270	1.240	Oct 2017
1.210	1.290	1.240	Nov 2017
1.220	1.250	1.240	Dec 2017



b) Air Arabia Share price performance vs. market and sector during the year:



c) Air Arabia Ownership breakdown by year end:

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	18.02%
AL MAHA HOLDING COMPANY (FZE)	429,613,509	9.21%
Mashreq Bank	276,590,887	5.92%

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	12,401	166,516,509	3.57 %
50,000 to 500,000	2,278	312,437,018	6.70 %
500K to 5M	584	813,654,281	17.44%
More than 5M	123	3,374,092,192	72.30%
Total	15,386	4,666,700,000	100 %

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 division's 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: 065088977, 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 2017:

- Q1
- Air Arabia delivers strong 2016 net profit of AED 509 million
 - Air Arabia Maroc reinforces its base in Fez by announcing the addition of 14 new international flights, and a new domestic flight later in June
 - Air Arabia shareholders approve seven percent cash dividend at Annual General Meeting
 - Air Arabia inaugural Baku flight takes off
 - Air Arabia adds Trabzon to Turkey network
 - Air Arabia Maroc launches 6th destination to Italy – Catania

- Q2
- Air Arabia Maroc announces opening of new base in Agadir later in October
 - Sheraa and Air Arabia collaborate to launch 'Travel and Tourism' track
 - Air Arabia's award-winning 'Charity Cloud' program celebrates 10th anniversary
 - Air Arabia Maroc celebrates 8th anniversary
 - Air Arabia reports strong first quarter 2017 net profit of AED103 million
 - Air Arabia Maroc launches direct flights between Rome and Fez
 - Two children from 57357 Children's Cancer Hospital in Egypt learn that the power of hope makes everything possible
 - Hargeisa joins Air Arabia's growing African network
 - Air Arabia Maroc launches weekly flights to Paris from Marrakesh

- Q3
- Air Arabia touches down in Trabzon, Turkey
 - Air Arabia commences operations at Sohar Airport
 - Air Arabia posts strong second quarter net profit of AED 158 million, up 21%

- Q4
- Air Arabia Maroc inaugurates Agadir base
 - Air Arabia opens new sales office and city check-in services in Dubai
 - Air Arabia Maroc inaugurates Paris and London from Marrakesh
 - Air Arabia posts strong third quarter net profit of AED 376 million, up 27%
 - Air Arabia leases six new Airbus A321neo LR' aircraft to serve longer range routes
 - Air Arabia selects AFI KLM E&M for CFM56-5B engine support of growing A320 fleet
 - Air Arabia receives 'Outstanding Achievement' award
 - Air Arabia expands in Africa, adds Eritrea to its network
 - Air Arabia adds Sheremetyevo to Russia network, boosts Moscow flights to double-daily
 - Air Arabia to boost Turkish network with new summer route to Bodrum

i) UAE Nationals Percentage: 1%

j) Innovations During the year:

Efficiency Program: Air Arabia initiated an internal efficiency program to monitor costs and enhance productivity, which has directly resulted in saving operational costs during the year.

6 year maintenance brought in-house: Air Arabia Maintenance team has successfully completed the 6 year check in house, a milestone that will contribute significant savings to the group.

Abdullah Bin Mohammed Al Thani
Chairman of the Board

Appendix 1

Meetings Dates & Attendees of Air Arabia Board Of Directors during the year

"Y", "N"

Board Meeting number	Date	Shk. Abdullah	Dr. Ghanem	Adel Ali	Shk. Mohammed	Shk Khalid	Ali Midfa	Arif Naqvi
1	08 - 02 - 2017	Y	Y	Y	Y	Y	Y	N
Board Meeting number	Date	Shk. Abdullah	Dr. Ghanem	Adel Ali	Shk. Mohammed	Shk Khalid	Waleed	Arif Naqvi
2	07 - 05 - 2017	Y	Y	Y	Y	Y	Y	N
3	07 - 08 - 2017	Y	Y	Y	Y	Y	Y	N
4	09 - 09 - 2017	Y	Y	Y	Y	Y	Y	Y
5	05 - 11 - 2017	Y	N	Y	Y	Y	Y	Y

Appendix 2

Meetings Dates & Attendees of the Audit Committee and attendance:

"Y", "N"

Audit Committee Meeting	Date	Shk. Mohammed	Shk Khalid	Adel Ali
1	08 - 02 - 2017	Y	Y	Y
Audit Committee Meeting	Date	Waleed	Shk Khalid	Dr. Ghanem
2	05 - 06 - 2017	Y	Y	N
3	07 - 08 - 2017	Y	Y	Y
4	24 - 08 - 2017	Y	Y	N
5	05 - 11 - 2017	Y	Y	N

Appendix 3

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

"Y", "N"

Remuneration Committee Meeting	Date	Shk Mohammed	Shk Khalid	Waleed
1	24 - 09 - 2017	Y	Y	Y

Appendix 4

